



**SEMIRARA
MINING
CORPORATION**

SEMIRARA MINING CORPORATION

2nd Floor DMCI Plaza Building, 2281 Don Chino Roces Avenue
Makati City, Metro Manila, Philippines

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear stockholders:

Please be notified that the Annual Meeting of Stockholders of Semirara Mining Corporation (the "Corporation") will be held on **May 7, 2012, Monday at 10:00 o'clock in the morning at the Fairways Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City, Philippines**, with the following agenda:

1. CALL TO ORDER & PROOF OF NOTICE OF MEETING
2. CERTIFICATION OF QUORUM
3. APPROVAL OF MINUTES OF PREVIOUS MEETING HELD MAY 2, 2011
4. MANAGEMENT REPORT
5. RATIFICATION OF THE ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FROM THE DATE OF THE LAST ANNUAL STOCKHOLDER'S MEETING UP TO THE DATE OF THIS MEETING
6. RATIFICATION OF THE CORPORATION OF THE FOLLOWING:
 1. INTERIM SURETYSHIP
 2. SHAREHOLDER'S SUPPORT FOR CONSTRUCTION OVERRUNS AND
 3. PLEDGE OF 67% OF THE CORPORATION'S SHARES IN SOUTHWEST LUZON POWER GENERATION CORPORATION ("SLPGC")
TO GUARANTEE SLPGC'S LOAN UNDER THE OMNIBUS LOAN AND SECURITY AGREEMENT DATED FEBRUARY 24, 2012 EXECUTED AMONG THE CORPORATION, SOUTHWEST LUZON POWER GENERATION CORPORATION, BDO UNIBANK INC., CHINA BANKING CORPORATION AND BANK OF THE PHILIPPINE ISLANDS
7. ELECTION OF DIRECTORS FOR 2012-2013
8. APPOINTMENT OF AN INDEPENDENT EXTERNAL AUDITOR
9. ADJOURNMENT

Stockholders of record as of **March 20, 2012** will be entitled to notice of, and vote at the said annual meeting or any adjournment or postponement thereof. Validation of proxies shall be held on May 2, 2012, 4:00 o'clock in the afternoon at the office of the Corporation.

On the day of the meeting, you or your duly designated proxy is hereby required to bring this notice, proper authorization and forms of identification, i.e., passport, driver's license, company, GSIS, SSS and the other valid identification to facilitate registration. Our registration starts at exactly 8:45 and closes at 9:45 o'clock in the morning.

Makati City, Metro Manila, March 22, 2012.

For the Board of Directors
By:


JOHN R. SADULLO
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check appropriate box

 Preliminary Information Statement
 Definitive Information Statement
2. Name of Corporation as specified in its charter: **Semirara Mining Corporation**
3. Province, Country, or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification No.: **91447**
5. BIR Tax Identification No.: **000-190-324-000**
6. Address of Principal office: **2/F, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines**
7. Corporation's telephone number, including area code: **(2) 888-3000, 816-7301 to 10**
8. Date, time and place of meeting of Security Holders: **May 7, 2012, 10:00 A.M., Fairways Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City 1220, Philippines**
9. Approximate Date on which the Information Statement is to be sent or given to Security Holders: **April 12, 2012**

10. **In case of Proxy Solicitations:**

Name of Person Filing the Statement/Solicitor: The Management of the Corporation

**Address and Telephone No.: 2/F DMCI Plaza
2281 Don Chino Roces Avenue, Makati City, Philippines
(632) 888-3000/816-7301 to 10**

11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code or Sections 4 and 9 of the Revised Securities Act:

Title of Each Class	Number of Shares of Stock
Common Shares	356,250,000

12. Are any or all of Corporation's securities listed with the Philippine Stock Exchange?

Yes No

Listed at Philippine Stock Exchange: **Common Shares**

SEMIRARA MINING CORPORATION
SEC FORM 20-IS

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NOTICE OF ANNUAL STOCKHOLDERS' MEETING
PROXY FORM
MANAGEMENT REPORT

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed Information Statement will be used in connection with the annual meeting of the stockholders of Semirara Mining Corporation (the "Corporation") to be held on **May 7, 2012, at 10:00 A.M., Fairways Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City 1220, Philippines.**

The Definitive Information Statement will be sent to the stockholders of record as of March 20, 2012 (the "Record Date") at least fifteen (15) business days prior to May 7, 2012 or not later than April 12, 2012.

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The Corporation's complete mailing address is *2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines.*

Item 2. Dissenter's Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (c) In case the corporation decides to invest its funds in another corporation or business outside of its primary purpose; and
- (c) In case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
- (b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
- (c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

Appraisal right is not available for any items of the agenda for the May 7, 2012 stockholders' meeting.

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted Upon

Other than election to office, no director, officer, nominee for election as director or associate of any of the foregoing shall have a substantial interest, direct or otherwise, in any matter to be acted upon at the annual stockholders' meeting.

No director has informed the Corporation that he/she intends to oppose any action to be taken up by the Corporation at the annual stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) As of March 20, 2012 the Corporation has the following outstanding shares:
- | | | |
|---------------|---|-------------|
| Common shares | - | 356,250,000 |
|---------------|---|-------------|
- (b) The Board of Directors of the Corporation has set March 20, 2012, as the record date (the "Record Date") to determine the stockholders of the Corporation entitled to notice of and to vote at the annual stockholders' meeting scheduled on May 7, 2012.
- (c) At the annual stockholders' meeting to be held on May 7, 2012, the holders of common shares as of the Record Date shall be entitled to vote. On the following items, each share of outstanding common stock shall be entitled to one (1) vote: (i) approval of the minutes of the previous meeting of stockholders, (ii) ratification of the acts of the Board of Directors and Officers for the year 2011, (iii) approval and/or ratification of securities that will guarantee the loan obligations of Southwest Luzon Power Generation Corporation ("SLPGC"), a wholly-owned subsidiary of the Corporation, under its Project Debt Facility and the Omnibus and Loan Security Agreement dated February 24, 2012 with a group of Primary Institutional Lenders, namely: Banco De Oro Unibank, Inc, Bank of the Philippine Islands and China Banking Corporation. The securities are in the following forms: interim suretyship, pledge of 67% of the shares held by the Corporation in SLPGC and shareholder's support for construction overruns via equity or subordinated loans and (iv) and appointment of the independent external auditors.

In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name as of the Record Date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected. No discretionary authority to cumulate votes is being solicited.

- (d) **Security Ownership of Certain Record and Beneficial Owners and Management.** - The following table sets forth as of March 15, 2012, the record or beneficial owners of more than five percent (5%) of the outstanding common shares of the Corporation and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner of more than 5% and Relationship with Record Owner	Citizenship	Amount/ Nature of Record/ Beneficial Ownership	Percent of Class
Common	DMCI Holdings, Inc. 3/F Dacon Bldg, 2281 Don Chino Roces Ave., Makati City, stockholder of record ¹	See <i>Schedule 1</i>	Filipino	200,647,533	56.32%
Common	PCD Nominee Corp. (NF), stockholder of record	36,047,274 (10.12%) shares are listed under The Hongkong and Shanghai Banking Corp., Ltd.	Other Alien	48,255,431	13.55%
Common	Dacon Corporation, Dacon Bldg., 2281 Don Chino Roces Ave., Makati City, stockholder of record ²	See <i>Schedule 1</i>	Filipino	43,553,418	12.23%
Common	PCD Nominee Corp., stockholder of record	N.A.	Filipino	42,981,544	12.06%

(e) **Security Ownership of Management.** - The table sets forth as of March 15, 2012 the beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percentage
Common	David M. Consunji	212 ³	Filipino	0.00%

¹ Messrs. David M. Consunji, Isidro A. Consunji, Herbert M. Consunji and Cesar M. Buenaventura shall exercise the voting rights in behalf of DMCI Holdings, Inc.

² Mr. Victor A. Consunji, Jorge A. Consunji and Ms. Ma. Cristina C. Gotianun and shall exercise the voting rights in behalf of Dacon Corporation.

³ 200 shares in indirect beneficial ownership with PCD Nominee Corp. The shares are held by members of the family sharing the same household.

Common	Isidro A. Consunji	256,064 ⁴	Filipino	0.07%
Common	Cesar A. Buenaventura	6,010 ⁵	Filipino	0.00%
Common	Victor A. Consunji	734,759 ⁶	Filipino	0.21%
Common	Jorge A. Consunji	12	Filipino	0.00%
Common	Herbert M. Consunji	10	Filipino	0.00%
Common	Victor C. Macalincag	354,010 ⁷	Filipino	0.10%
Common	George G. San Pedro	40,030 ⁸	Filipino	0.01%
Common	Federico E. Puno	60,010 ⁹	Filipino	0.02%
Common	Ma. Cristina C. Gotianun	243,466 ¹⁰	Filipino	0.07%
Common	Ma. Edwina C. Laperal	1,499 ¹¹	Filipino	0.00%
Common	Jaime B. Garcia	48,036 ¹²	Filipino	0.01%
Common	Denardo M. Cuayo	1,500	Filipino	0.00%
Aggregate Ownership of all directors and officers as a group		1,745,618 ¹³	Filipino	0.49%

The percentages of ownership of the above officers and directors are minimal.

- (f) **Voting trust holders of five percent (5%) or more.** - There are no voting trust agreements or any other similar agreement which may result in a change in control of the Corporation of which the Corporation has any knowledge.
- (g) **Changes in Control.** - From May 2, 2011 to date, there has been no change in control in the Management of the Corporation.
- (h) **Certain Relationship and Related Transactions.** - There has been no transaction or proposed transactions for the last two (2) years, to which the Corporation was or is to be a party, in which any of the directors, executive officers or nominees for directors has direct or indirect material interest. Note 17 of the attached Audited Financial Statements for the period ended December 31, 2011 indicates the Corporation's significant transactions with related parties. Below are the descriptions of said transactions:
1. Continuing Indemnity Agreement dated September 3, 1998 with DMCI-HI and certain related parties whereby the Group, in consideration for guarantees extended by DMCI-HI and related parties in the form of Real Estate Mortgage (REM), standby letters of credit and other credit lines or facilities to secure the Group's indebtedness to various banks and creditors, agreed to indemnify and hold DMCI-HI and related parties free from and against any and all claims, liabilities, demands, actions, costs, expenses and consequences of whatever nature which may arise or result from said corporate guarantees. The Group further agreed to pay a fixed interest rate per annum on all sums

⁴ 254,052 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.

⁵ 6,000 shares are with PCD Nominee Corporation.

⁶ 734,747 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.

⁷ 347,000 shares are with PCD Nominee Corporation and 7,000 shares of which are indirect beneficial ownership held by members of the family sharing the same household.

⁸ 40,000 shares are with PCD Nominee Corporation.

⁹ 60,000 shares are with PCD Nominee Corporation.

¹⁰ 243,347 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.

¹¹ 1,150 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.

¹² 8,006 shares are with PCD Nominee Corporation.

¹³ 1,240,496 shares are indirect beneficial ownership (Messrs. David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal and Victor C. Macalincag).

or monies paid by DMCI-HI and related parties by reason of or in connection with the said corporate guarantees, letters of credit, credit facilities or REM; real properties of this affiliate were already freed from lien effective at the time when these old equipment loans were fully paid. The loans contracted in 2004 and 2005 were still guaranteed by DMCI-HI. Guarantee fees incurred amounted to P=0.30 million in 2010, and P2.62 million in 2009. These are included under "Finance costs" in the consolidated statement of comprehensive income (see Note 21);

2. DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, has transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to P52.90 million, P59.17 million and P166.22 million in 2011, 2010, and 2009, respectively. These are included in Cost of sales under "Cost of coal sales - Outside services" (see Note 19);

DMC-CERI also provides to the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to P=498.42 million, P507.86 million and P500.75 million in 2011, 2010 and 2009, respectively, and are included in Cost of sales under "Cost of coal sales - Hauling and shiplading costs" (see Note 19). The reported expense of the Group is net of freight payment by NPC (billing is cost and freight).

Land lease rental with DMC-CERI amounting to P1.70 million and P13.74 million were accrued during the periods ended December 31, 2011 and 2010, respectively (see Note 13);

3. M&S Company, Inc. (M&S), an affiliate, supplies various supplies and materials to the Parent Company on cash on delivery basis. The Parent Company's total purchases from M&S amounted to P=52.83 million and P48.07 million in 2011 and 2010, respectively. M&S also rents out various equipment used in the Parent Company's operations which amounted to nil and P=110.70 million as of December 31, 2011 and 2010, respectively. This is included in Cost of sales under "Cost of coal sales - Outside services" in the consolidated statements of comprehensive income (see Note 19);
4. DMCI-PC, DMCI-MC, and DMCI Masbate Power Corporation (DMCI-MPC), affiliates under common control of DMCI-HI, entered into an agreement with the Parent Company to assign some of its employees to render services in the specific projects of the said affiliates. The related expenses billed to DMCI-PC, DMCI-MC and DMCI-MPC aggregated to P129.08 million and P121.29 million as of December 31, 2011 and 2010. The amount of P66.04 million and P121.29 million remains outstanding as of December 31, 2011 and 2010, respectively, and are included in Receivables under "Trade - Due to related parties" in the consolidated statements of financial position;
5. Dacon, the ultimate parent of DMCI-HI, upgraded during the year the Parent Company's information technology environment, including the maintenance of its accounting system, Navision, to which related expenses amounting to P=0.32 million are included in Operating expenses under "Office and other expenses" in the consolidated statements of comprehensive income (see Note 20);
6. D.M. Consunji, Inc. (DMCI), an affiliate under common control of DMCI-HI, had transactions with the Group representing equipment rental and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses amounted to P220.49 million, P67.38 million and P69.01 million in 2011, 2010 and 2009,

respectively. These are included in Cost of sales under “Cost of coal sales - Outside Services” (see Note 19).

The Parent Company engaged the services of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses aggregated to P341.04 million. These are included in Cost of sales under “Cost of coal sales - Outside service” (see Note 19). SCPC also engaged the services of DMCI in the ongoing rehabilitation of the power plant. Billing of DMCI was charged to “Construction in progress” account;

7. DMC Urban Property Developers, Inc. (UPDI), an affiliate, had transactions with the Parent Company representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expense amounted to P6.49 million, P6.97 million and P7.78 million in 2011, 2010 and 2009, respectively. These are included in Cost of sales under “Cost of coal sales - Outside services” (see Note 19);
8. Labor cost related to manpower services rendered by DMC-CERI and DMCI employees represents actual salaries and wages covered during the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned;
9. Wire Rope Corporation of the Philippines, an affiliate, had transactions with the Parent Company representing supply of cable wires. The related expenses amounted to nil and P10.4 million in 2011 and 2010, respectively. This is included in Cost of sales under “Cost of coal sales - Materials and supplies” (see Note 19);
10. Royal Star Aviation Inc., an affiliate, transports the Parent Company’s guests and employees from Manila to Semirara Island and vice versa and bills them for the utilization costs of the aircrafts. The related expenses amounted to P=2.75 million and P0.73 million in 2011 and 2010, respectively, and are included in Cost of sales under “Cost of coal sales - Production overhead” in the consolidated statements of comprehensive income (see Note 19);
11. Asia Industries Inc., an affiliate, had transactions with the Parent Company for the rental of parking space to which related expenses amounted to P=0.29 million and P=0.32 million in 2011 and 2010, respectively. These are included in Operating expenses under “Office and other expenses” in the consolidated statements of comprehensive income (see Note 20);
12. In June 2010, SCPC’s accounting and administrative functions, including payroll were handled by the DMCI-PC and charges SCPC for the services rendered. In March 2011, SCPC entered into an Operation and Maintenance Agreement with DMCI-PC for the latter to render management, rehabilitation, operation and maintenance services to SCPC for a period of ten (10) years for a fee equal to the budgeted cost of services plus a mutually agreed mark-up of 5%. Management fees amounted to P=497.40 million and P=216.46 million in 2011 and 2010 (see Note 20). Compensation of SCPC’s key management personnel is paid by the said related party. Hence, the disclosure of compensation required under PAS 24 for key management personnel is included in the financial statements of DMCI-PC; and
13. At a special meeting held on December 1, 2009, the BOD of DMCI-HI approved the assignment to SCPC of DMCI-HI’s rights and obligations under the APA and LLA for an amount equal to at least all costs incurred by DMCI-HI during or relating to its participation in the bidding and acquisition process for the Purchased Assets.

Item 5. Directors and Executive Officers

(a) Names, ages and citizenship of all Directors, including Independent Directors and Executive Officers and all persons nominated or chosen to become such

1. **Directors.** - The following incumbent Directors have been nominated to the Board of Directors for the ensuing year and have accepted their nomination:

No.	Names	Citizenship	Age
1.	David M. Consunji	Filipino	90
2.	Isidro A. Consunji	Filipino	63
3.	Victor A. Consunji	Filipino	61
4.	Jorge A. Consunji	Filipino	60
5.	Cesar A. Buenaventura	Filipino	82
6.	Ma. Cristina C. Gotianun	Filipino	57
7.	George G. San Pedro	Filipino	72
8.	Ma. Edwina C. Laperal	Filipino	50
9.	Herbert M. Consunji	Filipino	59
10.	Victor C. Macalincag (<i>Independent</i>)	Filipino	76
11.	Federico E. Puno (<i>Independent</i>)	Filipino	65

Messrs. David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Herbert M. Consunji, and Cesar A. Buenaventura were formally nominated to the Nomination and Election Committee (Nomelec) by a shareholder of the Corporation, Ms. Ma. Cristina C. Gotianun on March 2, 2012. Ms. Gotianun is the daughter of Mr. David M. Consunji, sister of Messrs. Isidro A. Consunji, Victor A. Consunji and Jorge A. Consunji, and cousin of Mr. Herbert M. Consunji. She is not related to Mr. Cesar A. Buenaventura. Further, Meses. Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal and Mr. George G. San Pedro were nominated by Mr. Isidro A. Consunji on March 5, 2012. Mr. Isidro A. Consunji is the brother of Meses. Gotianun and Laperal. He is not related by affinity or consanguinity to Mr. San Pedro. Finally, Messrs. Victor C. Macalincag and Federico E. Puno, both independent directors, were nominated by Mr. Antonio C. Olizon on March 5, 2012. Mr. Olizon is a stockholder of the Corporation and is not related by affinity or consanguinity to the nominees. The deadline for submission of nominees is not later than March 15, 2012 and the validation of proxy is scheduled on May 2, 2012, 4:00 p.m. at the office of the Corporation and shall be conducted by the Special Committee of Inspectors designated by the Board.

The nominees to the Board for election at the annual stockholders' meeting on May 7, 2012, have served the Corporation for more than five years except for Ms. Ma. Edwina C. Laperal who have served as director only for four years.

The record of attendance of the Board of Directors who were present (✓)/absent (–) during the meetings of the Corporation for the year 2011 is as follows:

Name of Director	2011 Board Meetings					
	Mar-7	Apr-27	May-11 ¹⁴	Jun-21	Jul-14	Nov-9
David M. Consunji	✓	✓	✓	✓	✓	✓
Isidro A. Consunji	✓	✓	✓	✓	✓	–
Victor A. Consunji	✓	✓	✓	✓	✓	✓
Jorge A. Consunji	–	✓	✓	✓	✓	✓

¹⁴ Organizational Meeting.

Herbert M. Consunji	✓	✓	✓	✓	✓	—
Cesar A. Buenaventura	✓	✓	—	✓	✓	✓
Ma. Cristina C. Gotianun	✓	✓	✓	—	—	✓
Ma. Edwina C. Laperal	✓	✓	—	✓	✓	—
George G. San Pedro	✓	✓	—	✓	—	—
Victor A. Macalincag*	✓	✓	✓	✓	✓	✓
Federico E. Puno*	—	—	—	✓	✓	✓

*Independent Director

2. Executive Officers. -

No.	Names	Position	Citizenship	Age
1.	David M. Consunji	Chairman	Filipino	90
2.	Isidro A. Consunji	V-Chairman/CEO	Filipino	63
3.	Victor A. Consunji	President/COO	Filipino	61
4.	Junalina S. Tabor	Chief Finance Officer	Filipino	48
5.	Ma. Cristina C. Gotianun	VP-Administration/Compliance Officer	Filipino	57
6.	George G. San Pedro	VP-Operations/Resident Manager	Filipino	72
7.	George B. Baquiran	VP-Special Projects	Filipino	67
8.	Jaime B. Garcia	VP-Procurement & Logistics	Filipino	56
9.	Denardo M. Cuayo	VP-Business Development	Filipino	47
10.	John R. Sadullo	Corporate Secretary	Filipino	41

The summary of the qualifications of all incumbent Directors, nominees for directors for election at the annual stockholders' meeting and Executive Officers of Corporation is set forth in *Schedule 2* hereof.

- (b) **Term of Office.** - The term of office of the Directors and Executive Officers is one (1) year from their election as such and until their successors shall have been elected and qualified.
- (c) **Independent Directors.** - Under its Revised Code of Corporate Governance, as amended, submitted to the SEC on March 8, 2011, the Corporation is required to have at least two (2) Independent Directors (as defined under the Revised Code of Corporate Governance) or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of the Corporation, whichever is lesser. The two (2) nominees for Independent Directors were nominated on March 5, 2012 by a stockholder of the Corporation, Mr. Antonio C. Olizon and selected by the Nomelec in accordance with the guidelines in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38). DMCI Holdings, Inc. is the majority stockholder of the Corporation. The nominated independent directors are neither stockholders nor directors of DMCI Holdings, Inc.
- (d) **Other Directorship Held in Reporting Companies - Naming each Company. -**

David M. Consunji	▪ Chairman, DMCI Holdings, Inc.
Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	▪ President & CEO, DMCI Holdings, Inc. ▪ Chairman, Universal Rightfield Property Holdings, Inc. ▪ Director, Crown Equities, Inc.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.

Ma. Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Victor C. Macalincag	▪ Independent Director, Crown Equities, Inc. ▪ Director, Republic Glass Holdings, Inc.

(e) **Family Relationship.** - Mr. David M. Consunji is the father of Messrs. Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Ma. Cristina C. Gotianun and Ma. Edwina C. Laperal. Mr. Herbert M. Consunji is the nephew of Mr. David M. Consunji and cousin of Messrs. Isidro A. Consunji, Victor A. Consunji Jorge A. Consunji, Ma. Cristina C. Gotianun and Ma. Edwina C. Laperal.

(f) **Legal Proceedings.** - None of the directors and officers was involved in the past five (5) years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative body to have violated a securities or commodities law.

Except for the following, none of the directors, executive officers and nominee for regular director of the Company is subject to any pending criminal cases:

(1) **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78.** - A complaint for violation of Article 315 (2) (a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as incumbent Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as “a network of 5 world clubs.”

The case was re-raffled to RTC-QC Branch 85 (the “Court”). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants’ sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants’ filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out from the records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

(2) **Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice,**

National Prosecution Service. - These consolidated cases arose out of the same events in the immediately above-mentioned case, which is likewise pending before the DOJ.

In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants, through counsel, recommended that further proceedings be conducted by the Department of Justice. In an order dated February 3, 2004, the Department of Justice designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants' counsel.

- (3) **Power & Synergy, Inc., Complainant vs. David M. Consunji, et. al., Respondents, NPS No. XV-05-INV-10k-03291, Office of the City Prosecutor, Makati City (Libel Case).** - This is a criminal complaint for Libel, which is an offshoot of the complaint filed by the same complainant against several directors and officers of the Corporation docketed as "*Power & Synergy, Inc. vs. David M. Consunji, et. al., NPS No. XV-05-INV-105-01705*" (the "Other Deceit Case"). Allegedly, the libelous accusations against complainant were predicated when the respondents filed their Counter-Manifestation in the Other Deceit Case. In a Resolution dated June 16, 2011, the Prosecutor recommended the dismissal of the complaint.

- (g) **Significant Employees.** - Except for the above directors and officers, the Corporation has no other significant employees (as the term is defined under the SRC and its implementing rules and regulations).

Item 6. Compensation of Directors and Executive Officers

- (a) **Compensation of Directors and Executive Officers.** - All executive officers of the Corporation are elected or appointed by the Board of Directors and serve for one year and until their successors are duly elected and qualified. Set forth below are the names of the CEO and five (5) most highly compensated officers of the Corporation:

<u>Name and Principal Position</u>	<u>Years</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
Isidro A. Consunji Vice-Chairman & CEO				
Victor A. Consunji President and COO				
George G. San Pedro VP & Resident Manager				
Jaime B. Garcia VP-Procurement & Logistics				
Junalina S. Tabor Chief Finance Officer				
	2010	9,756,554.16	43,547,897.64	7,712,780.80
	2011	9,871,875.00	56,056,000.00	3,632,561.43
	2012*	9,871,875.00	56,056,000.00	3,632,561.43
	Total	P 29,500,304.16	P155,659,897.64	P14,977,903.66
All other Directors and Officers as a group	2010	6,859,460.83	15,909,315.29	18,174,806.78
	2011	9,655,401.05	45,335,007.04	5,288,040.99
	2012*	9,655,401.05	45,335,007.04	5,288,040.99
	Total	P 26,170,262.93	P106,579,329.37	P28,750,888.76

**Approximate amounts*

The amount reflected as compensation of the named executive officers represents salary approved by the Corporation's Board of Directors. The amounts indicated in relation thereto are restated to conform to the new accounting standards.

(b) Employment Contracts, Compensatory Plan or Arrangement. - There is no contract covering their employment with the Corporation and they hold office by virtue of their election and/or appointment to office. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under the Corporation's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with the Corporation's By-laws.

(c) Stock Warrants or Options. - There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Corporation.

Item 7. Independent Public Accountant

The accounting firm of Sycip Gorres Velayo & Co. ("SGV") is currently, and for the fiscal year recently completed, the Corporation's independent public accountants, Ms. Jessica D. Cabaluna has been appointed as the partner-in-charge.

Representatives of SGV are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

There have been no changes in or disagreement with the Corporation's accountants on accounting and financial disclosures.

Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the company has engaged the services of SGV as external auditor of the Corporation and Ms. Jessica D. Cabaluna is the Partner-In-Charge for less than five years or starting 2007. There is compliance with SEC Circular No. 8 Series of 2003 and SRC Rule 68(3)(b)(iv) (Rotation of External Auditors).

C. ISSUANCE AND EXCHANGE OF SECURITIES

Not applicable for annual stockholders' meeting.

D. OTHER MATTERS

Item 8. Summary of matters to be submitted to stockholders for approval

- (a) Approval of the Minutes of the Previous Meeting of Stockholders.** - Below is the summary of items and/or resolutions approved at the Annual Stockholders' Meeting last May 2, 2011:
- (1) Approval of the Previous Minutes of the Stockholders' Meeting held on May 4, 2010;
 - (2) Ratification of the Acts of the Board for the year 2010;
 - (3) Approval to pursue Ecozone Development in Balayan and Calaca, Batangas; and
 - (4) Appointment of the SGV & Co., as the Internal Auditor of the Corporation for the year 2010.

- (b) **Ratification of the Acts of the Board of Directors and Officers for the Preceding Year until the Date of the Annual Stockholders Meeting.** - Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Corporation as contained or reflected in the attached annual report and financial statements. The summary of acts and resolutions of the Board of Directors for the year 2011 is set forth in *Schedule 3*.
- (c) **Election of Directors.** - Election of the eleven (11) directors of the Corporation to serve for one (1) year and until their successors are duly elected and qualified.
- (d) **Approval and/or Ratification of Coporation's Interim Suretyship, Pledge of Corporation's 67% shares held in Southwest Luzon Power Generation Corporation ("SLPGC"), Shareholder's Support for construction overruns via equity or subordinated loans.** - In 2007 the Corporation's stockholders approved the Corporation's venture to invest in power generation. In December 2, 2009, the 2x300 MW Batangas Coal-Fired Thermal Power Plant in Batangas ("SEM-Calaca Power Plant") was turned-over by the National Power Corporation to SEM-Calaca Power Corporation ("SCPC"), as winning bidder for the privatization of the said power plant.

In August 31, 2011, SLPGC was incorporated with an authorized capital stock of P10 Billion and paid-up capital of P3 Billion. SLPGC was constituted as the project company that will own and operate the 2x150 MW Coal Fired Thermal Power Plant ("New Plant"). The project cost of the New Power Plant is estimated to be approximately P19.8 Billion and will be constructed adjacent to the SEM-Calaca Power Plant in Calaca, Batangas. On February 1, 2012, the Department of Natural Resources issued to SLPGC its Environmental Compliance Certificate ("ECC") for the New Plant.

In order to partially finance the engineering, procurement and construction costs, interest during construction, taxes and duties, financing fees and costs, legal and consulting costs, and permanent working capital of the New Plant, SLPGC obtained a syndicated ten (10)-year term loan under a Project Debt Facility of up to P14 Billion with BDO Capital & Investment Corporation as Lead Arranger. On February 24, 2012, SLPGC, the Corporation, BDO Unibank, Inc., Bank of the Philippine Island and China Banking Corporation, BDO Capital & Investment Corporation, BPI Capital Corporation and BDO Unibank, Inc.-Trust and Investment Group executed an Omnibus Loan and Security Agreement of P11.5 Billion ("OLSA").

Under the terms of the OLSA, the Corporation is required to issue the following to guarantee SLPGC's obligations:

- (i) Interim Suretyship, the terms of which shall be suspended under the terms of the Project Debt Facility and the OLSA;
- (ii) Shareholder's Support via equity investments in, or subordinated shareholder loans in favor of SLPGC (i) the amount in excess of the Project Cost (or its peso equivalent) required to fund the construction costs of the New Plant, including costs for the installation of a generator circuit breaker, (ii) any and all costs and expenses needed to repair, undertake remedial measures or otherwise address any defect, damage, breakdown or similar incidents involving or sustained by the New Plant that otherwise would have been covered by the warranties of the New Plant's supplier, China National Electric Engineering Co. Ltd. ("CNEEC Warranties") had such warranties been effective for 24 Months from Project Takeover Date, *provided*, however, that the Corporation's obligation to fund any

such costs and expenses shall apply only to any defect, damage, breakdown or similar incident occurring after the expiration of the CNEEC Warranties but not later than 24 Months from Project Takeover Date of the New Plant and (iii) any such defect, damage, breakdown or similar incidents due to the non-installation of a generator circuit breaker for the New Plant (as may be reasonably determined by the Lenders upon consultation with the Lenders' Engineer); and (iii) Pledge of 67% of the Corporation's shares held in SLPGC.

On February 3, 2012, the Corporation's Board of Directors in a special meeting, unanimously approved, confirmed and ratified the following:

- a. the terms of the Project Debt Facility of up to P14 Billion ("PDF") for the 2x150 MW Coal-Fired Thermal Power Plant between SLPGC and **BDO CAPITAL & INVESTMENT CORPORATION**
- b. the execution of the following securities, as required by the PDF, and as contained in the Omnibus Loan and Security Agreement ("OLSA") to be executed by and among the Corporation, **SLPGC, BANCO DO ORO UNIBANK, INC., BANK OF THE PHILIPPINE ISLANDS** and **CHINA BANKING CORPORATION** (collectively as the "Lenders"), as follows:
 - i. Interim Suretyship that will guarantee the repayment of all obligations under the PDF for the amount of the loan to be obtained by SLPGC; and
 - ii. Shareholder's support by the Corporation that will fund the Project's construction cost overruns via equity or subordinated loans;
 - iii. Corporation's pledge of 67% of its shares held in SLPGC;

(e) Appointment of an Independent Auditor

Item 9. Voting Procedures. - The counting and validation of votes shall be supervised by a committee appointed by the Nomination and Election Committee headed by the Corporate Secretary with the assistance of SGV & Co.

(a) Approval of Minutes of Previous Meeting of Stockholders

- (1) Vote required. A majority of the outstanding common stock present provided constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by a show of hands or upon motion duly made and seconded, by secret ballot.

(b) Ratification of the acts of the Board of Directors and Officers

- (1) Vote required. A majority of the outstanding common stock present in person or in proxy provided constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by a show of hands or upon motion duly made and seconded, by secret ballot.

(c) Approval and/or Ratification of the Corporation's Interim Suretyship, Shareholder's Support for construction overruns via equity and subordinated loans, Pledge of the Corporation's 67% shares held in Southwest Luzon Power Generation Corporation, as detailed in Item 8 (d).

- (1) Vote required. Two-thirds (2/3) of the outstanding common stock present provided constituting a quorum.

- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by a show of hands or upon motion duly made and seconded, by secret ballot.

(d) Election of Directors

- (1) Vote Required. The eleven (11) directors receiving the highest number of votes shall be declared elected.
- (2) Cumulative voting applies. Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation as of the Record Date and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The votes shall be counted by a show of hands or upon motion duly made and seconded, by secret ballot.

The quorum required in the election of directors is majority of the outstanding capital stock entitled to vote. The eleven (11) nominees obtaining the highest number of votes in accordance with Section 24 of the Corporation Code shall be proclaimed directors.

(e) Appointment of Independent External Auditor

- (1) Vote required. A majority of the outstanding common stock present provided constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by a show of hands or upon motion duly made and seconded, by secret ballot.

The Corporation's Management does not intend to bring any matter before the meeting other than those set forth in the Notice in the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others.

Item 10. Market for Registrant's Common Equity and Related Stockholder Matters

Please refer to Part II, pages 9-12 of the Management Report attached to this Information Statement.

**PART II
PROXY FORM
SEMIRARA MINING CORPORATION**

Item 1. Identification. This proxy is being solicited by the **MANAGEMENT OF SEMIRARA MINING CORPORATION** (the "**Corporation**"). The Chairman of the Board of Directors or, in his absence, the Vice-Chairman or President of the Corporation will vote the proxies at the Annual Stockholders' Meeting to be held on **May 7, 2012, 10:00 A.M., Fairways Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City 1220, Philippines.**

Item 2. Instructions.

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date, or his duly authorized agent. In case of a stockholder that is a corporation or a partnership, the proxy must be accomplished by the officer or agent that is duly authorized to do so by virtue of an appropriate corporate or partnership resolution.

- (b) Duly accomplished proxies must be delivered to the Corporate Secretary of the Corporation not later than May 2, 2012, 12:00 P.M. at the following address: **SEMIRARA MINING CORPORATION, 2nd Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City.**
- (c) In case of a corporate stockholder, the proxy must be accompanied by a corporate secretary's certificate quoting the board resolution authorizing the relevant corporate officer to execute the proxy for the corporate stockholder.
- (d) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (e) Validation of proxies will be done by the Special Committee of Inspectors designated by the Board on May 2, 2012, 4:00 P.M. at the 2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines. Any dispute which may arise pertaining to the validation shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party.
- (f) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the annual stockholders meeting to be held on May 7, 2012.
- (g) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (h) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20(11)(b).
- (i) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on the matters in (1), (2), (3), (4) and (5) below by checking the appropriate box. **WHERE THE BOXES (OR ANY OF THEM) ARE UNCHECKED, THE STOCKHOLDER EXECUTING THE PROXY IS DEEMED TO HAVE AUTHORIZED THE PROXY TO VOTE IN FAVOR OF THE ITEMS SPECIFIED HEREUNDER.**

The Undersigned hereby appoints:

- (a) **The Chairman of the Board of Directors of the Corporation, or in his absence, the Vice-Chairman or the President of the Corporation, or in their absence,**

(b) _____

as his/her/its Proxy to attend the stockholders' meeting of the Corporation, and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

1. Approval of minutes of previous Annual Stockholder's meeting held on May 2, 2011.

For Against Abstain

2. Ratification of the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to the date of this Meeting.

For Against Abstain

3. Approval and/or Ratification of Corporation's Interim Suretyship and Shareholder's Support for construction overruns via equity or subordinated loans,

Pledge of Corporation's 67% shares held in Southwest Luzon Power Generation Corporation, as detailed in Item 8 (d) of this SEC Form 20-IS.

For Against Abstain

4. Election of Directors.

For all the nominees below, except those whose names are stricken out.

WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW.

(Instructions: TO STRIKE OUT A NAME OR WITHHOLD TO VOTE FOR ANY INDIVIDUAL NOMINEE, DRAW A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW).

Nominees:

1. DAVID M. CONSUNJI
2. CESAR A. BUENAVENTURA
3. ISIDRO A. CONSUNJI
4. VICTOR A. CONSUNJI
5. JORGE A. CONSUNJI
6. HERBERT M. CONSUNJI
7. GEORGE G. SAN PEDRO
8. MA. CRISTINA C. GOTIANUN
9. MA. EDWINA C. LAPERAL
10. FEDERICO E. PUNO*
11. VICTOR C. MACALINCAG*

**Nominated as Independent Directors*

5. Appointment of Sycip Gorres Velayo & Co. as independent external auditor.

For Against Abstain

Item 3. Revocability of Proxy. - Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation. - The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation involving reproduction and mailing of this proxy in an estimated amount of ₱50,000.00, more or less.

Item 5. Interest of Certain Persons in Matters to be Acted Upon. - No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on the matter to acted upon at the annual stockholders' meeting to be held on May 7, 2012.

Date of Proxy (Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).

Number of Shares Held : _____

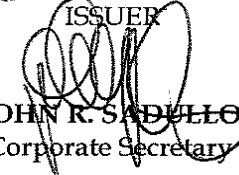
ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE FOLLOWING:

1. NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF;
2. THE CORPORATION'S ANNUAL REPORT INCLUDING MANAGEMENT DISCUSSION AND ANALYSIS AND INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS.
3. AUDITED FINANCIAL STATEMENTS ENDING DECEMBER 31, 2011 AND 2010 INCLUDING THE STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS.
4. TWO (2) PROXY INSTRUMENTS.

**PART III
SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. After reasonable inquiry and to the best of my knowledge and belief, I certify that the information in this report is true, complete and correct.

SEMIRARA MINING CORPORATION

By: 
ISSUER
JOHN R. SADULLO
Corporate Secretary

Makati City, Philippines March 22, 2012.

SCHEDULE 1

The following is a disclosure of the beneficial owners of the shares held by the DMCI Holdings, Inc. in the Corporation as of March 15, 2012:

1.	Dacon Corporation	1,367,761,488	Common	51.51%
2.	PCD Nominee Corporation (NF)	389,006,283	Common	14.65%
3.	PCD Nominee Corporation (F) ¹⁵	362,572,865	Common	13.65%

The following are the two (2) largest beneficial owners of the shares of Dacon Corporation:

Inglebrook Holdings, Inc.	343,330 shares	12.00%
Eastheights Holdings, Inc.	343,330 shares ¹⁶	12.00%

¹⁵ PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Depository and Trust Corporation ("PDTC"), is the registered owner of the shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PDTC participants, who hold the shares on their behalf or on behalf of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

SCHEDULE 2

List of Candidates

In accordance with the Guidelines for Nomination of Directors, Revised Code of Corporate Governance, and SRC Rule 38, the Nomination Committee has selected the following upon nomination to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Directors:

1. **David M. Consunji**, 90, Filipino, is the Chairman of the Board of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is currently the Chairman of the Board of D.M. Consunji, Inc., Dacon Corporation, DMCI Holdings, Inc., Semirara Cement Corp., SEM-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation; and a director of Atlantic Gulf & Pacific Co., Inc. He was the former Secretary of the Department of Public Works, Transportation and Communications from August 23, 1971 to 1975, President of the Philippine Contractors Association, President of International Federation of Asian & Western Pacific Contractors' Association, President of Philippine Institute of Civil Engineers, Vice-President of the Confederation of International Contractors' Association. He also served as the Chairman of the Contractors Association, the Philippine Domestic Construction Board, the Philippine Overseas Construction Board, and the U.P. Engineering Research and Development Foundation, Inc.
2. **Isidro A. Consunji**, 63, Filipino, is the Vice-Chairman, Chief Executive Officer, and the Chairman of the Nomination & Election Committee of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He holds a Masters Degree in Business Economics from the Center for Research & Communication, and Business Management from the Asian Institute of Management. He also took an Advanced Management from IESE School in Barcelona, Spain. He is currently the CEO of SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation. He is also the Chairman and CEO of DMCI Mining Corporation, and Vice-Chairman of DMCI Masbate Power Corporation. He is a Director of Dacon Corporation, M&S Company Inc., DMCI Projects Developers, Inc., Crown Equities, Inc., Semirara Cement Corporation, Universal Rightfield Property Holdings, Inc., and Maynilad Water Services. He is also the President of DMCI Holdings, Inc. He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc.
3. **Victor A. Consunji**, 61, Filipino, is the President, Chief Operating Officer (COO), and a member of the Audit Committee of the Corporation. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is currently the President and COO of SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation; Chairman, President & CEO of Semirara Training Center, Inc.; Chairman and CEO of DMCI Power Corporation; Chairman & President of Sirawai Plywood & Lumber Corp.; Chairman of One Network Bank and Divine Word School of Semirara Island, Inc.; President of Sirawai Plywood & Lumber Corp.; and Vice-President of Dacon Corporation. He is also a Director of D.M. Consunji, Inc., M&S Company, Inc., Dacon Corporation, Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., Ecoland Properties, Inc., DMCI Masbate Power Corporation, and DMCI Mining Corporation.
4. **Jorge A. Consunji**, 60, Filipino, is a Director of the Corporation. He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is currently the Chairman of DMCI Masbate Power Corporation, and Director of DMCI Holdings, Inc., Dacon Corporation, DMCI Project Developers, Inc., SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power

¹⁶ Other beneficial owners of Dacon Corporation with the same number of shares are Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., and Rice Creek Holdings, Inc.

- Corporation, Eco-Process & Equipment Phils. Inc., and Maynilad Water Services, Inc. He is also the President & COO of D.M. Consunji, Inc., and Royal Star Aviation, Inc.; and Vice-President of Divine Word School of Semirara Island, Inc. He was the former Chairman of the Board of Contech Panel Mfg., Inc., and of Wire Rope Corp. of the Philippines. He was the former President of ACEL and Former First Vice-President of Phil. Constructors Association.
5. **Cesar A. Buenaventura**, 82, Filipino, is a Director of the Corporation. He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering. He received his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Bethlehem, Pennsylvania. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II. He is currently the Chairman of Maibarara Geothermal, Inc., and Vice-Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P), DMCI Holdings, Inc., and Montecito Properties, Inc. He is a director of DMCI Holdings, Inc., iPeople, Inc., PetroEnergy Resources Corp, AG&P Company of Manila, Maibarara Geothermal, Inc., Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority. He is the founding Chairman of Pilipinas Shell Foundation, Inc., and founding member of the Board of Trustees of the Makati Business Club. His former affiliations are: President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management; Chief Executive Officer of Shell Group of Companies; Member of the Monetary Board of the Central Bank of the Philippines; Member of the Board of Directors of the Philippine International Convention Center; Member of the Board of Regents of the University of the Philippines. He was also a former director of Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, and Paysetter International Inc.
 6. **Herbert M. Consunji**, 59 years old, Filipino, is a Director and member of the Compensation & Remuneration Committee of the Corporation. He earned his degree of Bachelor of Science in Commerce Major in Accounting at De La Salle University. Currently, he is the Chairman, Subic Water & Sewerage Corp.; CFO, Maynilad Water Services, Inc.; Vice-President & CFO, DMCI Holdings, Inc.; and Partner, H.F. Consunji & Associate. He is also a director of DMCI Holdings, Inc., DMCI Project Developers, Inc., DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Maynilad Water Services, Inc. and Subic Water & Sewerage Corp.
 7. **Victor C. Macalincag**, 76, Filipino, is an Independent Director, Chairman of the Audit Committee, member of the Compensation & Remuneration and Nomination & Election Committees of the Corporation. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. Currently, he is an Independent Director of Ceres Property Ventures, Inc., Crown Equities, Inc., Republic Glass Holdings, Inc., and SEM-Calaca Power Corporation. He was formerly the Undersecretary of Finance from 1986 to 1991, Deputy Minister of Finance from 1981 to 1986, Treasurer of the Philippines from 1983 to 1987, President of Trade & Investment Development Corporation of the Philippines (PHILEXIM) from 1991 to 2001. He was also a director of the Home Guarantee Corporation from 1979 to 2001, the Philippine Overseas Construction Board from 1991 to 2001, the Philippine Long Distance Telephone Company from 1988 to 1995, the National Power Corporation from 1978 to 1986, Universal LRT-7 Corporation from 2003 to 2010, and Philippine Deposit Insurance Corporation from 1983 to 1991. He was Chairman of Pilipinas Bank from 1984 to 1988 and Executive Vice-President of Land Bank of the Philippines from 1981 to 1982. He was also a director of Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation.

8. **George G. San Pedro**, 72, Filipino, is a Director, Vice-President for Operation and Resident Manager of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He used to work for D.M. Consunji, Inc., Dacon Wood Based Companies, DMC-CERI, and CONBROS Shipping Corporation. Currently, he is the President of Divine Word School of Semirara Island, Inc. and Vice-President of Semirara Training Center, Inc.
9. **Federico E. Puno**, 65, Filipino, is an Independent Director and a member of the Audit and Nomination & Election Committees of the Corporation. He is currently an Independent Director of SEM-Calaca Power Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He took up his M.S. Industrial Administration at the Carnegie Mellon University, Pittsburgh, USA. Currently, he is President and CEO of TeaM Energy Corporation and San Roque Power Corporation; a Director of Pampanga Sugar Development Corp. and Lima Utilities Corporation; an Independent Director of Republic Glass Holdings, Corp. and SEM-Calaca Power Corporation. He is also a Consultant of San Fernando Electric. Formerly, he was a Director of Manila Electric Company, RGC Marine and Transport Corp., Nobel Philippines, Inc., Philippine National Oil Co. & Petrophil Corp., Luzon Stevedoring Corp., Philippine Resource Helicopters Inc., Philippine Dockyard Corp., and Union Savings Bank. He was also the President of National Power Corporation, San Roque Power Corp., Republic-Asahi Glass Corp., and Republic Glass Holdings, Corp.; Chief Financial and Management Services of the Ministry of Energy, Assistant Treasurer of the Ministry of Finance, and Ministry Energy Representative of the National Electrification Administration.
10. **Ma. Cristina C. Gotianun**, 57, Filipino, is a Director, Chairman of the Remuneration & Compensation Committee, Vice-President for Administration and Compliance Officer of the Corporation. She is a graduate of B.S. Business Economics at the University of the Philippines and majored in Spanish at the Instituto de Cultura Hispanica in Madrid, Spain. She is currently a Director and Corporate Secretary of Dacon Corporation and Vice-President for Finance & Administration/CFO of D.M. Consunji, Inc. She is the Finance Director of DMC-Project Developers, Inc., and Director and Treasurer of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, DMCI Power Corporation, and DMCI Masbate Power Corporation. She is also the Assistant Treasurer of DMCI Holdings, Inc. and a Trustee, CFO and Corporate Secretary of Divine Word School of Semirara Island, Inc.
11. **Ma. Edwina C. Laperal**, 50, Filipino, is a Director of the Corporation. She is a graduate of B.S. Architecture at the University of the Philippines. She also took her Master's Degree in Business Administration in the same University. She is currently the Director and Treasurer of DMCI Holdings, Inc., and DMCI Project Developers, Inc.; Director of SEM-Calaca Power Corporation; Treasurer of Dacon Corporation and DMC Urban Property Developers, Inc.; and D.M. Consunji, Inc.

Executive Officers:

David M. Consunji*	-	Chairman
Isidro A. Consunji*	-	Vice-Chairman/CEO
Victor A. Consunji*	-	President/COO
George G. San Pedro*	-	VP-Operations/Resident Manager
Junalina S. Tabor	-	Chief Finance Officer
Ma. Cristina C. Gotianun*	-	VP-Administration/Compliance Officer
George B. Baquiran	-	VP-Special Projects
Jaime B. Garcia	-	VP-Procurement & Logistics
Denardo M. Cuayo	-	VP-Business Development
John R. Sadullo	-	Corporate Secretary

**Member of the Board*

1. **George B. Baquiran**, 67, Filipino, is the Vice-President for Special Projects and has held said position for the past five years. He is a graduate of B.S. Geology and also a holder of a Masters Degree in Geology at the University of the Philippines. He has held the position of

- Vice-President held the position of Vice-President for Energy Exploration from June 1979 to January 1982; AVP, Exploration from April 1979 to June 1979; Manager, Exploration from February 1977 to March 1979 in Vulcan Industries and Mining Corporation.
2. **Jaime B. Garcia**, 56 years old, Filipino, is the Vice-President for Procurement and Logistics. He is a graduate of B.S. Management and Industrial Engineering at Mapua Institute of Technology. He took also his Masters in Business Administration at De La Salle University in 1994 and Masters in Business Economics at the University of Asia & the Pacific in 1998. He is currently holding the position of Director of Royal Star Aviation, Inc., and Semirara Cement Corporation, Senior Manager-Purchasing of M&S Company, Inc., and DMC Construction Equipment Resources, Inc. He is an Industrial Engineer by profession.
 3. **Junalina S. Tabor**, 48 years old, Filipino, is the Chief Finance Officer of the Corporation. She graduated with a degree of Bachelor in Science in Commerce, Major in Accounting at Saint Joseph College and is a Certified Public Accountant. She took her Masters in Public Administration at the University of the Philippines in 1993. Prior to joining the Corporation in 1997, she was the State Auditor I, II, & III of the Commission on Audit from 1993 to 1997, respectively.
 4. **John R. Sadullo**, 41, Filipino, is the Corporate Secretary and Legal Counsel of the Corporation. He is a graduate of A.B. Major in Political Science at the University of Santo Tomas. He is a holder of a Bachelor of Laws Degree at the San Beda College of Law, took the BAR exam in 1996 and was admitted in 1997. He currently holds the position of Corporate Secretary of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation. He is also the Assistant Corporate Secretary of Semirara Training Center, Inc. and previously the Corporate Secretary of DMCI Mining Corporation, DMCI Masbate Power Corporation, and DMCI Concepcion Power Corporation.
 5. **Denardo M. Cuayo**, 47, Filipino is the Vice-President for Business Development of the Corporation. He graduated with a degree of BS Electrical Engineering at the University of the Philippines in 1986 and placed 11th at the 1987 Electrical Engineering Board Examinations. Prior to joining the Corporation, he was the Business Development Consultant of DMCI Power Corporation; Asst. Vice-President & Manager, Special Projects of San Miguel Corporation; and Cadet Engineer of Manila Electric Company.

SCHEDULE 3 2011 Summary of Board Acts and Resolutions

1. Regular Meeting held on March 7, 2011:
 - a. Approval of the Corporation's 2010 Consolidated Audited Financial Statements for the period ended December 31, 2010;
 - b. Approval of the Corporation's Budget for the year 2011;
 - c. Setting of May 2, 2011 as the date of the Annual Stockholders' Meeting to be held at the Fairways Room, Manila Golf & Country Club, Harvard Rd., Forbes Park, Makati City; Setting March 21, 2011 as the Record Date; April 26, 2011 at 4:00 p.m. as the date and time when proxies shall be validated; and designating members of the Special Committee of Inspectors on Proxy Validation;
 - d. Approval of the Ecozone Development in Balayan and Calaca, Batangas;
 - e. Approval of the amendment to the Corporation's Revised Code of Corporate Governance;
 - f. Approval of the revised use of proceeds schedule of the stock rights offering last July 2010;
 - g. Approval of the waiver of prescription under the Statute of Limitations of the Bureau of Internal Revenue Code for the year 2007;
 - h. Approval of corporate governance policies, i.e., Related Party Transactions Policy, Business Gift and Entertainment Guidelines, and Audit Committee Event Matrix;

- i. Approval of authority of the Corporation's VP-Procurement & Logistics to sign the Coal Supply Agreement for both export and domestics covering the month of April 2011; and
 - j. Approval of the appointment of SGV & Company as External Auditor.
2. Special Meeting held on April 27, 2011:
 - a. Approval of declaration of cash dividend at P10.00/share payable on June 22, 2011 to stockholders of record as of May 27, 2011; and
 - b. Authority to accept the assignment of SEM-Calaca Power Corporation's option to purchase over a parcel of land covered by TCT No. T-115804 with an area of 82,740 sq.m., more or less.
 3. Special Meeting held on June 21, 2011:
 - a. Authority to invest in the 4x150 MW Circulating Fluidized Bed Power Plant Project in Batangas, through a wholly-owned subsidiary to be incorporated under the name of Southwest Luzon Power Generation Corporation;
 - b. Approval of application for SSS condonation program;
 - c. Approval of application for credit line/accommodation of medical services with Medical Doctors, Incorporated;
 - d. Approval of loan application and account opening with China Banking Corporation;
 - e. Approval of loan application and account opening with Mizuho Corporate Bank, Ltd. - Manila Branch;
 - f. Approval of sale of motor vehicles;
 - g. Approval of account opening/update of records with Metropolitan Bank & Trust Company; and
 - h. Approval of donation of motor vehicle to the Diocese of Bangued.
 4. Special Meeting held on July 14, 2011:
 - a. Approval of the appointment of Mr. Denardo M. Cuayo as VP-Business Development;
 - b. Approval of the Confidentiality Agreement with Performance Advantage Systems, Intl Inc.;
 - c. Authority purchase of a parcel of land with TCT No. T-115804 from Power Sector Assets and Liabilities Management Corporation;
 - d. Authority purchase of one (1) Manila Polo Club, Inc. proprietary share;
 - e. Authority to enroll in BIR Electronic Filing and Payment System through China Banking Corporation;
 - f. Authority to avail credit facilities with East West Banking Corporation;
 - g. Authority to sell trucks to DMCI Construction Equipment Resources, Inc.;
 - h. Authority to sell motor vehicles;
 - i. Authority to donate one generator set to Our Lady of Assumption Parish Church;
 - j. Authority to donate motor vehicle to Our Lady of Assumption Parish Church; and
 - k. Authority to sell motor vehicle.
 5. Regular Meeting held on November 9, 2011:
 - a. Approval of the 3rd Quarter Financial Report for the period ended September 30, 2011;
 - b. Approval of the Corporation's Alternative Dispute Resolution Policy;
 - c. Authority to release the amount of P1 million as additional reimbursement for business-related expenses incurred by directors during the year and final/last payout shall be sometime March/April of 2012 after the audited accounts have been approved by the Board;
 - d. Approval of the amendment to the Corporation's Compensation Committee Charter;
 - e. Approval of the turn-over to Southwest Luzon Power Generation Corporation of the negotiation of the syndicated term loan with BDO Capital & Investment Corporation;

- f. Authority to investment in Metropolitan Bank & Trust Company - Trust Banking Group's Unit Investment Trust Funds;
 - g. Appointment of Rodrigo Berenguer & Guno Law Office to appear and represent the Corporation in the case docketed as "*Engr. Inocentes R. Bornea, Jr., Complainant, vs. Semirara Mining Corp./Victor A. Consunji, President and George G. San Pedro, Resident Manager, Respondents, NLRC Case No. RAB-XI-11-00663-11, NLRC, Regional Arbitration Branch No. XI, Davao City;*"
 - h. Approval of the application for registration with Philippine Ports Authority - Iloilo City;
 - i. Authority to sell motor vehicle;
 - j. Authority to join or participate in the Department of Energy's - 4th Philippine Energy Contracting Round that will open in December 2011; and
 - k. Authority to renew accreditation with the Bureau of Customs - Interim Customs Accreditation and Registration (ICARE) Unit - Revenue Collection Monitoring Unit.
6. Special Meeting held on January 11, 2012:
- a. Authority to represent and vote at the Special Stockholders' Meeting of Southwest Luzon Power Generation Corporation scheduled on January 16, 2012;
 - b. Authority to apply for conversation of the Corporation's existing Exploration Permit into Mineral Production Sharing Agreement with the Department of Environment and Natural Resources; and
 - c. Authority to open deposit account/s and avail of credit facilities with One Network Bank.
7. Special Meeting held on February 3, 2012:
- a. Approval/confirmation/ratification of Project Dept Facility of Southwest Luzon Power Generation Corporation, and execution Corporate Security of the Corporation in accordance with the Omnibus Loan and Security Agreement;
 - b. Approval of the assignment of the Corporation's property valued at P84.8 million in consideration of stock subscription from Southwest Luzon Power Generation Corporation authorized unissued shares equivalent to 84,808,500 share with par value of P1.00/share;
 - c. Authority to contract with, execute Coal Supply Agreement with Southwest Luzon Power Generation Corporation; and
 - d. Authority to apply for registration of the Corporation's Bobog Coal Mine Project under the 2011 Investments Priorities Plan of the Board of Investments.
8. Special Meeting held on February 24, 2012:
- a. Appointment of Atty. Alexis Salvani as attorney-in-fact in the case entitled "*Gabinete, et. al. vs. SMC, et. al., Civil Case No. 2010-C (Forcible Entry), MCTC, Pandan, Antique.*"

----- nothing follows -----

**PROXY FORM
SEMIRARA MINING CORPORATION**

Item 1. Identification. This proxy is being solicited by the **MANAGEMENT OF SEMIRARA MINING CORPORATION** (the “**Corporation**”). The Chairman of the Board of Directors or in his absence, the Vice-Chairman or President of the Corporation will vote the proxies at the Annual Stockholders’ Meeting to be held on **May 7, 2012, 10:00 A.M., at the Fairways Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City 1220, Philippines.**

Item 2. Instructions.

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date, or his duly authorized agent. In case of a stockholder that is a corporation or a partnership, the proxy must be accomplished by the officer or agent that is duly authorized to do so by virtue of an appropriate corporate or partnership resolution.
- (b) Duly accomplished proxies must be delivered to the Corporate Secretary of the Corporation not later than May 2, 2012, 12:00 P.M. at the following address: **SEMIRARA MINING CORPORATION, 2nd Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City.**
- (c) In case of a corporate stockholder, the proxy must be accompanied by a corporate secretary’s certificate quoting the board resolution authorizing the relevant corporate officer to execute the proxy for the corporate stockholder.
- (d) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an “and/or” capacity, any one of them may execute the proxy.
- (e) Validation of proxies will be done by the Special Committee of Inspectors designated by the Board on May 2, 2012, 4:00 P.M. at the 2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines. Any dispute which may arise pertaining to the validation shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party.
- (f) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the annual stockholders meeting to be held on May 7, 2012.
- (g) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder’s shares of stock in the Corporation as of Record Date.
- (h) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20(11)(b).
- (i) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on the matters in (1), (2), (3), (4) and (5) below by checking the appropriate box. **WHERE THE BOXES (OR ANY OF THEM) ARE UNCHECKED, THE STOCKHOLDER EXECUTING THE PROXY IS DEEMED TO HAVE AUTHORIZED THE PROXY TO VOTE IN FAVOR OF THE ITEMS SPECIFIED HEREUNDER.**

The Undersigned hereby appoints:

- (a) **The Chairman of the Board of Directors of the Corporation, or in his absence, the Vice-Chairman or the President of the Corporation, or in their absence,**
- (b) _____

as his/her/its Proxy to attend the stockholders’ meeting of the Corporation, and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

1. Approval of minutes of previous Annual Stockholder’s meeting held on May 2, 2011.

For Against Abstain

2. Ratification of the acts of the Board of Directors and Management from the date of the last Annual Stockholders’ Meeting up to the date of this Meeting.

For Against Abstain

3. Approval and/or Ratification of Corporation's Interim Suretyship and Shareholder's Support for construction overruns via equity or subordinated loans, Pledge of Corporation's 67% shares held in Southwest Luzon Power Generation Corporation, as detailed in Item 8 (d) of this SEC Form 20-IS.

For Against Abstain

4. Election of Directors

For all the nominees below, except those whose names are stricken out.

WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW.

(Instructions: TO STRIKE OUT A NAME OR WITHHOLD TO VOTE FOR ANY INDIVIDUAL NOMINEE, DRAW A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW).

Nominees:

1. DAVID M. CONSUNJI
2. CESAR A. BUENAVENTURA
3. ISIDRO A. CONSUNJI
4. VICTOR A. CONSUNJI
5. JORGE A. CONSUNJI
6. HERBERT M. CONSUNJI
7. GEORGE G. SAN PEDRO
8. MA. CRISTINA C. GOTIANUN
9. MA. EDWINA C. LAPERAL
10. FEDERICO E. PUNO*
11. VICTOR C. MACALINCAG*

**Nominated as Independent Directors*

5. Appointment of Sycip Gorres Velayo & Co. ("SGV & Co.") as independent external auditor

For Against Abstain

Item 3. Revocability of Proxy. – Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation. – The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation involving reproduction and mailing of this proxy in an estimated amount of ₱50,000.00, more or less.

Item 5. Interest of Certain Persons in Matters to be Acted Upon. – No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on the matter to acted upon at the annual stockholders' meeting to be held on May 7, 2012.

Date of Proxy

(Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).

Number of Shares Held : _____

MANAGEMENT REPORT

Pursuant to SRC Rule 20(4)

**SEMIRARA MINING CORPORATION
MANAGEMENT REPORT**

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PART I- BUSINESS AND GENERAL INFORMATION

Semirara Mining Corporation (the “Corporation”) was incorporated on February 26, 1980 to explore, develop and mine the coal resources in Semirara Island.

Competition is insignificant in so far as domestic coal mine is concerned. The Corporation remains the largest coal producer in the Philippines, contributing 1.515 million metric tons (MT) or 98.4% of total domestic coal production in 2001 while the nominal balance is shared by small-scale mines in Cebu, Bataan Island, and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. In 2002, importation reached 5.930 million MT, representing 79.4% of aggregate supply, much higher than the 1.539 million MT (or 20.6% of aggregate supply) contributed by domestic coal producers. China brought in the bulk of coal in the country, accounting for 49.84% of the total, followed by Indonesia (36.86%), Australia (9.26%) and Vietnam (4.04%). In 2004, domestic producers supplied 27% of the total demand of 9.5 Million MTs increasing further to 32% of the 9.7 Million MTs market in 2005. However, in 2006 domestic producers supplied only 25% of the total demand of 9.5 Million MT’s because of higher imported volume due to demand of higher quality coal which came from other countries. Semirara supplied 22% of the country’s total coal consumption for 2006. The competitiveness of domestic coal producers is threatened by the more superior quality of imported coal as well as the government’s policy on liberalization. This is however compensated by the Department of Energy’s policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Corporation remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. The tariff rates of sub-bituminous and other coal now stands at the rate of 3%.

To be competitive, local coal industry must be priced competitively against imported coals, currently from, Indonesia, China & Australia. Pricing of domestic coal is based on import parity inclusive of taxes and duties (at the current rate of taxes and duties). With the inherent quality of Semirara coal, it is estimated that it will be used by approximately 50% of the total Philippine market. The promptness of delivery and quality of coal is required. The power companies are mostly located in Luzon and a few in the Visayas and Mindanao.

In March 2003, NPC tested our coal for its Masinloc plant while deliveries were made to Sual and Pagbilao Power Plants in 2004 and 2005. Both plants (Sual and pagbilao) are being operated by Mirant, Phil., Inc., and are covered by a Coal Supply and Energy Conversion Agreements with NPC. These plants have potential market of 600,000 to 800,000 Mts of coal per annum for Semirara coal. In December 2, 2009, SEM-Calaca Power Corporation, a wholly-owned subsidiary of the Corporation took over the operation of the National Power Corporation’s (NPC) power plants in Calaca and in May 4, 2010 completed its acquisition of said power plants. The Corporation continues to supply coal to the Calaca plants at approximately 900,000 MTs in 2010. The Calaca plants have a potential requirement of approximately 1.5 to 2.0 Million MTs.

Historically, approximately 98% of the Corporation’s revenue streams are from the then NPC Calaca Plants. Prior to its privatization, NPC’s consumption of Semirara Coal steadily increased since the Corporation worked on improving the quality of its coal. Note that the Corporation started washing 25% of its production in mid 1999. Resultantly, its market has widened, to include other power plants, the cement industry and other small industrial plants and in 2007, Semirara coal was tested by the export market. In 2007, NPC’s share in volume and value of the Corporation’s sales went down to 38% and 45%, respectively from 63% and 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% and 40% due to steady increase in total volume sold resulting from increase in domestic sales to other power plants and industries and export sales as well. In 2007, sale to domestic customers (outside NPC) accounted for 39% and 37% respectively in terms of volume and value, and rose to 46% in volume and decreased by 27% in value in 2008. Likewise, in 2007, export

sales' share in volume and value registered at 22% and 18%, respectively and went up to 30% and 22%, in 2008.

In August 31, 2011, Southwest Luzon Power Generation Corporation ("SLPGC"), a wholly-owned subsidiary of the Corporation was incorporated with an authorized capital stock of P10 Billion and paid-up capital of P3 Billion. SLPGC was constituted as the project company that will own and operate the 2x150 MW Coal Fired Thermal Power Plant. The project cost of the said power plant is estimated to be approximately P19.8 Billion and will be constructed adjacent to the SEM-Calaca Power Plant in Calaca, Batangas. On February 1, 2012, the Department of Natural Resources issued to SLPGC its Environmental Compliance Certificate.

The Corporation has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012. This has been renewed and extended by the DOE up to 2027; b) Mineral Exploration Permit 99-001-VI issued by the DENR renewable every 2 years; c) Environmental Compliance Certificate No. 9805-009-302 issued by the DENR effective for the duration of the project d) Business Permit issued by Caluya, Antique for 2007; e) Aerodrome Rating Certificate No. 218 issued by the ATO- yearly renewable by site; f) Certificate of Registration of Port Facilities No. 149.

The Corporation under its Coal Operating Contract is obligated to pay royalties to the Department of Energy (DOE) - 3% royalty based on FOB sales and b) compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners- P0.50/MT for untitled land and P1.00/MT for titled land. On November 12, 2009, DOE and the Corporation executed Second Amendment to Coal Operating Contract No. 5. The second amendment amends the coordinates of the contract area to include a land area of 3,000 and 4,200 hectares, more or less located in Caluya Island and Sibay Island, Antique.

The average number of personnel of the Corporation is 2,195 and 2,137 for the years 2011 and 2010 respectively, inclusive of employees based at the Corporation's head office in Manila. Out of the 2,195 employees for 2011, 258 are employed by Semirara while the rest is employed by DMC Construction Equipment Resources, Inc. an affiliate of Dacon Corporation.

On December 14, 2006, CBA between the Corporation and the Semirara Mining Corporation Labor Union (SMCLU) was signed effective for another five (5) years. There was a notice of strike or dispute which however did not materialized due to settlement resulting to the signing of the new CBA.

The Corporation has obtained all necessary government permits for its operations. The Corporation has been implementing the necessary programs to comply with all regulatory requirements, particularly the Corporation's Environmental Compliance Certificate (ECC), which includes Regular Monitoring by the Multi-partite Monitoring Team (MMT) Marine Assessment Studies/Surveys, Social Development Programs, Reforestation Programs, etc. From 2001-2006 the Corporation has spent P23.6 Million for Social and Environmental Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island, and cultivated fresh water sanctuary.

The Corporation is legally required to fulfill certain obligations as required under its ECC issued by Department of Environment and Natural Resources (DENR) when it abandons depleted mine pits. The Corporation recognizes this liability and set up an "Asset Retirement Obligation" account in its Balance Sheet.

The Corporation's has established an Environmental Monitoring Fund for MMT, which has an initial amount of P600,000, determined by the work and financial plan of the Monitoring Team. Also, an

Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Corporation.

Taking an extra mile, the Company endeavored to enhance its business processes, such that in 2007, works for ISO certification started. Finally, in 2008, the Company had successfully obtained ISO certification on Integrated Management System covering three (3) standards as follows: Quality Management System (ISO 9001:2000), Environmental Management System (ISO 14001:2004), and Occupational Health and Safety Management System (OSHAS 18001:2007).

On the Corporation's existing legal cases, are as follows:

1. **The HGL Case.** Sometime in January 2004, the Corporation received a complaint filed by HGL Development Corporation ("HGL"). The facts are as follows:

On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the Department of Environment and Natural Resources ("DENR") covering a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, the DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations.

HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

The Caloocan Case:

On November 17, 2003, HGL filed a complaint against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

On March 2, 2004, the Corporation filed a Motion for Intervention because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which was granted by RTC-Caloocan. Subsequently, the Corporation filed a Motion to Dismiss on the ground of lack of cause of action/jurisdiction and forum shopping. The Corporation's prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, the Corporation filed its Petition for Review with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

On January 16, 2007, the CA reversed RTC-Caloocan's decision and finding grave abuse of discretion on the part of the presiding judge for failing to dismiss the case for lack of jurisdiction. The CA ruled that the DENR Order canceling HGL's FLGLA No. 184 had long been final and executory on account of its failure to appeal said Order to the Office of the President. Eventually, HGL's Motion for Reconsideration was denied and the CA accordingly dismissed the case.

Due to CA's denial of HGL's Motion for Reconsideration, a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) was filed by HGL before the Supreme Court (SC) on November 14, 2007, which was denied by the SC for failure of HGL to sufficiently show any reversible error on the assailed CA decision and further denies HGL's motion for leave and first and second motions of time to file a reply to the Corporation's comments on the petition. HGL's Motion for Reconsideration was denied with finality by the SC on July 2, 2008.

Meanwhile, in a case docketed as SC G.R. No. 180401, 1st Division (*DENR vs. HGL*), DENR's Petition for Certiorari was denied by the SC on February 4, 2008. DENR then filed its Motion for Reconsideration on March 25, 2009, which later denied by the SC with finality.

Citing as basis the dismissal of the RTC-Culasi of SMC vs. HGL (the Culasi Case) on the ground of forum shopping, SMC filed a Motion to Dismiss with the RTC-Caloocan (Civil Case No. C-20675). However, RTC-Caloocan denied the motion on December 24, 2008 and cited the SC decision on G.R. No. 180401 (*DENR vs. HGL*) to sustain its decision to retain jurisdiction over the case. With the denial of its MR on June 24, 2009, the Corporation filed its Petition for Certiorari with the CA on September 14, 2009. The case is pending to date.

The Culasi Case:

HGL also filed a separate case against the Corporation on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. The Corporation received the summons on January 15, 2004.

On February 6, 2004, the Corporation filed its Answer and prayed for the outright dismissal of the case for being baseless and unfounded as the Order canceling FLGLA No. 184 had long been final and executory and can no longer be disturbed. The Corporation claims exemplary and moral damages and attorneys' fees.

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu. The Corporation elevated the case to the SC by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC promulgated its decision, which denied the Corporation's Petition for Certiorari. On January 18, 2007, the Corporation filed its Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan case filed a Supplemental Motion for Reconsideration.

On February 14, 2007, the SC denied with finality the Corporation's Motion for Reconsideration and its supplement to the aforesaid motion for lack of merit.

Meanwhile, on July 16, 2007, the RTC-Culasi dismissed the main case, as the two (2) cases filed by HGL was a deliberate violation of the rule on forum shopping. RTC-Culasi further stated in its decision that in both cases, HGL's cause of action rests on the validity of its FLGLA No. 184. HGL filed its Motion for Reconsideration, but on November 20, 2007, RTC-Culasi ruled against HGL. No appeal was taken by HGL.

Thereafter, on February 5, 2008, HGL filed before the SC a Petition for Indirect Contempt docketed as "*HGL Development Corporation, represented by its President, Henry G. Lim, Petitioner vs. Hon. Rafael L. Penuela, in his capacity as Presiding Judge of RTC-Culasi, Antique, Branch 13, and Semirara Coal Corporation (now Semirara Mining Corporation, Respondents,*" SC G.R. No. 181353. HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. The Corporation filed its Comments/Opposition to the Petition.

Subsequently, the SC required the parties to submit their respective Memoranda. The case is pending to date.

2. **Tax Refund/Credit Case.** The Corporation filed various cases against the Commissioner of Internal Revenue before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales by National Power Corporation (NPC) in the total amount of P190,500,981.23.
 - 2.1 *CTA Case No. 7717 (For P11,847,055.07).* – On October 15, 2009, the CTA rendered a Decision granting the Corporation’s petition for refund in the amount of P11,847,055.07, representing the final VAT erroneously withheld by NPC on sales of coal for the month of December 2005. The CIR moved for reconsideration. After the Corporation filed its comment on November 21, 2009, the CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009. The Writ of Execution was served to BIR on August 13, 2010. Notwithstanding this, the Corporation’s tax credit certificate remained pending with BIR’s Appellate Division.
 - 2.2. *CTA Case No. 7867(For P15,292,054.93).* – On January 4, 2011, the CTA rendered a Decision granting the Corporation’s petition for a refund or issuance of a tax credit certificate in the amount of P15,292,054.91, representing the final VAT erroneously withheld by NPC on sales of coal for the month of January 2007. CIR Filed a Motion for Reconsideration, which the CTA denied on March 22, 2011. CIR appealed the case to CTA En Banc. As of September 14, 2011, the case was submitted for decision.
 - 2.3. *CTA Case Nos. 7727 & 7783 (For P86,108,626.19).* – On February 10, 2011, the CTA rendered a Decision granting the Corporation’s petitions for a refund or issuance of a tax credit certificate in the amount of P86,108,626.10, representing the final VAT erroneously withheld by NPC on sales of coal for the period covering January 1, 2006 to June 30, 2006. On February 22, 2011, Respondent CIR filed a Motion for Reconsideration and the Corporation filed its Opposition thereto on March 8, 2011. The CIR elevated the case to CTA *En Banc* and on June 15, 2011, the Corporation filed its Comment. As of August 13, 2011, he case was submitted for decision.
 - 2.4. *CTA Case Nos. 7822 & 7849 (For P77,253,245.39).* - On March 28, 2011, the CTA rendered a Decision grating SMC’s petition for a refund or issuance of a tax credit certificate in the amount of P77,253,245.39 for the period covering July 1, 2006 to December 31, 2006. On April 12, 2011, Respondent CIR filed a Motion for Reconsideration, but said motion was denied on June 3, 2011. The CIR elevated the case to CTA *En Banc* and on August 4, 2011, the Corporation filed its Comment. As of August 24, 2011, the case was submitted for decision.
3. **Business Tax Case.** On February 26, 2007, SMC filed a complaint (*SMC vs. Municipality of Calaca, RTC-137, Makati City, Civil Case No. 07-180*) to seek the reversal and cancellation of the tax assessment by the Municipality of Calaca for unpaid business tax for the CY 2003, 2004 and 2005 in the amount of P66,685,189.00. The basis of the claim is that since coal is delivered to the port of Calaca and Corporation is doing business there as shown by the existence of an office, the situs of taxation is in Calaca. The Corporation maintains that it is not maintaining an office in the Municipality of Calaca, despite delivery to NPC-Calaca, hence, the proper situs of taxation is not in Calaca but in its principal office. The case was re-raffled to RTC 142, Makati City after failure of Judicial Dispute Resolution (JDR).
4. **Real Property Tax Case.** On February 19, 2008, the Municipality of Caluya, Antique filed a case against the Corporation (Municipality of Caluya, Antique vs. SMC (Civil Case No. C-051, RTC-

Culasi, Branch 13) for enforcement of the compromise agreement against Corporation submitted to the RTC on November 17, 2003 involving the balance of P82,979,702.24 in real property taxes for lots located in Semirara Island. The Corporation maintains that the Motion for Execution has no legal basis and is premature due to a clause in the compromise agreement requiring that the parties first determine the correctness of the tax assessments which shall be subject to the verification of the parties. The case remains pending with the Court.

5. **Specific Performance Case.** – The complaint docketed as *Power & Synergy, Inc. vs. SMC, et. al, Civil Case No. Q-10-66936, RTC-QC, Branch 97* alleges fraudulent acts against the Corporation and its directors and officers, and prayed that the court ordered the defendants to jointly and severally perform and comply with the terms and conditions under the Consultancy Agreement and to honor plaintiff's services under the said Agreement. On June 2, 2010, SMC filed its Motion to Dismiss the case on the following grounds: (i) the RTC has no jurisdiction over the case for failure of PSI to pay correct docket fees; (ii) venue is improperly laid in so far as other individual defendants; and (iii) complaint states no cause of action. Awaiting resolution of the Court on the Motion to Dismiss filed by the Corporation.
6. **Forcible Entry Case.** – The complaint docketed as *Gabinete, et. al. vs. SMC, et. al, Civil Case No. 210-C, MCTC-Pandan, Antique* hinges from the alleged entry of the Corporation to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. Plaintiffs' prayed to the Court to order defendants to vacate the properties and pay damages and attorney fees.
7. **Illegal Dismissal Case.** - This is an illegal dismissal case filed by Engr. Bornea docketed as *Bornea, Jr., vs. SMC, et. al., NLRC Case No. RAB-IX-11-00663-11* with the Arbitration Branch of Davao seeking for his reinstatement as the Foreman Supervisor of the Company's mining facility in Caluya, Antique. The complainant alleged that there was no justifiable ground to dismiss and that due process was not observed. Engr. Bornea and the Company already filed their respective pleadings.

Except for the foregoing cases, the Corporation or its subsidiaries is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

PART II - SECURITIES OF THE REGISTRANT

A. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) **Market Information.** -

- (a) Principal market where the registrant's common equity is traded.

The Corporation is listed in the Philippine Stock Exchange. There has been no substantial trading since 1983 or 17 years. DMCI Holdings, Inc. however in 2004 increased its shareholdings from 74.36% to 94.51%. The National Development Co. (NDC) shares were decreased from 21.27% to 4.55% shares and the others from 4.3% to 0.94% shares. None of them sold their shares hence, no substantial trading occurred. These changes in the percentage of holdings resulted from the Equity Restructuring of the Corporation's authorized capital stock and the subscription of DMCI Holdings, Inc. of 19,120,581 additional shares in 2004.

In February 2005, new additional 46,875,000 shares were sold to the public by the Corporation in its international offer. Also in the same public offering, DMCI-HI as selling shareholder sold 58,171,000 reducing its shareholdings from 94.51% to 60%.

Moreover in June 2010, by way of Stock Rights Offering, the Corporation offered for subscription 59,375,000 common shares (Offered Shares) to eligible existing stockholders at the ratio of 1:5 shares as of Record Date, July 1, 2010.

- (b) The Corporation's security was traded at the Philippine Stock Exchange (PSE) at a price of P0.40/share on December 23, 2002. There was no trading of the Corporation's securities in 2003 and 2004. The highs and lows (in Pesos) of trading during the past three (3) years are as follows:

	<u>High</u>	<u>Low</u>	<u>Close</u>
2009			
Jan-Mar	35.50	22.25	33.50
Apr-Jun	42.50	21.00	35.50
July-Sep	43.00	31.50	39.00
Oct-Dec	55.00	37.50	55.00
2010			
Jan-Mar	60.50	47.00	60.00
Apr-Jun	92.00	60.00	85.00
July-Sep	145.00	80.00	130.20
Oct-Dec	193.00	131.00	185.00
2011			
Jan-Mar	244.00	180.00	226.80
Apr-Jun	237.00	187.00	213.40
July-Sep	241.40	161.10	186.50
Oct-Dec	226.00	170.00	221.40
2012			
Jan-Mar ¹	246.00	214.00	243.60

- (2) **Holders.** – The number of shareholders of record as of March 20, 2012 was 642. As of March 15, 2012, the Corporation has the following issued shares: Common shares - 356,250,000.

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	200,647,533	56.32
Common	PCD Nominee Corp. (NF)	48,255,431	13.55
Common	Dacon Corporation	43,553,418	12.23
Common	PCD Nominee Corp.	42,981,544	12.06
Common	Others	20,812,074	05.84

Names of Top Twenty (20) Stockholders as of March 15, 2012 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage²
1.	DMCI Holdings, Incorporated	200,647,533	56.32
2.	PCD Nominee Corp. (NF)	48,255,431	13.55
3.	Dacon Corporation	43,553,418	12.23

¹ As of March 15, 2012.

² Based on Corporation's outstanding shares recorded with its Stock and Transfer Agent.

4.	PCD Nominee Corporation	42,981,544	12.06
5.	National Development Company	11,364,658	3.19
6.	DFC Holdings, Inc.	6,614,003	1.86
7.	Fernwood Investments, Inc.	796,334	0.22
8.	Privatization and Management Office	769,450	0.22
9.	Double Spring Investments Corp.	433,606	0.12
10.	Augusta Holdings, Inc.	253,475	0.07
11.	Guadalupe Holdings Corporation	189,809	0.05
12.	Berit Holdings Corporation	150,937	0.04
13.	Vendivel, Olga P.	80,000	0.02
14.	Garcia, Jaime B.	40,030	0.01
15.	Amatong, Isagani S.	13,900	0.00
16.	Teng, Ching Bun	10,000	0.00
17.	Gala, Luismil De Villa	7,500	0.00
18.	Xie Bihui	7,500	0.00
19.	Chen, Xiaoer	6,000	0.00
20.	Rosario, Victor J. Del Rosario , et. al.	6,000	0.00

- (i) The table sets forth the record or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 15, 2012:

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	200,647,533	56.32
Common	PCD Nominee Corp. (NF)	48,255,431	13.55
Common	Dacon Corporation	43,553,418	12.23
Common	PCD Nominee Corp. (F)	42,981,544	12.06

- (ii) each director and nominee

Office	Names
Chairman	David M. Consunji
Vice-Chairman/CEO	Isidro A. Consunji
President/COO	Victor A. Consunji
Vice-President/Director	George G. San Pedro
Independent Director	Federico E. Puno
Independent Director	Victor C. Macalincag
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director	Ma. Cristina C. Gotianun
Director	Ma. Edwina C. Laperal

- (iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.

Title of class	Name of beneficial owner	Amount and nature of beneficial	Citizenship	%
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		ownership		
Common	David M. Consunji	212 ³	Filipino	0.00
Common	Isidro A. Consunji	256,064 ⁴	Filipino	0.07
Common	Cesar A. Buenaventura	6,010 ⁵	Filipino	0.00
Common	Victor A. Consunji	734,759 ⁶	Filipino	0.21
Common	Jorge A. Consunji	12	Filipino	0.00
Common	Herbert M. Consunji	10	Filipino	0.00
Common	Victor C. Macalincag	354,010 ⁷	Filipino	0.10
Common	George G. San Pedro	40,030 ⁸	Filipino	0.01
Common	Federico E. Puno	60,010 ⁹	Filipino	0.02
Common	Ma. Cristina C. Gotianun	243,466 ¹⁰	Filipino	0.07
Common	Ma. Edwina C. Laperal	1,499 ¹¹	Filipino	0.00
Common	Jaime B. Garcia	48,036 ¹²	Filipino	0.01
Common	Denardo M. Cuayo	1,500	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		1,745,618¹³	Filipino	0.49

(3) **Dividends.** - Last April 27, 2011, the Board of Directors approved the declaration of cash dividend at P10.00 per share payable on June 22, 2011 to stockholders as of record date, May 27, 2011.

(4) **Recent Sales of Unregistered or Exempt Securities.** - No unregistered or exempt securities were sold in 2011, 2010 and 2009.

PART III-FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (YEARS 2008-2011)

Full Years 2010-2011

I. PRODUCTION AND OPERATIONS

COAL

The acquisition and operation of the 2 x 300 MW power plants in Calaca Batangas gave market security to the coal business segment and the Company, as a group, to hold position in the power

³ 200 shares are indirect beneficial ownership (held by members of the family sharing the same household). Said shares are with PCD Nominee Corp.

⁴ 254,052 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.

⁵ 6,000 shares are with PCD Nominee Corporation.

⁶ 734,747 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.

⁷ 347,000 shares are with PCD Nominee Corporation, and 7,000 shares of which are indirect beneficial ownership held by members of the family sharing the same household.

⁸ 40,000 shares are with PCD Nominee Corporation.

⁹ 60,000 shares are with PCD Nominee Corporation.

¹⁰ 243,347 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.

¹¹ 1,150 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.

¹² 8,006 shares are with PCD Nominee Corporation.

¹³ 1,240,496 shares are indirect beneficial ownership (Messrs. David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal, and Victor C. Macalincag).

sector. The imbalance in the power demand and supply of energy in our country drove the company to expand its power plant capacities in the next three years. The thrust of the mine operations in 2011 was anchored on this business decision.

There were more drilling programs implemented, particularly focusing on the eastern part of the island, which indicated positive results. These extensive drilling activities are being done to ensure that the expansion of power plant capacities will be accordingly supported by sufficient mineable coal reserves. The data gathered from the exploration and confirmatory drilling are going to be submitted to a local competent person for verification for certification by a competent person according to Philippine Mineral Resource Code (PMRC) standards and will ultimately be subjected to certification process in accordance with Joint Ore Reserve Code (JORC) standards.

With almost the same equipment complement, operations achieved a new record high of total material movement of 85.06million bank cubic meters (bcm), registering an 8% growth from 2010 material movement of 78.68 million bcm. At a higher strip ratio this year of 10:13:1 from 9:73:1 in 2010, run-of-mine (ROM) coal posted a more modest growth of 4% at 7.84million metric tons (MTs) from 7.54million MTs last year. Despite a higher percentage of washable coal this year, net total product coal recorded a 2% increase at 7.12 million MTs from 6.95 million MTs in 2010.

The fourth (4th) loading facility was made operational towards the end of the year. The strategic location of the new loading facility cuts coal transfer time. This improved logistic support necessary for the expanded activities in the island and make coal loading rate faster.

Despite the increased production, marketing efforts were restrained by the impact of the economic woes in Europe and US to the Asia Pacific Region. Exports declined due to high coal inventory in China from Europe which were diverted to Asian market and lower coal demand in Thailand due to flooding. Thus, local orders were given priority and export sales slowed down towards the end of the year. As a result, ending inventory stood at 1.0 million MTs more than double the beginning inventory of only 0.49million MTs.

POWER

UNIT 1

In 2011 Unit 1 was limited to 157 MW average load due to thinned boiler tubes and only one Circulating Water Pump (CWP) in service starting 14 April 2011. Also, the unit was under rehabilitation starting 29 August 2011, hence gross generation reduced by 20% from 2010 level of 915 GWh at 727 GWh this year. Capacity factor, availability, and forced outage rates during the year stood at 28%, 54%, and 4%, respectively. The unit was running for a total of 4,704 hours during the year, and it consumed 477,272 MTs Semcoal.

Unit 1 has been operating for 25 years and issues related to safety, reliability, efficiency, upgrade, obsolescence and environmental consequently arose. The rehabilitation of Unit 1 was undertaken to address these issues that caused the inefficient operations of the plant. It was officially shutdown for rehabilitation last August 29, 2011.

UNIT 2

In 2011 Unit 2 was running at 254MW average load due to extended commissioning and high pressure heater leak. Gross generation for 2011 was 1,132 GWh with 43% capacity factor, 60% availability, and 36% forced outage rates. After the rehabilitation works, generation this year is 57% higher than in 2010 as operating hours improved from 4,230 hours in 2010 to 5,234 hours this year.

The unit experienced 2,976 hours forced outage which is 19% higher than 2010 level due to the increase in load which exposed the plant's weak points leading to de-rating and shutdowns. Fine

tuning of boiler was done progressively to correct overheating. Meanwhile, the remaining overheated boiler tubes will be replaced by end 2012, to coincide with the scheduled preventive maintenance shutdown of the plant.

The Distributed Control System (DCS) and the dry bottom ash system will also be installed during the aforementioned scheduled preventive maintenance shutdown. Moreover, all other improvements, correction of deficiencies and modifications will be undertaken during this time. The full rehabilitation program of the plant is expected to be completed and by start of 2013.

II. MARKET

COAL

Demand for Semirara coal, both from the local and export markets, remained strong in 2011. However, with its new objective of resource maximization for its investments in the power, the Company strategically cut export sales during the year, such that sales of 6.52million MTs was 9% lower than 2010 sales volume of 7.15million MTs.

The cut in sales volume came from export deliveries which dropped by 41% at 2.43million MTs from 4.10million MTs in 2010. Conversely, local sales increased by 34% at 4.09million MTs from 3.05million MTs in 2010.

With increasing local demand, marketing efforts shifted back to prioritizing the domestic market to fully benefit from its competitive advantages over imported coal. Thus, from a 43% : 57% market share in favor of export sales in 2010, the scale has tipped to 63%: 37% in 2011.

Bulk of the local sales were delivered to the power plants, totaling to 3.27million MTs, increasing by 92% from power plant sales of 1.70million MTs in 2010. SCPC's total deliveries increased by 47% at 1.41million MTs this year from 0.96million MTs in 2010 as first phase of Unit 2 rehabilitation was completed this year, thus increasing the plant's effective capacity and utilization rate. Meanwhile, deliveries to other power plants tripled from 0.74million MTs in 2010 to 1.86million MTs this year. The huge increase mainly came from the increase in off-take of a customer with power plants in the Visayas with a long-term supply agreement with the Company. Sales to the power sector accounted for 50% of total sales in 2011.

Sales to local cement plants remained flat at 0.66million MTs in 2011 from 0.66 MTs in 2010. This year, the Company has more direct sales to end-users, unlike in the previous years, wherein most of its sales to cement plants were made via local trader. Cement plant's market share inched up slightly at 10% this year from 9% in 2010.

Meanwhile, sales to other industrial plants recorded a significant 77% drop from 0.68 million MTs in 2010 to 0.16million MTs this year. This was caused by lower purchases by a local broker who delivers to small industrial plants. As a result, this industry's market share dropped to 2% from 10% in 2010.

High global coal prices translated to a remarkable 31% increase in composite average price from PHP2,343 in 2010 to PHP3,078 this year. The company already adopted a coal pricing mechanism which is indexed to global coal prices.

POWER

SCPC's recorded sales for bilateral contracts for 2011 increased by 14% to 1,553 GWh from its recorded sales in 2010 of 1,368 GWh. This is attributed to the renewal of contract with one of its previous customers, the Batangas I Electric Cooperative, Inc. (BATELEC I); a new power supply

contract with Trans-Asia Oil and Energy Development Corporation, which took effect in April and March 2011, respectively; and an arrangement with the National Power Corporation (NPC) for a non-firm power supply to MERALCO on top of the existing firm power supply to MERALCO under the existing Contract for the Supply of Electric Energy inherited by SCPC from NPC.

MERALCO remained to be the biggest customer of SCPC accounting for 33% share of the total energy sales for SCPC's bilateral contracts.

SCPC's sales from the spot market, however, dropped by 1%, from 476 GWh in 2010 to 472 GWh in 2011. The decrease in sales to spot market was mainly due to the approval of non-firm nominations of Meralco.

Overall, a total energy of 2,025GWh was sold in 2011, 77% directly to the customers through bilateral contracts, and 23% to the spot market. The total energy sales increased by 10% from 1,845 GWh recorded in 2010.

Of the total energy sold, 85% was sourced from the generation of the power plants, while 15% was purchased from the spot market. SCPC secured replacement power from the spot market to meet its supply obligation to MERALCO.

In December 2011, SCPC inked a new power supply contract with Meralco effective December 26, 2011 for a term of seven (7) years with an option to extend for another three (3) years upon mutual agreement. The initial contracted capacity is 210 MW and will be increased to 420MW upon commercial operation of the other unit after rehabilitation or 210MW for each unit.

III. FINANCE

A. Sales and Profitability

High coal prices and increase in energy sales resulted to a 13% growth in consolidated Revenues in 2011 at PHP25.81 billion from PHP22.90 billion in the previous year. Net of eliminating entries, coal and energy Revenues stood at PHP16.20 billion and PHP9.61 billion, respectively.

Consolidated Cost of Sales increased by 5% at PHP9.15 billion from PHP6.99 billion in 2010. After eliminating entries, the coal and power segments accounted for Cost of Sales of PHP10.26 billion and PHP6.40 billion, respectively. Cost of Coal Sold/MT increased by 21% from PHP1,770 in 2010 to PHP2,148 this year due to significant increases in rate of fuel consumption per cycle time and fuel, materials and spare parts prices, along with the increase in stripping ratio. On the other hand, the power segment's Cost of Sales/KW hr registered a slight 1% growth from PHP3.13 in 2010 to PHP3.16 in the current period.

The increase in per unit Cost of Sales was sufficiently covered by the increase in selling prices for both the coal and power segments. Thus, Gross Profit Margin increased from 31% in 2010 to 35% in the current period. As a result, consolidated Gross Profit registered a healthier growth of 31% from PHP6.99 billion in 2010 to PHP9.15 billion this year.

Meanwhile, consolidated Operating Expenses increased by 6% from PHP2.72 billion in 2010 to PHP2.88 billion this year. The coal segment's Operating Expenses of PHP1.86 billion is mainly composed of Government Share of PHP1.48 billion. On the other hand, the power segment incurred PHP999.00 million in Operating Expenses, which comprised mainly of the O&M fee of the plant. In addition, the Company invested in two new companies during the year. One is the Southwest Luzon Power Generating Corp. (SLPGC) which will undertake the expansion of the power capacities with the construction of 2 x 150 MW plants adjacent to the existing power plants of SCPC. Pre-operating

expenses of PHP20.23 million were incurred during the year. Another company was incorporated, the Sem-Cal Industrial Park Developers, Inc. (SIPDI) which aims to develop the Calaca property into an economic zone. In 2011, it incurred Pre-operating Expenses of PHP50 thousand.

Consolidated Financing Cost dropped by 28% from PHP668.44 million in 2010 to PHP483.29 million this year. The decrease was due to the decline in the balance of the SCPC loan, which partly financed the acquisition of the asset, from PHP9.6 billion in 2010 to PHP8.6 as at the end of 2011. Augmented by the drop in interest rates, Financing Cost of the power sector decreased by 19% from PHP490.63 in 2010 to PHP396.78 million this year. Meanwhile, although total loans of the coal segment increased in 2011, due to the decrease in interest rates, its Financing Costs in 2011 of PHP86.51 million decreased by 56% from 2010 level of PHP177.81 million, mainly from dollar denominated loans.

On the contrary, consolidated Finance Income rose by 134% from PHP57.67 million to PHP134.88 million. Short-term placement rates improved in 2011 compared to 2010. Moreover, all business units had healthier cash positions during the year. The coal segment's Finance Income increased by 165% at PHP79.45 million from PHP30.02 in 2010; while the power segment generated PHP55.43 million this year, posting a 100% increase from last year's level of PHP27.65 million. Meanwhile, SLPGC recognized Finance Income of PHP10.54 from its partially paid-up capital placed in short-term time deposit accounts.

Meanwhile, foreign exchange fluctuations resulted to consolidated Forex Losses of PHP38.32 million, the coal and power segments incurred Forex Losses of PHP26.01 million and PHP12.31 million, respectively. In 2010, the fluctuations moved in favor of the Company, thus enabling it to recognize consolidated Forex Gains of PHP 199.49 million.

Consolidated Other Income of PHP99.91 was generated by the coal segment mainly from sale of retired mining equipment and proceeds from insurance claims of PHP53.55 million and 35.12 million respectively. This posted a 53% growth from 2010 level of PHP65.43 million.

Consolidated Net Income Before Tax showed an impressive growth of 53% at PHP6.01 billion from PHP3.95 billion last year. Minimal losses from the two pre-operating companies were sufficiently covered by the healthy income generation of the coal and power segments, which stood at PHP4.14 billion and PHP1.87 billion, respectively, net of eliminating entries. Meanwhile, both business segments have Income Tax Holidays as Board of Investments registered companies (as expanding coal producer and as power generator). As a result, consolidated Tax Provision amounted to negative provision of PHP22.17 million consisting of final income taxes amounting to PHP22.76, net of deferred income taxes of PHP44.93 million.

The resulting consolidated Net Income After Tax closed at PHP6.03 billion, the coal and power segments respectively contributed PHP4.17 billion and PHP1.87 billion. Net earnings this year posted a remarkable 51% growth from consolidated Net Income After Tax in 2010 of PHP3.95 billion. Earnings per Share increased by 40% from PHP12.10 last year to PHP16.93 this year, after the number of outstanding shares increased mid-2010 due to a stock rights offering exercise.

B. Financial Condition, Solvency and Liquidity

Strong revenues resulted to healthy cash generation for the Company. This allowed the Company to increase its investments, particularly property, plant and equipment (PPE) which totaled to a consolidated amount of PHP35.63 billion.

The Company was also able to afford to pay dividends, which is double of last year's figure amounting to PHP3.56 billion. Although still under rehabilitation, the power segment contributed PHP1.2 billion in dividends.

Total consolidated debt repayment was also sizeable at PHP2.80 billion.

Despite the considerable cash out, consolidated Cash End stood at PHP5.01 billion, posting a 31% growth over beginning balance of PHP3.81 billion.

Consolidated Net Receivables increased slightly by 1% from beginning balance of PHP3.18 billion, closing at PHP3.22 billion. After hitting its target for the year, the coal segment slowed down its coal deliveries toward the end of the year, thus decreasing its receivable level from PHP1.47 billion as at the start of the year to PHP1.07 billion as at year-end. Meanwhile, the power segment's Receivables slightly increased to PHP2.15 billion from PHP1.71 billion from the start of the year, while SLPGC recorded net Receivables of PHP384 thousand.

On the other hand, consolidated Net Inventories increased by 93% from beginning balance of PHP2.35 billion to PHP4.59 billion as at yearend. This is mainly due to increased coal inventory. Coal production was at record high in 2011, but sales volume was controlled in congruence to the Company's strategy of maximizing reserves for its own power plants. The coal and power segments' inventories closed at PHP3 billion and PHP1.6 billion, respectively.

Meanwhile, consolidated Other Current Assets increased by 44%, closing at PHP1.31 billion, from a beginning balance of PHP912.76 million. This is mainly comprised of Creditable withholding taxes and Advances to suppliers and other prepayments amounting to PHP418.92 million and PHP891.51 million respectively

The resulting consolidated Total Current Assets increased by 38% from beginning balance of PHP10.26 billion, closing at PHP14.12 billion. The coal and power segments contributed PHP8.77 billion and PHP5.4 billion, respectively; power segment is inclusive of the pre-operating power company, SLPGC, which accounts for PHP758.44 million current assets. SIPDI contributed PHP2.5 million.

Consolidated Non-Current Assets recorded a more modest 6% growth at PHP21.50 billion as at yearend from beginning balance of PHP20.23 billion.

Net of depreciation, consolidated PPE closed at PHP20.74 billion, increasing by 6% from beginning balance of PHP19.58 billion. More mining equipment were purchased during the year, thus increasing the coal segment's PPE from PHP3.70 billion beginning balance to PHP3.72 billion ending balance; while rehabilitation works at the Calaca power plants increased the value of its PPE from PHP15.88 billion beginning balance to PHP17.07 billion as at yearend.

Investment and Advances increased by 6% from PHP310.23 million beginning balance to PHP490.79 million as at yearend. This accounts for the power segment only.

Meanwhile, consolidated Other Non-Current Assets dropped by 19% from beginning balance of PHP317.59 million to PHP257.38 million. The coal and power segments accounted for PHP158.45 million and PHP98.93 million, respectively. The decrease is due to the recovery of the related assets.

The resulting consolidated Total Assets posted a 17% growth, closing at PHP35.63 billion from PHP30.50 billion in 2010. The coal and power segments respectively accounted for PHP12.61 billion and PHP23 billion inclusive of the assets relating to the pre-operating power companies - SLPGC amounting to PHP765 million. SIPDI contributed PHP2.50 million.

Consolidated Total Liabilities also increased by 15% from beginning balance of PHP18.16 billion, closing at PHP20.82 billion. The coal segment accounted for Total Liabilities of PHP9.38 billion, comprised of PHP6.7 billion and PHP2.68 billion Current and Non-Current portions, respectively. Meanwhile, the power segment's Current and Non-current portions closed at PHP4.60 billion and PHP6.84 billion, respectively, resulting to Total Liabilities of PHP20.82 billion.

Consolidated Current Liabilities increased by 63% from beginning balance of PHP6.93 billion to PHP11.31 billion as at year-end. This is primarily due to the substantial Accounts and Other Payables recognized by the coal and power segments amounting to PHP4.61 billion and PHP2.69 billion, respectively. These liabilities principally arose from purchase of materials, spare parts fuel and services. Consolidated Short-Term Loans likewise increased by 125% from PHP449.85 million as at the start of the year to PHP1.01 billion as both business segments' working capital requirements for the period increased. Finally, Current Portion of Long Term Loans also posted a significant increase of 164% from beginning balance of PHP1.13 billion, closing at PHP2.99 billion. The coal segment has maturing medium term loans, in relation to the financing of its CAPEX, within the next twelve months. On the other hand, the power segment is already amortizing its term loan which partially financed the acquisition of the power plants.

Conversely, consolidated Non-Current Liabilities decreased by 15% from beginning balance of PHP11.22 billion to PHP9.52 billion as at yearend. This is primarily due to the reclassification of the maturing portion of both segments' long-term debts to short-term.

The 20% increase in consolidated Total Stockholders' Equity, from beginning balance of PHP 12.30 billion to close at PHP14.81 billion, came from the growth in Retained Earnings. Despite paying out record high cash dividends during the year, both business segments' robust income generation during the period resulted to a stronger equity level.

Consolidated Current Ratio dropped by 16% from 1.48:1 in 2010 to 1.24:1 as at yearend. This is primarily caused by the increase in Current Liabilities. On the other hand, Debt-to-Equity ratio improved by 4% from 1.47:1 in 2010 to 1.41:1 as at yearend due to reclassification of maturing long-term loans to short-term.

C. Performance Indicators

1. **Earnings per Share** - Despite a bigger capital base in 2011, the Company's EPS increased by 40%, a testament to its strong absolute earnings during the year. This performance indicator is crucial in determining the Company's ability to declare cash dividends.
2. **Debt-to-Equity Ratio** - Aside from portraying its robust financial health, improving Debt-to-Equity Ratio boosts the Company capability to expand its business for capital growth. With a healthy DE ratio, the Company's financing options are likewise broadened, enabling it to enjoy low interests.
3. **Business Expansion** - Its investment in the power sector opened several doors of opportunity for the Company. A deeper knowledge in the industry guided the Company's plans of expanding its power plant capacities. The shift in the Company's strategy from expansion in the coal segment to development in the power sector provides a multiplier effect in the value of its finite coal reserves.
4. **Expanded Market** - The increased acceptance by the local customers for Semirara coal allowed the Company to refocus its marketing efforts back to the domestic market, thus maximizing its intrinsic competitive advantages over imported coal. Meanwhile, the power segment's supply contract with MERALCO secures its operating efficiency as base-load power generator.
5. **Improved coal quality** - Ensuring that its coal quality improvement measures are strictly complied with is essential in maintaining the Company's marketing success. The Company

now takes a step further by creating a market for its lowest quality coal which no existing customer could take. Its expansion in the power sector aims to employ the latest technology that could burn its waste coal.

Full Years 2009-2010

I. PRODUCTION AND OPERATIONS

Coal:

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

The Company supports the expansion in production capacity with exploratory and confirmatory drilling activities. Initial results of the drilling program showed that coal seams extend throughout the eastern part of the 5,500-hectare island.

Moreover, in order to provide logistic support to match increased level of operations, a USD16 million investment was made to purchase additional barges and tugboats for domestic deliveries and to support mid-stream loading for vessels with capacity greater than 30,000MT.

Strong demand from both local and export markets is manifested by a 36% drop in inventory, despite increased production, from a beginning balance of 763,575 MTs to 490,7135 MTs as at the end of the year.

Power:

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

In terms of capacity utilization, the two generating units churned out their expected output when it was bid out by Power Sector Asset & Liability Management (PSALM). Unit 1 was utilizing an average of 53% of its rated capacity, while Unit 2 was utilizing an average of 57% of its rated capacity. Both units have a rated capacity of 300 MW each.

Coal consumption for the generating units totaled 1,059,538 MTs for the year, inclusive of imported coal, at an average coal price of PHP2,817 per MT.

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

II. MARKET

Coal:

Increasing number of coal-fired plants and supply disruption in key coal exporting countries fueled global demand for thermal coal in 2010. The latest round of capacity expansion enabled the Company to meet more orders, thus recording another marketing milestone with an impressive 60% growth in sales from 4,464,029 MTs in 2009 to 7,146,286 MTs in 2010.

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

Of the total volume sold to local markets, more than half were delivered to power plants. Deliveries to SCPC aggregated to 957,908 MTs, and other power plants sales totaled to 746,911 MTs, thus registering total sales to local power plants at 1,704,819 MTs. Two newly commissioned plants in the Visayas area started to buy Semirara coal this year. Despite recording a 31% increase over 2009 power plants' sales of 1,301,776 MTs, current market share of the local power industry dropped to 24% from 29% last year.

Sales to local cement plants posted a modest growth of 8% from 615,164 MTs in 2009 to 661,392 MTs in 2010. A major player in the cement industry started to use Semirara coal this year. Due to a more significant increase in total sales, its market share likewise dropped from 14% in 2009 to 9% in 2010.

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

Export sales continued to be the Company's main growth driver with a remarkable 81% increase from 2009 sales volume of 2,261,695 MTs. Around 75% of export deliveries in 2010 went to China. The rest were delivered to India, Thailand, Hong Kong, and South Korea.

Composite average FOB price per MT dropped by 10% at PHP2,343 this year from PHP2,600 in 2009. When the Company acquired the power business in December 2009, the pricing mechanism was amended to reflect current market prices, instead of the import parity pricing scheme as provided for in the Coal Supply Agreement with National Power Corporation.

Power:

SCPC sold a total of 1,370 million Kwh to its customers by virtue of its Transition Supply Contracts (TSCs), which form part of the Asset Purchase Agreement (APA) when SCPC acquired the Calaca Coal-fired Power Plants from PSALM in December 2009. The major customers under the TSCs include Meralco, which comprised 51% of total TSC volume sold, the Cavite Export Processing Zone (CEPZ) for 29%, Batangas Electric Cooperative 1 (Batelec 1) for 18%, and other small customers for the remaining 2%.

In excess of SCPC's TSC commitments, additional power sales were generated by selling to the Wholesale Electricity Spot Market (WESM) during off-peak hours. Total spot sales reached a volume of 480 million Kwh for the year.

In some instances, SCPC purchased power from the WESM to be able to meet its commitment under the TSCs. Power purchased from the spot market totaled to 340 million Kwh for the year. It is worthy to note that replacement power contracts with other power generators were put in place before the scheduled rehabilitation of Unit 2, which resulted in putting a cap on SCPC's exposure from the WESM by generating savings of over PHP200 million for the year.

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

III. FINANCE

A. Sales and Profitability

The Company's investment in SCPC boosted profitability in 2010. Consolidated Revenue of PHP22.90 billion is almost double 2009's Revenues of PHP11.94 billion. Net of eliminating entries, PHP14.24 billion and PHP8.66 billion represented coal and energy revenues, respectively. The 24% increase in coal revenues versus PHP8.92 billion generated in 2009 is mainly driven by the significant increase in sales volume. Before elimination, total coal revenue amounted to P16.75 billion. On the other hand, the surge in energy sales from PHP443.49 million in 2009 is due to the full year contribution of SCPC in the current period under review against barely a month operation in 2009

Net of eliminating entries, the coal and power segments recorded Cost of Sales amounting to PHP10.14 billion and PHP5.77 billion, respectively. Although consolidated Cost of Sales increased by 70% from PHP9.34 billion in 2009 to PHP15.90 billion this year due to higher number of units sold for both coal and power, the results reflected a lower cost for each unit sold. For the coal segment, Cost of Coal Sold/MT dropped to PHP1,698 from PHP1,919 in 2009, manifesting the positive impact of economies of scale. Non-Cash Cost slightly rose from 12% in 2009 to 14% this year reflecting increased accounting for depreciation of new mining equipment. On the other hand, cost of energy sales registered at PHP3.12 per Kwh sold.

The resulting consolidated Gross profit recorded an increase of 169% from PHP2.60 billion in 2009 to PHP6.99 billion this year. Gross profit margin likewise registered an improvement at 31% in the current year as against 22% last year.

Operating Expenses of the coal segment amounting to PHP1.81 billion in 2010 is mainly composed of Government Share at PHP1.31 billion. SCPC incurred PHP982.09 million, thus resulting to a consolidated Operating Expenses of PHP2.79 billion. The 272% increase from 2009 consolidated Operating Expenses of PHP749.58 million is due to expanded operations for the coal segment and full year accounting for the power business, inclusive of P383.29 million provision for billing disputes with PSALM.

A substantial portion of consolidated Finance Costs of PHP685.91 million this year was incurred by SCPC mainly in relation to its PHP9.6 billion loan which refinanced the PSALM debt. SCPC booked total financing charges of PHP490.63 million, while the coal segment incurred a total of PHP195.27 million for new loans availed to finance purchase of equipment and other capital expenditures. Finance Cost in 2009 is significantly lower at PHP112.19 million.

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

Meanwhile, fluctuations in foreign exchange rates benefited the coal segment as shown by recording Forex Gains of PHP235.80 million this year, of which P67.31 million represented net unrealized Forex gain due to restatement of foreign currency denominated loans outstanding as of end of the year. Conversely, the power business incurred Forex Losses of PHP36.31 million due to peso depreciation at the time of full settlement of PSALM loan in USD. As a result, the Company reported a consolidated Net Forex Gains of PHP199.49 million. This figure is 318% higher than 2009 Forex Gains of PHP47.70 million.

In July 2010, the Company divested its investments in DMCI Power Corp. and DMCI Mining Corp. As presented at consolidated level, it booked Equity in Net Income of Associates amounting to PHP76.83 million, prior to divestment. At beginning of the year, the accumulated share in equity losses amounted to PHP39.35 million, thus recognized Income from Divestments during the year is PHP41.38 million using equity method. At the parent level, recognized gain on sale of investment is P77.09 million using the cost method.

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

Consolidated Net Income Before Tax showed a sizeable jump of 105% from PHP1.91 billion in 2009 (as restated) to PHP3.92 billion this year. The coal and power segments posted net Income Before Tax of PHP2.48 billion and PHP1.41 billion, respectively, before eliminating entries. As both business segments enjoy Income Tax Holidays, consolidated Tax Provision was (PHP 35.16) million, due to reversal of deferred income tax provision on the power segment net of current tax provision representing final taxes on interest income for both segments. The resulting consolidated Net Income After Tax is PHP3.95 billion, the coal and power segments each contributing PHP2.52 billion and PHP1.44 billion, respectively. This year's Net Income is 114% higher than PHP1.85 million in 2009. Increased number of shares outstanding slightly tempered growth in consolidated Earnings per Share to 82% from PHP6.65 in 2009 to PHP12.10 this year.

B. Financial Condition, Solvency and Liquidity

The Company recorded consolidated Ending Cash balance of PHP3.81 billion, almost 7x the beginning Cash balance of PHP481.92 million. The remarkable increase in the coal segment's sales this year was sufficient to fund its own working capital requirements, pay cash dividends of PHP1.78 billion and service debts totaling to PHP5.89 billion. Net Ending Cash contribution of the coal segment was at PHP2.81 billion. Meanwhile, SCPC posted ending cash balance of PHP1.00 billion this year despite spending for rehabilitation of Unit 2.

Consolidated Net Receivables reflected an increase of 154% from PHP1.25 billion in 2009, closing at PHP3.18 billion as at the end of 2010. The substantial Receivables of the coal segment were due to increased sales towards the end of the year when it took advantage of rising coal prices. SCPC's Receivables are mostly composed of Energy Sales.

On the other hand, consolidated Net Inventories dropped by 20% from PHP2.98 billion in 2009 to PHP2.38 billion this year. Orders for semcoal exceeded production, such that ending coal inventory dropped by 43% in terms of value at PHP833.47 million from beginning level of PHP1.47 billion. This offset the 70% increase in value of spare parts and supplies, which correspond to increased equipment complement, from PHP527.64 million in 2009 to PHP894.80 million as at the end of the year. SCPC booked an ending inventory of PHP658.81 million in 2010, recording a 34% drop from beginning balance of PHP998.50 million, which consisted mostly of spare parts and supplies.

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

As a result of the movements of the foregoing accounts, consolidated Total Current Assets registered a growth of 93% at PHP10.29 billion as at the end of the period from PHP5.33 billion (as restated) in 2009. Before consolidation, the coal and power segments' Total Current Assets level registered at PHP6.94 billion and PHP4.00 billion, respectively.

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

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

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

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

The resulting consolidated Total Assets grew by 26% from PHP24.26 billion in 2009 to PHP30.49 billion this year. Of this amount, PHP10.74 billion is attributed to the coal segment, while PHP19.75 billion reflected SCPC's Total Assets. Before consolidation, each segment reported Total Assets of P18.79 billion and P20.33 billion, respectively.

Consolidated Total Liabilities likewise increased by 26% at PHP18.15 billion from PHP14.38 billion in 2009. Current and Non-current portions of the coal segment stood at PHP4.43 billion and PHP2.86 billion, respectively, adding up to Total Liabilities of PHP7.29 billion. On the other hand, SCPC's Current and Non-current portions closed at PHP2.50 billion and PHP8.36 billion, respectively, resulting to Total Liabilities of PHP10.87 billion.

Consolidated Current Liabilities of PHP6.93 billion recorded a 17% growth from PHP5.91 billion in 2009. The 64% increase in consolidated Accounts and Other Payables which closed at PHP5.35 billion this year from PHP3.25 billion as at end 2009 is mainly due to significant provision for government share close to P1.0 billion, consignment payables and accrued payable for materials, supplies and contracted services. This increase is offset by decrease in Current-portion of Long Term loans which closed at PHP1.13 billion from PHP1.81 billion in 2009. The account reflected the current portion of SCPC's PHP9.6 billion loan availed to take out PSALM liabilities. Last year's loan balance was already serviced during the year.

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

On 19 July 2010, the Company listed additional 59,375,000 shares to finance its investment in SCPC. This generated PHP4.39 billion for the Company. In addition, in the second quarter of the year, the Company reissued its 19,302,200 Treasury Shares, generating a total of PHP 765 million. These activities, further augmented the cash generated by the company and beefed up Total Stockholders' Equity by 25% from PHP9.88 billion in 2009 to PHP12.34 billion as at the end of 2010. The company recognized additional paid in capital of P5.10 billion resulting from the issuance of new shares via a stock rights offering and reissuance of the treasury shares.

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

C. Performance Indicators

1. **Earnings per Share** - To finance its investment in SCPC, the Company went into a 1:5 stock rights offering in 2010, increasing issued shares to 356,250,000 from 296,875,000 in 2009. Moreover, all the issued shares are outstanding this year with the sale of 19,302,200 shares previously held in treasury. Despite this development, EPS managed to reflect a healthy growth of 82%. This does not only signify that the coal business is performing well, but the power business as well. The investment in SCPC undoubtedly created more value for the Company.
2. **Debt-to-Equity Ratio**-The Company's robust financial health is indicated by consistently recording low DE ratio in the past few years. As a result, when the opportunity to own its single biggest customer arose, its balance sheet was ripe and ready to take on the challenge. While the Company's current DE ratio of 1.47:1 shows its leveraged condition, it is positive that it can afford to be in this position given the remarkable performance of both coal and power segments.
3. **Business Expansion**- Motivated by good prospects in the power industry, the Company aggressively expands its operations for both business segments. The coal business launched into another expansion activity in 2010, thus enabling it to benefit from strong demand during the year. Meanwhile, Unit 2 of SCPC underwent rehabilitation works to ramp up productivity and improve efficiency. These activities are geared to create more value for the Company.
4. **Expanded Market** - The improved performance of the Company is mainly attributed to its ability to serve growing global demand for coal. Over the years, more customers are steadily buying its coal. On the other hand, the rehabilitation of SCPC's Unit 2 promises to further increase yield since being a cheap producer of power, SCPC is confident that it can successfully dispatch its additional production either through supply contracts or through the open market.
5. **Improved coal quality** - Enhancing coal quality is a going concern for the Company. This challenge is highlighted by the inherent low quality of its product. This is an important aspect of operations as this dictates its marketing success.

IV. OTHER INFORMATION

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Company provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

4. The Company has issued purchase orders to suppliers for mining equipment amounting to PHP40M. Delivery period starts on June 2011. These purchases will be financed with medium-term loans that match the life of the assets.
5. The recent calamity in Japan may have a positive impact on the demand and price of Semirara coal. Since Japan is an exporting country, any shortfall in their production may have positive impact to China. If China will increase production, demand of Semirara coal may escalate as most of our exports go to China.
6. There are no significant elements of income or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

Full Years 2008-2009

I. PRODUCTION AND OPERATIONS

The year 2009 indicated higher demand for Semirara coal which prompted the Company to further augment its mining capacity and to reflect its old mining equipment to improve production performance.

In order to match the continuous increase in demand for Semirara coal, the Company invested additional 37 units of 100-tonner dump trucks, nine units excavators, and various support mining equipment raising the excavation capacity by 69% with Total Material movement at 60,286,812 bank cubic meters (bcm), compared with 2008 material movement of 35,652,194 bcm. Meanwhile, waste material to coal ratio or strip ratio went up by 16% as operations limited coal extraction to match contracted volume for deliveries. This operational strategy was undertaken to minimize coal quality dissipation due to spontaneous combustion. Coal production nevertheless posted a significant growth of 40% at 4,846,867 (MT) metric tons (MTs) from 3,470,765 MTs produced last year.

Meanwhile, the coal washing plant was relocated near the auxiliary stockpile to further enhance coal transporting efficiency. This cost-efficient improvement maximized transport of clean coal through the conveying system and free up more space to accommodate more clean coal for stockpiling and blending at the coal blending stockyard. This allowed more storage flexibility and maintenance of readily available coal for immediate shipment.

Another cost efficient initiative was the installation of an Oxy/Acetylene plant for the industrial gases requirements of operations. Oxygen and acetylene gases are now readily available for laboratory use and equipment and facilities repair activities.

Last year, exploration drilling at the eastern side of the Panian Mine yielded promising results with the discovery of significant additional volumes of coal. This year, more exploratory and confirmatory drilling activities were done beyond the ultimate limit of the pit. The Department of Environment and Natural Resources approved the amendment of the company's Environmental Compliance Certificate increasing its annual coal production to 8 million metric (MT). Another significant development was the approval by the Department of Energy on the extension of the Coal Operating Contract until 2027. This confluence of events further encouraged the Company to enhance its exploration pursuits in Semirara Island to develop more mineable areas

Favorable weather conditions during the year gave operations the opportunity to maximize mining activities, such that the Company was able to serve the growing demand during the year and even posted a healthy ending inventory level of 763,577 MTs.

II. MARKET

The global coal industry offers a vast potential for the Company to expand its market and grow its business. Over the years, the growing demand for coal worldwide gave the Company ample motivation to increase its capacity to create a niche in the export markets. Since it started exporting coal in 2007, export sales became the major growth driver for the Company. Additional investments for modernization of facilities and expansion of capacity demonstrated to be fruitful as the Company was able to prove its reliability as a new player in the export market. Given the vast untapped markets for coal, the challenge of the Company now evolved from establishing product acceptability to capacity expansion in order to meet increasing demand.

Another successful round of capacity expansion program during the year resulted to a 35% growth in sales volume from 3,313,251 MTs in 2008 to 4,464,027 million this year.

The slight 5% drop in local sales at 2,202,332 MTs from 2,320,502 MTs in 2008 was sufficiently compensated by export sales which more than doubled, reflecting a growth of 128% at 2,261,695 MTs from 992,749 MTs in 2008. Market share of export and local sales during the year was 51% and 49%, respectively. In 2008, export sales represented 30% of total volume sold or 36% based on peso sales, the rest represents sales to domestic market.

Sales to the Calaca power plants in Batangas recovered by posting a 43% growth from previous year's volume of 756,421 MTs to 1,082,094 MTs this year. However, total sales to the power industry declined by 10% from 1,453,144 MTs in 2008 to 1,301,776 MTs this year. The local power industry still accounted for a significant market share of 29%.

Similarly, sales to local cement industries showed a slight 3% drop from 2008 volume of 631,510 MTs to 615,164 MTs as few customers decreased their orders during the year. Nevertheless, the Company welcomed a positive development during the year when it was able to successfully secure a supply contract with a new customer who is a significant player in the cement industry. Cement plants accounted for 14% of the Company's market share.

Meanwhile, sales to other industries continued to grow during the year. A 21% increase was recorded from previous year's sales of 235,848 MTs to 285,392 MTs in 2009. Other industries sales reflected a 6% market share.

Partnerships with new global coal traders pushed the Company's marketing efforts. With the help of these traders, the Company was able to penetrate new markets, including Thailand, Japan, and Taiwan. Meanwhile, it continued its deliveries to India, China, and Hong Kong. With the expansion of its export markets, the Company's export sales had been increasing over the years.

Composite FOB average price for the year remained healthy at PHP2,599.77 per MT, posting a 2% growth over last year's average price of PHP2,549.17 per MT.

III. FINANCE

A. Investment in Calaca, Batangas Power Plants

Historically, the 2 x 300 MW NPC-owned and operated power plants in Calaca, Batangas (the Power Plant), has been the major customer of the Company. Before embarking on a market diversification strategy in 2000, the plants took up more than 90% of the Company's market share.

After a series of failed attempts to privatize the Power Plant, the Power Sector Assets and Liabilities Management Corporation (PSALM) conducted a negotiated sale of the Power Plant in early 2009. DMCI-HI, the Company's parent company, participated and was awarded as the winning bidder on 8 July 2009.

Under an Amendment, Accession and Assignment Agreement dated 2 December 2009 among PSALM, DMCI-HI and SEM-Calaca (a wholly-owned subsidiary of the Company), DMCI-HI, with PSALM's consent, assigned its rights and obligations under the Asset Purchase Agreement (APA) and Land Lease Agreement (LLA) to SEM-Calaca. Under an Assignment Agreement dated 1 December 2009, DMCI-HI and SEM-Calaca agreed to an assignment cost of PHP54,343,156 for the APA and LLA. On 2 December 2009, SEM-Calaca paid PSALM PHP7,107,740,798 broken down as follows:

- a. PHP6.62 billion in peso equivalent using the exchange rate of PHP47.13 representing 40% down payment for US\$351.0 million purchase price of the Power Plant; and
- b. PHP0.49 billion in peso equivalent using the exchange rate of PHP47.20 representing 40% down payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.

Likewise, SEM-Calaca submitted to PSALM closing deliveries including two stand-by letters of credit representing the DP Security and the performance security on the LLA. Subsequent to the execution of the Amendment, Accession and Assignment Agreement, the control, possession, obligation to operate the Power Plant and the rights to its revenues were transferred to SEM-Calaca.

The 60% balance of the purchase price will be paid to PSALM via 14 equal semi-annual payments beginning 2 June 2010 with an interest rate of 12% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SEM-Calaca is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SEM-Calaca may prepay any portion of the Deferred Payment any time. Subsequently, SEM-Calaca has fully settled the 40% balance of the bid cost on 5 March 2010 which was funded by a combination of internally generated cash and bridge loans availed from several banks.

The acquisition of the Power Plant is a strategic move on the part of Company to allow forward integration of its core business and secure its market share in the power industry. The investment posts rewarding opportunities because as a stand-alone investment, it is expected to generate fair return on investment.

B. Sales and Profitability

High coal prices combined with healthy sales volume resulted to a historical high level of Coal Revenues at PHP11.50 billion, posting a 35% growth from 2008 Coal Revenues of PHP8.49 billion. Meanwhile, with the acquisition of the Power Plant in December, the consolidated revenue for 2009 amounted to PHP11.94 billion. Energy Sales from 2 December until 31 December 2009 was accounted at PHP443.49 million.

Meanwhile, although the Company incurred higher fixed costs and shipping costs in 2009 as a result of intensified mining operations, mine rehabilitation and inflation, economies of scale brought down Cost of Coal Sold per MT by 2% from PHP1,964.21 in 2008 to P1,917.98 this year. Non-Cash Cost is at 12% and 17% of total Cost of Coal Sold in 2009 and 2008, respectively. The decline was due to full depreciation of major equipment, while a portion of new equipment purchases were subjected to sale and leaseback. Total Cost of Coal Sold, inclusive of Shipping, Hauling, and Shiploading costs amounted to PHP8.92 billion and PHP6.94 billion in 2009 and 2008, respectively. The recorded cost of Energy Sales of PHP440.47 million from the power business, brought total Cost of Sales in 2009 to PHP9.36 billion.

Gross Profit recorded an impressive growth of 67% from PHP1.55 billion last year to PHP2.58 billion this year. This is a result of higher income generation in the coal business, plus additional income on the new investment in the Power Plant.

The Company recorded a 58% increase in Operating Expenses from PHP458.93 million in 2008 to PHP723.92 million in the current year. Government share, which is a function of Net Coal Revenues accounted for 63% of the total expense which is now beyond the minimum of 3% to gross revenue. The balance is comprised of General and Administrative Expenses, including Philippine Stock Exchange listing fees, business permits, filing fees, Makati payroll and other employee benefits. In addition, the power business incurred Operating Expenses amounting to PHP25.66 million, resulting to a consolidated Operating Expenses of PHP749.58 million in 2009.

Bulk or 70% of the consolidated Finance Costs of PHP112.19 million is attributed mainly to the interest cost of the PSALM debt amounting to PHP78.76 million plus other credit availments by the Power Plant. Meanwhile, the Company's Finance Costs significantly dropped by 67% from PHP101.24 million in 2008 to PHP33.44 million in 2009 due to the declining long-term loan balances and decelerated further by lower interest rates during the year.

Conversely, almost all of the recorded consolidated Finance Income of PHP52.75 million was generated by the Company, posting an income of PHP52.74 million. Since the Company used more cash in its purchase of equipment and acquisition of the Power Plant, less cash was available for placements and other investments. Hence, the current year's Finance Income dropped by 32% compared to 2008 level of PHP77.23 million.

Meanwhile, the Company recorded a significant amount of Foreign Exchange Losses at PHP152.25 million, 84% more than last year's losses of PHP82.78 million. This is due to higher Foreign Exchange rate at settlement date mostly from indent orders of parts and equipment against contract date. On the other hand, the power business recognized Foreign Exchange Gains totaling to PHP199.95 million mainly coming from unrealized forex gain resulting from the fluctuation of the PHP against the USD from PHP47.2 / USD1 at the time the power plant was acquired to PHP46.2 / USD1 as at yearend which correspondingly brought down the peso equivalent of the liability to PSALM on the 60% balance of the purchase price.

Furthermore, the Company recognized Equity in Net Losses of Associates amounting to PHP39.35 million, a sizeable jump from 2008 level of PHP1.77 million. This accounted for the losses incurred by its investments in DMCI Mining Corporation and DMCI Power Corporation at PHP21.99 million and PHP17.36, respectively.

On the contrary, the Company recorded Other Income of PHP91.77 million this year, 69% more than 2008 level of PHP54.44 million. This is mainly comprised of gains on equipment sale and recoveries from insurance claims. Additional PHP0.50 million was generated by the Power Plant, thus consolidated Other Income totaled to PHP92.27 million.

The resulting Net Income Before Tax posted an impressive 81% growth at PHP1.87 billion from PHP1.03 billion. Provision for Income Tax fell by 73% at PHP63.29 million from PHP237.02 million in 2008. The Company enjoyed the full-year effect of the Income Tax Holiday from its registration with the Board of Investments last year. Of the consolidated provision for income tax amounting to PHP63.29 million, PHP57.93 million represented derecognition of deferred tax asset.

Before elimination entries, the parent Company posted a Net Income After Tax of PHP1.79 billion from PHP796.40 million last year, while the Power Plant generated a Net Income after tax of PHP63.19 million. Total consolidated Net Income After Tax was PHP1.81 billion, more than double at 127% increase from last year's level. Consolidated Earnings per Share correspondingly increased from PHP2.87 in 2008 to PHP6.52 this year.

C. Financial Condition, Solvency and Liquidity

While the Company generated healthy cash levels during the year with increased income generation from coal sales, most of the accumulated cash was used to finance its acquisition of the Power plant before the year ended. In addition, purchases of mining equipment amounting to PHP2.86 billion, debt repayment of PHP1.47 billion, and payment of cash dividends of PHP1.67 billion also used up substantial cash during the year. As a result, the Company's Cash and Cash Equivalents declined by 54% from PHP1.01 billion in 2008 to PHP464.94 billion this year. Meanwhile, the Power Plant posted an ending cash balance of PHP16.98 million, thus consolidated Cash and Cash Equivalents closed at PHP481.92 million.

The Company's Net Receivables also dropped by 46% from PHP1.78 in 2008 to PHP963.24 million in the current period. This is mainly due to the drop in Trade Receivables from local sales that was slightly offset by the increase in export sales receivables. Towards the end of the year, the Company sold more to the export markets which had shorter receivable turn-over rates. Export sales were covered by irrevocable stand by letters of credits in congruence with the Company's risk

management policy. On the other hand, the power business booked Receivables amounting to PHP290.85 million, which is mainly comprised of Energy Sales. The resulting consolidated Net Receivables totaled to PHP1.25 billion, which is 23% of Total Current Assets.

Meanwhile, with more coal inventory at the stockpile as at the end of the period, cost of coal inventory correspondingly went up by 63% at PHP1.47 billion from 2008 level of PHP896.73 million. Also, spare parts and supplies went up by 8% from PHP486.49 million in 2008 to PHP527.64 million this year. This is explained by the increased number of mining equipment units which required more spare parts and materials. The Company's Net Inventories reflected a 44% increase from PHP1.38 billion in 2008 to PHP1.99 billion as at the close of the current year. The Power Plant also booked total Inventories amounting to PHP1.01 billion. This is mainly comprised of spare parts and supplies. Consolidated Inventories is sizeable at PHP3.08 billion, representing 55% of Total Current Assets.

The 59% increase in the Company's Other Current Assets from PHP323.73 million in 2008 to PHP515.62 million this year is mainly due to the recording of prepaid income tax amounting to PHP149.44 million and increase in advances to suppliers by PHP85.34 million. Meanwhile, Other Current Assets of PHP19.34 million of the Power Plant represents withholding taxes amounting to P13.10 million. Consolidated Other Current Assets represented 13.62% of Total Current Assets at PHP759.89 million.

Given the movements of the foregoing accounts, the Company's Total Current Assets dropped by 6.5% at PHP4.21 billion from PHP4.50 billion in 2008. However, with the Power Plant's Total Current Assets of PHP1.64 billion, consolidated amount of PHP5.58 billion posted a 24% increase from last year's level.

On the other hand, the Company's Total Non-Current Assets grew by 515% at PHP9.69 billion from 2008 level of PHP1.61 billion. This is mainly caused by the surge in Total Investments from PHP223.23 million to PHP7.40 billion this year as a result of the acquisition of the Power Plant. Furthermore, Net Property, Plant and Equipment (PPE) doubled from PHP1.11 billion in 2008 to PHP2.21 billion this year with the purchase of new mining equipment for capacity expansion. Finally, Other Non-Current Assets posted a 86% decrease from PHP283.75 million to PHP39.97 million this year since security deposits for its operating lease transactions amounting to 270.75 million will already be realizable next year. As a result, consolidated Total Non-Current Assets amounted to PHP18.25 billion.

Total consolidated Assets closed at PHP23.83 billion, PHP15.70 billion of which accounted for the Power Plant's Total Assets. The Company's Total Assets in 2008 stood at P6.11 billion.

With the expansion of its business and investments, the Company's Total Liabilities correspondingly rose by 125% at PHP4.07 billion from PHP1.81 billion in 2008. Furthermore, consolidated Total Liabilities closed at P13.98 billion.

The Company's Total Current Liabilities of PHP3.53 billion increased by 116% from PHP1.64 billion in 2008. The bulk of this year's Current Liabilities is comprised of Trade and Other Payables amounting to PHP2.55 billion, or representing 72% of Total Current Liabilities. Trade and Other Payables accounted for Trade Payables, Payables to Related Parties, Accrued Expenses, and Payable to the Department of Energy and other government units. Availment of additional credit facilities increased Current Portion of Long Term Debt by 151% from 2008 level of PHP389.23 million to PHP977.90 million. Meanwhile, relative to its investment in the Power Plant, the Company recorded another PHP2.03 billion Current Liabilities, resulting to a consolidated Total Current Liabilities of PHP5.52 billion.

Similarly, the Company's Non-Current Liabilities totaled to PHP537.98 million, 209% more than 2008 level of PHP173.89 million. Bulk of this is Long-Term Debt - net of current portion amounting to PHP474.36 million or 88% of Total Non-Current Liabilities. This account increased with the booking of loan amounting to USD10M to finance equipment purchase. Consolidated Total Non-Current Liabilities surged to PHP8.64 billion as the Power Plant recognized its liability to PSALM representing 60% of the purchase price which will be amortized in 7 years.

Total Equity of the Company was beefed up with the recording of Deposit for Future Subscription amounting to PHP5.40 billion, representing deposits made by DMCI-HI and Dacon Corporation for subscription of additional shares of stocks for the stock rights offering planned by the Company to strengthen its equity base to match its sizeable investment in the Power Plant with provision for oversubscription for their commitment to take all unsubscribed shares by the public. After dividend payout amounting to PHP1.65 billion and recording of additional Retained Earnings from the Company's Income for the year amounting to PHP1.75 billion and the Power Plant's Net Income generation of PHP62.93 million, net of eliminating entries, the consolidated Equity, net of Cost of Shares Held in Treasury, closed at PHP9.84 billion, 129% more than Total Equity in 2008 of PHP4.30 billion.

In the current year, the Company's Current Ratio closed at 1.19:1, while consolidated Current Ratio stood at 1.01:1. Current Ratio was healthier in 2008 at 2.75:1. The deterioration in this ratio is mainly due to the availment of more short-term debts to bridge finance the investment in the Power Plant and use of internally generated cash to fund the acquisition of the power assets from PSALM.

Meanwhile, prior to consolidation, the Company maintained last year's Debt-to-Equity ratio of 0.41:1. However, consolidated balance sheets reflected a Debt-to-Equity ratio 1.42:1.

D. Performance Indicators

1. **Average Selling Price** – After successfully introducing Semirara coal to a more diverse market, it has since enjoyed a fair price for its product. High coal prices towards the end of 2008 spilled over in the first half of 2009. As a result, the Company's composite average FOB price remained strong during the year. Notably, the Company's coal price already started picking up to become at par with the global market.
2. **Debt to Equity Ratio** – Over the years, the Company was able to consistently report a strong balance sheet. As a result, it was able to enjoy a higher credit rating from its creditors and consequently avail of competitive credit terms. Moreover, since it is not highly leveraged, it was able to afford substantial investment in the Power Plant, thus taking advantage of an opportunity to further grow its business by creating more value for its stakeholders.
3. **Capital Expenditures** – Timely and well-planned Capex programs successfully helped the Company attain its market diversification program. Having proved its dependability as a serious player in the global market, more buyers are now interested in dealing with the Company. With huge unmet demand, especially from the export markets the Company is looking at a limitless growth potential.
4. **Expanded Market** – The Company's persistent efforts in market diversification, supported by its aggressive capacity expansion and facilities improvement programs, paid off as it has successfully expanded its market. A remarkable achievement in 2009 was the penetration of wider export market base expanding to Thailand, Japan, and Taiwan. With its expanded market, the Company enjoys more reasonable and competitive commercial terms for its coal sales.
5. **Consistent Improved Coal Quality** – The Company recognized at the onset that for it to be able to improve its market base, it is a pre-requisite to work on its quality improvement measures first and make it a priority concern. Given the inherent quality of its coal, the biggest challenge that the Company faces is maintaining the right blend to satisfy customer requirement. Acceptability of Semirara coal is the key in sustaining the Company's success in market diversification.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Corporation and its Subsidiaries¹⁴ is the accounting firm Sycip, Gorres, Velayo and Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Corporation and its Subsidiaries have engaged the services of SGV as external auditor of the Corporation, and Ms. Jessica D. Cabaluna is the Partner-In-Charge starting 2006 only or less than five years following the regulatory policy of audit partner rotation every five years.

1. External Audit Fees and Services

- a. **Audit & Audit Related Fees-** The Corporation and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

In Millions Pesos with VAT	
2010	3.3 ¹⁵
2011	3.7 ¹⁶
Total	7.0¹⁷

- b. **Tax Fees-** There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.
- c. **All Other Fees-** There are no fees billed in each of the last two fiscal years for products and services provided by SGV other than services reported under item a. above.

¹⁴ SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation were incorporated in November 2009 and August 2011, respectively.

¹⁵ Includes Subsidiary's audit fee of P1.2 Million.

¹⁶ Includes Subsidiary's audit fee of P1.6 Million.

¹⁷ Audit and audit-related fees only; no fees for other assurance and related services were paid.

2. There have been no changes in or disagreement with the Corporation and its Subsidiaries' accountant on accounting and financial disclosures.
3. The Corporation's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of external auditor to the Board. It is charged with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensures that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise.

PART IV - DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company 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. It constantly reviews its corporate governance policies with the end in view of improving the same. The Company has substantially complied with the principles and leading practices of good governance. To date, there has been no deviation from the Company's Revised Code of Corporate Governance which is amended to align with SEC's 2009 Revised Code of Corporate Governance.

THE BOARD

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

The roles of the Chairman and Chief Executive Officer (CEO) are separate to foster an appropriate balance of power, increased accountability and better capacity of the Board for independent decision-making. The Chairman oversees and leads the Board on behalf of the shareholders, while the CEO implements the key strategies set by the Board. The Vice Chairman concurrently holds the position of CEO.

The full Board consists of eleven (11) Directors of whom five (5) are regular non-executive directors, four (4) are regular executive directors and two (2) are non-executive Independent Directors. The number of Independent Directors is in compliance with the Philippine regulatory requirement for boards of publicly -listed companies.

An Independent Director is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or its management, or interfere in the exercise of independent judgment in carrying out the responsibilities expected of a director. The Company's Independent Directors possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for Independent Directors. They bring an objective mindset during Board deliberations and discussions. The Company adopts best practices by having majority membership of Independent Directors in all Board Committees and thus going beyond the requirements of SEC's 2009 Revised Code of Corporate Governance.

BOARD PERFORMANCE

The Board had six (6) meetings including its organizational meeting, and one (1) shareholders' meeting in 2011. All Directors have fully complied with SEC's minimum Board meeting attendance requirement of 50%. Board meetings are open and candid with independent views given due consideration.

BOARD COMMITTEES

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

The Board, its Committee memberships and meeting attendance are herein summarized in matrix presentations.

SEMIRARA MINING CORPORATION - BOARD OF DIRECTORS 2011				
Directors	Board Membership	Committee Membership		
		Nomination and Election Committee	Compensation and Remuneration Committee	Audit Committee
David M. Consunji	Chairman			
Isidro A. Consunji	Vice Chairman & CEO	Chairman		
Victor A. Consunji	President & COO			Member
George G. San Pedro	Director & VP-Operations			
Ma. Cristina C. Gotianun	Director, VP-Administration & Compliance Officer		Chairman	
Jorge A. Consunji	Director			
Herbert M. Consunji	Director			
Cesar A. Buenaventura	Director			
Ma. Edwina C. Laperal	Director			
Victor C. Macalincag	Independent Director	Member	Member	Chairman
Federico E. Puno	Independent Director	Member	Member	Member

BOARD OF DIRECTORS 2011 MEETING PERFORMANCE					
	Board Meetings, incl. Organizational	Annual Stockholders' Meeting	Nomination and Election Committee	Compensation and Remuneration Committee	Audit Committee
David M. Consunji	6/6	1/1			
Isidro A. Consunji	5/6	1/1	1/1		
Victor A. Consunji	6/6	1/1			10/10
George G. San Pedro	3/6	1/1			
Ma. Cristina C. Gotianun	4/6	1/1		1/1	
Jorge A. Consunji	5/6	1/1			
Herbert M. Consunji	5/6	1/1			

Cesar A. Buenaventura	5/6	1/1			
Ma. Edwina C. Laperal	4/6	1/1			
Victor C. Macalincag	6/6	1/1	1/1	1/1	10/10
Federico E. Puno	3/6	0/1	1/1	1/1	9/10

Nomination and Election Committee

The Nomination and Election Committee is comprised of three (3) Board Directors, with majority membership of Independent Directors. The Committee's main function is to review, recommend and promulgate guidelines involving the nomination process and criteria for the Board of Directors as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules.

In 2011, 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 endorses the conduct of the Board's performance evaluation process involving board self-assessment as a whole and individual peer director evaluation, provides the results thereof to the Board, including private feedback to individual directors for affirmation and/or effectiveness of performance.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is comprised of three (3) Board Directors, with majority membership of Independent Directors. 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 2011, the Committee had one (1) meeting attended by all Members. It discussed and compared Director and Executive compensation level and benefits against best practices and third party compensation report data, endorsed the results of the Board's evaluation of the CEO's performance based on Board-approved financial and non-financial measures on key result areas, and amended its Charter to include oversight of the performance evaluation of the Company's Chief Operating Officer by the Board based on agreed performance measures. It also reviewed compensation-related disclosures of Directors and Executives in the Company's annual and related reports to be in accordance with regulatory requirements and reporting standards.

Audit Committee

The Audit Committee is comprised of three (3) Board Directors, with majority membership of 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 function, internal control and risk management processes as well as compliance in reporting, legal and regulatory requirements.

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

Committee Meetings are scheduled at appropriate points to address matters on a timely basis. Written agenda and materials are distributed in advance to allow for meaningful

review and full discussion during meetings. Minutes of the Committee meetings are subsequently circulated to all Board Directors.

In 2011, the Committee had ten (10) meetings attended by all Members, except in May 6, 2011 when said meeting was held with a quorum of two Members. The Compliance Committee headed by the Compliance Officer and the management team of Finance, Legal, Internal Audit and the Subsidiary are regularly invited to Committee meetings to discuss updates in regulatory developments, financial reporting, tax and compliance matters. The Committee reviewed and discussed the Company's financial performance, annual budget, strategic issues, equity investments, risk management, conflict-of-interest, tax planning, equity issues and market/industry developments. It continues to support the Company's governance framework through continual review, endorsement and support of good governance policies, initiatives and best practices. It also recommended, and the Board approved, an Alternative Dispute Resolution Policy to promote the use of dispute resolution options and processes.

During the year, the Committee assisted the Board in fulfilling effective oversight of the following functions:

- **Financial reporting process and the financial statements**
The Committee reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements. It ensured that financial statements are in accordance with the required accounting and reporting standards. It also reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs.
- **External audit**
The Committee discussed and approved the external audit work engagement, scope, fees and terms. It reviewed and discussed with SGV & Co. and Management significant financial reporting issues, audit observations, adjusting entries and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting. It recommended to the Board the reappointment of SGV & Co. as external auditor in 2012.
- **Internal audit**
The Committee reviewed and approved Internal Audit's annual plan based on a risk-based approach and ensured Management provided adequate resources to support the function and maintain its independence. It met in executive sessions with the Internal Audit Manager to review and discuss Internal Audit performance and Quality Assurance and Improvement Program initiative.
- **Internal control**
The Committee reviewed and discussed audit findings, internal control and compliance issues with Management, SGV & Co., Internal Audit and Compliance Committee, and ensured Management responded appropriately for the continuous improvement of controls and risk management processes.
- **Risk management**
The Committee discussed with Management the results of risk reviews and identified key risks to the Company's mission and strategic objectives, ensuring that the Company's Enterprisewide Risk Management framework is adequately supported by management information systems, risk mitigation measures, monitoring and reporting. It monitored through the Internal Audit the effectiveness of risk management action plans undertaken by Management to address and manage such risks.
- **Compliance with regulatory and legal requirements**
The Committee reviewed and discussed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters.

INTERNAL AUDIT

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

COMPLIANCE

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

The Compliance Committee shares in the responsibility of assurance reporting on the Company's regulatory requirements. The Committee is headed by the Compliance Officer and has three (3) other Members who are executive officers tasked with ensuring compliance covering SEC, PSE, legal, accounting and reporting standards, environmental, health and safety matters that are aligned to their functional scope of work responsibilities. The Compliance Committee regularly reports to the Audit Committee for continuous monitoring and updates of legal, regulatory developments and compliance matters, thus assuring the Board of their effective management and strategic sustainability.

SEC and PSE

The Company complies with the disclosure and reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), as well as the reporting of transactions involving trading of the Company's shares by its Directors within the prescribed reporting period. It has reported and disclosed its level of adoption of the Corporate Governance Guidelines for Companies Listed on the PSE as being generally aligned with recommended guidelines and global best practices on governance principles.

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 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 representatives of the government and various stakeholder groups oversees and evaluates the Company's compliance with such ECC conditions, applicable laws, rules and regulations on a quarterly basis.

The Company's coal mining activity operates an Environmental Management System which has been recertified on its third consecutive year as conforming to ISO 14001:2004 by the Governing Board of Certification International Philippines, Inc.

Safety

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

The Company is compliant with the regulatory and reporting requirements of various Philippine government agencies tasked to oversee health and safety, among others.

The Company's coal mining activity operates a Health and Safety Management System which has been recertified on its third consecutive year as conforming to ISO OHSAS 18001:2007 by the Governing Board of Certification International Philippines, Inc.

ENTERPRISE RISK MANAGEMENT

The Board sets the tone and establishes the risk appetite level for the Company's Enterprise Risk Management (ERM) to be applied across the organization and to provide reasonable assurance that risks are identified, assessed, managed, monitored and communicated in a timely manner, and aligned to the Company's strategic and business objectives. The Audit Committee per its Board-approved Charter assists the Board in risk management oversight that risk management practices are aligned with strategic business objectives, policies are followed, limits are respected and controls are in place. Management supports, implements and reports ERM processes and policies in the day to day business activities. The Internal Audit's roles in ERM include evaluation, monitoring and reporting the effectiveness of risk management processes.

Given its cohesive organization structure, the Company adopts internationally recognized The Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) integrated ERM framework defined as a management process applied across all unit levels, and as such is not implemented as or confined to a separate stand-alone functional unit. Risk owners are identified and their roles clearly defined. The Company's framework recognizes not only existing operations, financial and compliance risks but also external developments and emerging risks. The Chief Executive Officer as Chief Risk Officer meets regularly with the Management Committee to focus on the most critical enterprise-wide level risks and ensure integrated responses to such risks. Likewise, opportunities with identified risks are managed for strategic advantage.

Business units drive implementation of risk management processes embedded in performance management measures, annual planning and budgeting. Risk related practices include continual review and enhancement of business processes, updating of control procedures and financial reporting system, among others. Functional unit heads conduct annual risk reviews and identify both inherent and residual risks in terms of probability, exposure and control strengths of their respective business functions. Appropriate risk responses and action plans are aligned with the Board's risk appetite. Results of unit risk reviews are reported by Internal Audit to the Audit Committee for assurance reporting that significant risks are effectively managed or mitigated.

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

GOOD GOVERNANCE PROGRAM

The Company's good governance initiatives aim to foster a culture of compliance, performance, transparency and accountability within the organization and to enhance shareholder value. It continually seeks to improve corporate governance through continual review and adoption of global best practices. As part of its continuing advocacy on good corporate governance, it fosters partnership with and membership of its Directors/Officers in the Institute of Corporate Directors (ICD), a professional organization committed to the professional practice of corporate directorship and participates in ICD's governance initiatives.

Alternative Dispute Resolution Policy

The Company promotes the use of dispute resolution options and processes to minimize conflicts or differences with stakeholders and encourage their fair, efficient and equitable resolution.

Board Performance Review

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

The Board Committees annually conduct a review of the effectiveness of the Committees' performance using self-assessment questionnaires as benchmarked against best practices, raise and discuss recommended action steps. The Audit Committee solicits feedback from Executive Management to affirm and/or improve its Committee performance.

Board and Director Development Program

The Company's Board and Director development program aims to raise the quality of its Board operations to a higher level. This includes orientation, training, continuing education, committee assignments and Board evaluations for improvements, among others. Directors are given a formal Board Director performance expectations list which provides a common ground for their individual performance.

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

Board Directors have subjected themselves to formal self-assessments of their skills and expertise, including identification of development areas of interest to enhance their qualifications and effectiveness as Directors. Training varies upon each director's requirements, quality and relevance of the training available. During the year, Directors including senior management participated in the parent company's group-wide internal seminars on leadership, strategic partnership, cross-cultural competences and economic briefings. They are periodically provided with reference materials on global best practices, ERM and other relevant subjects for their continuing education.

Corporate Governance Training

The Board Directors, management and key Legal staff have participated in trainings and seminar updates on Corporate Governance and compliance-related topics. The Company encourages and supports participation of its Directors and officers in governance courses and programs such as the Professional Directorship Program of ICD and Strategic Business and Economics Program of the University of Asia and the Pacific.

Good Governance Guidelines for Board Directors

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

Code of Conduct

Semirara Mining Corporation has adopted Codes of Conduct for Directors & Executive Officers, and Employees (Codes) to affirm the Company's standards of professional and

ethical business conduct, workplace safety and environmental responsibilities. The Codes promote fair dealings with the Company's customers, service providers, suppliers, and other stakeholders. Principal contractors and consultants are likewise expected to adhere to the provisions of the Codes in the course of performance of their services to the Company. Directors, Officers and Employees are required to annually certify compliance to the Codes and submit a Disclosure Statement of any financial, business or personal interests or dealings with the Company or its subsidiaries.

Fraud and Ethics Response Policy

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

Insider Trading Policy

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

Executive Succession Plan Policy

This Policy is a statement of commitment involving assessment of leadership needs and preparation for an eventual permanent leadership change to ensure the stability and accountability of the Company to its stakeholders. It also outlines succession procedures including the process of appointment and time frame in case of an interim leadership.

Related Party Transaction Policy

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

Subsidiary

The Company's Subsidiary, SEM-Calaca Power Corporation mirrors the overall corporate governance framework of the Parent's through its Board-approved Code of Corporate Governance. Its Board has appointed two (2) Independent Directors and established good governance committees on Audit, Compensation & Remuneration and Nomination & Election Committees to assist in its oversight functions. Similarly, the Subsidiary has adopted Board-approved Committee Charters, Code of Conduct and Business Ethics, Business Interest Disclosure and Related Party Transaction Policy, among others, to align with global best practices and good governance principles.

STAKEHOLDERS

The Company recognizes the rights and interests of its key stakeholders, specifically shareholders, employees, customers, suppliers, creditors, government, host communities and environment.

Shareholders

The Company promotes a good governance culture of transparency and equal respect of shareholder and investor rights embodied in its Revised Code of Corporate Governance. It maintains a share structure that gives all shares equal voting rights. Its investor relations program aims to provide existing and potential investors with knowledge and understanding of the Company's business and financial condition. To sustain investor confidence, the Company maintains a policy of open and constant communication and

disclosure of its activities, subject to insider information guidelines. It engages in conference calls and meets with institutional and prospective investors, analysts and the financial community through participation in analyst-media briefings and investor conferences within the country and region. It also arranges Mine site visits for institutional investors. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC, PSE and in company website.

The Company has been consistently paying out cash dividends more than its adopted dividend policy of 20% of Net Income After Tax since its domestic and international shares offering in 2005.

Employees

The Company believes in the development of all its employees and officers. Its workplace development program aims to empower its employees to prosper in a climate of integrity and excellence through employee welfare, training and development. Its policies and programs are implemented to meet its obligations toward its employees. Employee welfare includes health care, insurance and retirement provision. Mine site employees are provided housing benefits, free utilities and free education for dependents, among others. Employee well being is reinforced by basic occupational safety and health seminars throughout the organization. Employee development includes skills upgrade, training and continuing education for career growth.

Customers

The Company promotes fair dealings with its customers. The Company's conformance on its third year to ISO 9001:2008 on Quality Management System affirms its commitment to achieving and enhancing customer satisfaction through continual improvement of processes.

Suppliers

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

Government

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

Community and Environment

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

RECOGNITION and AWARDS

Semirara Mining Corporation is a consistent silver awardee in SEC's "Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines" program since 2008 and among the Top 20 Philippine Listed Companies accorded the same due recognition in 2007. It is among the awardees for "Most Committed to a Strong Dividend Policy" for "The Best Managed Companies in the Philippines from Finance Asia Magazine's 10th Annual Best Managed Company's Poll" in 2010. These

achievements affirm the Company's continuing progress in its overall corporate governance framework through enhanced value to shareholders and higher standards of performance, transparency and accountability to all stakeholders.

WEBSITE

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

UPON THE WRITTEN REQUEST OF ANY STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17-A AND THE COMPANY'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

SEMIRARA MINING CORPORATION
2/F DMCI Plaza Building
2281 Don Chino Roces Avenue, Makati City
Philippines

ATTENTION: **JOHN R. SADULLO**
Corporate Secretary

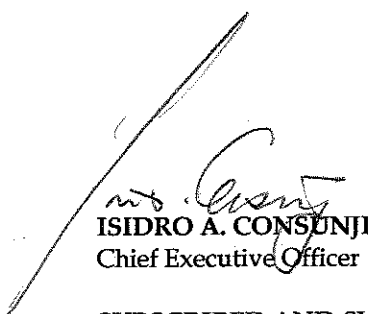
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

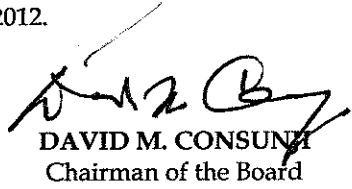
The management of SEMIRARA MINING CORPORATION is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 6th day of March 2012.


ISIDRO A. CONSUNJI
Chief Executive Officer


DAVID M. CONSUNJI
Chairman of the Board


JUNALINA S. TABOR
Chief Finance Officer

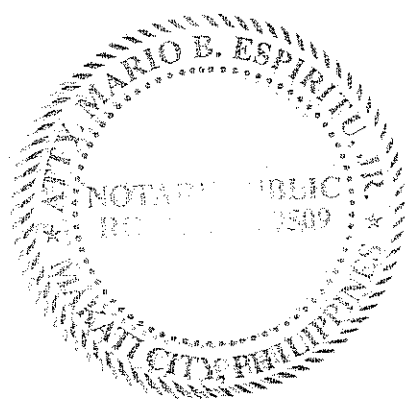
MAR 06 2012

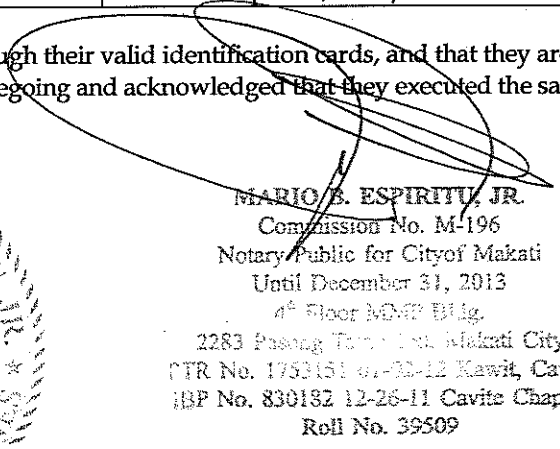
SUBSCRIBED AND SWORN, to before me on this ___ day of March 2012, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
David M. Consunji	EB0531746	July 6, 2015/Manila
Isidro A. Consunji	ZZ224465	April 18, 2012/Manila
Junalina S. Tabor	XX3473561	April 14, 2014 /Manila

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 140
Page No. 88
Book No. AWH
Series of 2012.




MARIO B. ESPIRITU, JR.
Commission No. M-196
Notary Public for City of Makati
Until December 31, 2013
4th Floor M&P Bldg.
2283 Pasong Tora St. Makati City
CTR No. 1753151 07-02-12 Kawit, Cavite
IBP No. 830182 12-26-11 Cavite Chapter
Roll No. 39509



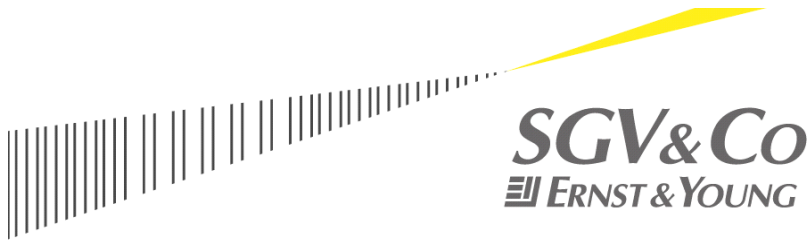
Semirara Mining Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation

We have audited the accompanying consolidated financial statements of Semirara Mining Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flow for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Semirara Mining Corporation and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2 (Group A),

February 11, 2010, valid until February 10, 2013

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174583, January 2, 2012, Makati City

March 6, 2012



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28 and 29)	₱5,005,240,275	₱3,813,283,517
Receivables (Notes 3, 5, 17, 28 and 29)	3,215,781,247	3,183,300,192
Inventories (Notes 3, 6, 8 and 33)	4,592,835,539	2,356,684,774
Other current assets (Notes 7 and 29)	1,310,428,666	912,018,769
Total Current Assets	14,124,285,727	10,265,287,252
Noncurrent Assets		
Property, plant and equipment (Notes 3, 8, 19, 20 and 33)	20,737,333,275	19,582,414,736
Investments and advances (Notes 3, 9 and 12)	490,789,157	310,229,558
Pension assets (Note 18)	1,021,507	–
Deferred tax assets (Note 24)	17,409,006	–
Other noncurrent assets (Notes 3, 10 and 29)	257,380,474	336,777,866
Total Noncurrent Assets	21,503,933,419	20,229,422,160
	₱35,628,219,146	₱30,494,709,412
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 13, 17, 28 and 29)	₱7,299,028,784	₱5,349,426,374
Short-term loans (Notes 11, 28 and 29)	1,010,692,002	449,845,179
Current portion of long-term debt (Notes 12, 28, 29 and 33)	2,992,660,795	1,132,896,820
Total Current Liabilities	11,302,381,581	6,932,168,373
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 28, 29 and 33)	9,469,150,099	11,159,821,454
Deferred tax liabilities (Note 24)	565,481	28,087,305
Provision for decommissioning and site rehabilitation (Notes 3 and 14)	47,582,228	14,732,350
Pension liability (Note 18)	–	19,996,748
Total Noncurrent Liabilities	9,517,297,808	11,222,637,857
Total Liabilities	20,819,679,389	18,154,806,230
Equity		
Capital stock (Note 15)	356,250,000	356,250,000
Additional paid-in capital	6,675,527,411	6,675,527,411
Retained earnings (Note 16)		
Unappropriated	7,076,762,346	4,608,125,771
Appropriated	700,000,000	700,000,000
Total Equity	14,808,539,757	12,339,903,182
	₱35,628,219,146	₱30,494,709,412

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUE (Note 32)			
Coal	₱16,201,880,411	₱14,242,224,629	₱11,500,192,811
Power	9,611,704,378	8,655,623,846	443,492,763
	25,813,584,789	22,897,848,475	11,943,685,574
COST OF SALES (Notes 17, 19 and 32)			
Coal	10,263,535,800	10,222,626,729	8,928,346,706
Power	6,397,083,662	5,767,407,484	419,708,530
	16,660,619,462	15,990,034,213	9,348,055,236
GROSS PROFIT	9,152,965,327	6,907,814,262	2,595,630,338
OPERATING EXPENSES (Notes 20 and 32)	(2,857,174,114)	(2,721,234,918)	(743,200,579)
INCOME FROM OPERATIONS	6,295,791,213	4,186,579,344	1,852,429,759
OTHER INCOME (CHARGES)			
Finance costs (Notes 17, 21 and 32)	(483,287,781)	(668,440,816)	(112,192,664)
Finance income (Notes 22 and 32)	134,876,680	57,667,764	52,752,896
Foreign exchange gains (losses) - net (Notes 28 and 32)	(38,318,119)	199,487,633	47,703,017
Equity in net earnings (losses) of associates (Notes 9 and 32)	-	76,825,789	(39,349,171)
Other income (Notes 23 and 32)	99,905,297	65,427,012	107,935,222
	(286,823,923)	(269,032,618)	56,849,300
INCOME BEFORE INCOME TAX	6,008,967,290	3,917,546,726	1,909,279,059
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 24 and 32)			
Current	22,761,546	8,808,092	5,362,577
Deferred	(44,930,831)	(43,969,623)	57,931,775
	(22,169,285)	(35,161,531)	63,294,352
NET INCOME	6,031,136,575	3,952,708,257	1,845,984,707
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	₱6,031,136,575	₱3,952,708,257	₱1,845,984,707
Basic/Diluted Earnings per Share (Note 25)	₱16.93	₱12.10	₱6.65

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 15)	Additional Paid-in Capital (Note 15)	Deposit on Future Stock Subscriptions (Note 15)	Unappropriated Retained Earnings (Note 16)	Appropriated Retained Earnings (Note 16)	Total	Cost of Shares Held in Treasury (Notes 15)	Grand Total
For the Year Ended December 31, 2011								
At beginning of the year	₱356,250,000	₱6,675,527,411	₱–	₱4,608,125,771	₱700,000,000	₱12,339,903,182	₱–	₱12,339,903,182
Total comprehensive income	–	–	–	6,031,136,575	–	6,031,136,575	–	6,031,136,575
Dividends declared	–	–	–	(3,562,500,000)	–	(3,562,500,000)	–	(3,562,500,000)
At end of the year	₱356,250,000	₱6,675,527,411	₱–	₱7,076,762,346	₱700,000,000	₱14,808,539,757	₱–	₱14,808,539,757
For the Year Ended December 31, 2010								
At beginning of the year	₱296,875,000	₱1,576,796,271	₱5,402,125,985	₱2,436,667,514	₱700,000,000	₱10,412,464,770	(₱528,891,260)	₱9,883,573,510
Reissuance of treasury shares	–	764,356,140	(1,293,247,400)	–	–	(528,891,260)	528,891,260	–
Additional subscriptions through stock rights offering	59,375,000	4,334,375,000	(4,108,878,585)	–	–	284,871,415	–	284,871,415
Total comprehensive income	–	–	–	3,952,708,257	–	3,952,708,257	–	3,952,708,257
Dividends declared	–	–	–	(1,781,250,000)	–	(1,781,250,000)	–	(1,781,250,000)
At end of the year	₱356,250,000	₱6,675,527,411	₱–	₱4,608,125,771	₱700,000,000	₱12,339,903,182	₱–	₱12,339,903,182
For the Year Ended December 31, 2009								
At beginning of the year	₱296,875,000	₱1,576,796,271	₱–	₱2,256,119,235	₱700,000,000	₱4,829,790,506	(₱528,891,260)	₱4,300,899,246
Deposit on future stock subscriptions	–	–	5,402,125,985	–	–	5,402,125,985	–	5,402,125,985
Total comprehensive income	–	–	–	1,845,984,707	–	1,845,984,707	–	1,845,984,707
Dividends declared	–	–	–	(1,665,436,428)	–	(1,665,436,428)	–	(1,665,436,428)
At end of the year	₱296,875,000	₱1,576,796,271	₱5,402,125,985	₱2,436,667,514	₱700,000,000	₱10,412,464,770	(₱528,891,260)	₱9,883,573,510

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱6,008,967,290	₱3,917,546,726	₱1,909,279,059
Adjustments for:			
Depreciation and amortization (Notes 8, 10, 19 and 20)	2,909,610,888	2,566,427,137	1,104,933,707
Finance costs (Note 21)	483,287,781	668,440,816	112,192,664
Finance income (Note 22)	(134,876,680)	(57,667,764)	(52,752,896)
Gain on sale of equipment (Notes 8 and 23)	(53,547,507)	(6,088,124)	(40,205,597)
Net unrealized foreign exchange losses (gains)	37,939,453	(67,308,294)	(168,563,289)
Pension expense (Note 18)	7,446,271	7,532,422	4,447,869
Provision for doubtful accounts (Notes 5 and 20)	5,004,512	53,744,668	–
Provision for impairment loss (Notes 8 and 20)	–	–	40,374,335
Equity in net losses (earnings) of associates (Note 9)	–	(76,825,789)	39,349,171
Gain on sale of investment (Notes 9 and 23)	–	(41,378,255)	–
Negative goodwill (Note 33)	–	–	(15,666,752)
Operating income before changes in working capital	9,263,832,008	6,964,423,543	2,933,388,271
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(78,157,570)	(1,947,398,569)	524,955,210
Inventories	(3,704,727,490)	73,701,971	(629,152,442)
Other current assets	(697,662,177)	(337,872,065)	(688,178,267)
Increase in trade and other payables	2,205,941,337	2,740,870,039	1,561,087,211
Cash generated from operations	6,989,226,108	7,493,724,919	3,702,099,983
Interest received	134,757,554	91,726,741	86,501,617
Interest paid	(457,767,190)	(852,363,965)	(56,051,307)
Income taxes paid	(22,761,547)	(8,071,333)	(63,423,038)
Net cash provided by operating activities	6,643,454,925	6,725,016,362	3,669,127,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Notes 8 and 31)	(2,454,376,480)	(3,007,368,967)	(2,853,983,593)
Proceeds from sale of investment (Note 9)	–	327,086,632	–
Additions to investments and advances (Note 9)	(180,559,599)	(310,229,558)	(60,550,001)
Retirement fund contribution (Note 18)	(28,464,526)	–	–
Decrease in other noncurrent assets (Note 10)	49,709,618	13,203,852	574,928,409
Proceeds from sale of equipment	56,175,636	53,000,798	762,961,381
Advance rental paid	–	–	(150,568,000)
Acquisition of a business (Note 33)	–	(10,021,631,926)	(7,104,375,497)
Net cash used in investing activities	(₱2,557,515,351)	(₱12,945,939,169)	(₱8,831,587,301)



	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of:			
Long-term debt	₱2,884,618,498	₱11,554,776,302	₱1,626,006,970
Short-term loans	2,011,193,260	3,270,643,589	
Notes payable	-	-	742,144,817
Additional issuance of capital stocks	-	4,393,750,000	-
Sale of shares held in treasury (Note 15)	-	1,293,247,400	-
Payments of:			
Dividends (Note 16)	(3,562,500,000)	(1,781,250,000)	(1,665,436,428)
Long-term debt	(2,789,633,990)	(113,195,951)	(1,469,859,178)
Short-term loans	(1,445,313,429)	(3,665,439,966)	
Deposit on future stock subscriptions (Note 15)	-	(5,402,125,985)	5,402,125,985
Net cash provided by (used in) financing activities	(2,901,635,661)	9,550,405,389	4,634,982,166
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	7,652,845	1,880,000	(3,010,347)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,191,956,758	3,331,362,582	(530,488,227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,813,283,517	481,920,935	1,012,409,162
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱5,005,240,275	₱3,813,283,517	₱481,920,935

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining Corporation (the Parent Company) was incorporated on February 26, 1980. The Parent Company's registered and principal office address is at 2281 Don Chino Roces Avenue, Makati City, Philippines. The Parent Company is a majority-owned (56.32%) subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate parent company.

The Parent Company's primary purpose is to search for, prospect, explore, dig and drill for, mine exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain, and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "*The Coal Development Act of 1976*", and any amendments thereto.

The Parent Company has three (3) wholly-owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC) and SEM-Cal Industrial Park Developers, Inc. (SIPDI).

The Parent Company and its subsidiaries will be collectively referred herein as "the Group".

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso (₱), which is also the Group's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2011 and 2010 and for the years then ended. A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies of the entity. The subsidiary is fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of the disposal, as appropriate.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.



The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries (which are all incorporated in the Philippines):

	Effective Percentages of Ownership	
	2011	2010
Power:		
Sem-Calaca Power Corporation (SCPC)	100.00%	100.00%
Southwest Luzon Power Generation Corporation (SLPGC)*	100.00	-
SEM-Cal Industrial Park Developers, Inc. (SIPDI)*	100.00	-

* Has not yet started commercial operations.

SLPGC

On August 31, 2011, SLPGC was incorporated to acquire, design, develop, construct, expand, invest in, and operate electric power plants, and engage in business of a Generation Company in accordance with RA No. 9136, otherwise known as Electric Power Industry Reform Act of 2001 (the EPIRA); to invest in, operate and engage in missionary electrification as a Qualified Third Party under EPIRA and its implementing rules and regulations; and to design, develop, assemble and operate other power related facilities, appliances and devices.

SIPDI

On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

As of December 31, 2011, SLPGC and SIPDI have not yet started its actual commercial operation.

SCPC

On July 8, 2009, Power Plant of Power Sector Assets and Liabilities Management Corporation (PSALM) selected DMCI-HI as the winning bidder for the sale of the 2 x 300 megawatt (MW) Batangas Coal-Fired Thermal Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas.

On December 1, 2009, the Parent Company was authorized by the Board of Directors (BOD) to advance the amount of ₱7.16 billion for purchase of the Power Plant from PSALM, through its wholly owned subsidiary in order to meet SCPC's financial obligation under Asset Purchase Agreement (APA) and Land Lease Agreement (LLA). On March 7, 2011, the said advances were converted by the Parent Company into SCPC's common shares of 7,998.75 million.



Pursuant to the provision of the APA, PSALM, agreed to sell and transfer to DMCI-HI the Power Plant on an “as is where is” basis on December 2, 2009. The agreed Purchase Price amounted to \$368.87 million (see Note 33).

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2011. The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the group:

New and Amended Standards and Interpretations

- PAS 24, *Related Party Disclosures* (Amendment)
- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues* (Amendment)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments - Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

New Standards Issued but not yet Effective

The Group has not adopted the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2011. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.



- PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the full impact of the amendments in reporting actuarial gains or losses.
- PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investment in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Agreements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements such as collateral agreements. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
 - c) The net amounts presented in the statements of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.



The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- *PFRS 9, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.
- *PFRS 9, Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- *PFRS 10, Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 11, Joint Agreements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 12, Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.



- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *Philippine Interpretation IFRIC 15, Agreement for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of the production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This interpretation may have an impact on both financial position and performance of the Group.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2011 and 2010, the Group’s financial instruments are of the nature of loans and receivables and other financial liabilities.



Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

Day 1 difference

For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a day 1 difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' difference amount.

Financial assets

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from the reporting date otherwise; these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts "Cash and cash equivalents", "Receivables" and Security deposits under "Other current assets".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. The amortization is included in "Finance income" in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as "Finance costs".



Financial liabilities

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include interest bearing loans and borrowings and trade and other payables. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the EIR method.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.



For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes all stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a component of total minesite cost, all other production related costs are charged to production cost.

Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statements of comprehensive income when consumed. However, transfers are made from inventories to property, plant and equipments when the Group expects to use them for more than one period. Similarly, if the spare parts and supplies can be used only in connection with an item of property, plant and equipment, they are transferred and accounted for as property, plant and equipment. Transfers between inventories to property, plant and equipment do not change the carrying amount of the inventories transferred and they do not change the cost of that inventory for measurement or disclosure purposes.

Exploration and Evaluation Costs

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.



Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Group’s mining properties. The Group estimates its mining reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

Property, Plant and Equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment that were previously stated at fair values are reported at their deemed cost.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Depreciation and amortization of assets commence once the assets are put into operational use.

Depreciation and amortization of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

	Number of years
Mining, tools and other equipment	2 to 13 years
Power plant and buildings	10 to 25 years
Roads and bridges	17 years

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.



Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and certain transactions costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Investments

This account includes investments in associates.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income reflects the share of the results of the operations of associates. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses, unless the Group has guaranteed certain obligations of the associates. When the associates subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Other Intangible Assets

Other intangible assets include computer software.



Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is measured initially at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight line basis over their useful lives of three (3) to five (5) years and any accumulated impairment losses. Amortization of intangible assets is recognized under the cost of sales in the consolidated statements of comprehensive income.

Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Input Value-added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

The input VAT that will be used to offset the Group's current VAT liabilities is recognized as a current asset. Input VAT representing claims for refund from the taxation authorities is recognized as a noncurrent asset. Input taxes are stated at their estimated NRV.

Business Combination and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.



After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2010

In comparison to the abovementioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Company acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Company had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the property, plant and equipment, software, investment in associates or jointly controlled entities may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.



An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal

Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Pesos and US Dollars, respectively.

Under the terms of arrangements with customers, local sales are billed 80% upon delivery and 20% upon release of coal quality test. Export sales are billed 100% after release of coal quality test. All quality test results are agreed by both the Parent Company and customers. Revenue is recognized upon 100% billing for both local and export sales.



Contract energy sales

These are revenue derived from the Group's primary function of providing and selling electricity to customers of its generated and purchased electricity. Revenue derived from the generation and or supply of electricity is recognized based on the actual energy received by the customer or the actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales

Revenue derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Sport Market (WESM), the market where trading of electricity will be made, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE).

Rendering of services

Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

Finance income

Finance income is recognized as interest accrues.

Cost of Sales

Cost of coal

Cost of coal includes expenses, which include directly related to the production and sale of coal such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs, are recognized when incurred.

Cost of power

Cost of *power* includes expenses directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of energy also includes electricity purchased from the spot market and the related market fees. It is recognized as expense when the Company receives the electricity and simultaneously sells to its customers.

Operating Expenses

Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, and office furniture and equipment. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.



Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the ‘probable economic benefits’ test and also are rarely debt funded. Any related borrowing costs are therefore recognized in the consolidated statement of comprehensive income in the period they are incurred.

Borrowing costs capitalized in the “Property, plant and equipment” account amounted to nil in 2011 and 2010 and ₱86.12 million in 2009.

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The retirement benefits of officers and employees are determined and provided for by the Group and are charged against current operations.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.



Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension period for scenario (b).

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Operating lease payments are recognized in the cost of coal sales under "Outside Services" on a straight line basis over the lease term.

Foreign Currency Transactions and Translation

The Group's financial statements are presented in Philippine pesos, which is also the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.



Retained earnings represent accumulated earnings (losses) of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include the effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in additional paid-in capital.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Determining functional currency

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Group primarily operates.

b. Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

c. Operating lease commitments - the Group as lessee

The Group has entered into various contract of lease for space, and mining and transportation equipment. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract.

d. Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse affect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).



Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Revenue recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal using American Standards for Testing Materials (ASTM).

There is no assurance that the use of estimates may not result in material adjustments in future periods.

Total revenue from coal sales amounted to ₱16.20 billion, ₱14.24 billion and ₱11.50 billion in 2011, 2010 and 2009, respectively (see Note 32).

b. Estimating impairment of loans and receivables

The Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

The amount and timing of recorded impairment loss for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment loss would increase the recorded operating expenses and decrease the current assets.

In 2011 and 2010, additional provision has been made for specific receivables that are deemed uncollectible amounting to ₱5.04 million and ₱53.74 million, respectively (see Notes 5 and 20). Reversal of provision has also been made for impaired receivables that are subsequently collected amounting to ₱7.89 million and ₱5.68 million in 2011 and 2011, respectively (see Notes 5 and 23).

c. Estimating stock pile inventory quantities

The Group estimates the stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. Coal pile inventory as of December 31, 2011 and 2010 amounted to ₱2.47 billion and ₱827.18 million, respectively (see Note 6).



d. Estimating allowance for write down in spare parts and supplies

The Group estimates its allowance for inventory write down in spare parts and supplies based on periodic specific identification. The Group provides 100% allowance for write down on items that are specifically identified as obsolete.

The amount and timing of recorded inventory write down for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory write down would increase the Group's recorded operating expenses and decrease its current assets.

There were no additional provision made in 2011 and 2010. Spare parts and supplies of the Group, net of allowance for inventory write down of ₱53.29 million, amounted to ₱2.12 billion and ₱1.53 billion as of December 31, 2011 and 2010, respectively (see Note 6).

e. Estimating decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources issued Environmental Compliance Certificate when it abandons depleted mine pits and under Section 8 of the LLA upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the production cost and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

The discount rate applied in the calculation of the net present value of provision is 1.98% to 12.60% and 1.31% to 8.15% in 2011 and 2010, respectively. Rehabilitation expenditure is largely expected to take place in 2027 and 2034 at the end of the life of the mine and the power plant, respectively.

As of December 31, 2011 and 2010, the provision for decommissioning and site rehabilitation has a carrying value of ₱47.58 million and ₱14.73 million, respectively (see Note 14).

f. Estimating useful lives of property, plant and equipment and intangible assets (except land)

The Group estimated the useful lives of its property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The net book value of the property, plant and equipment as of December 31, 2011 and 2010 amounted to ₱20.74 billion and ₱19.58 billion, respectively (see Note 8). The net book value of the software cost as of December 31, 2011 and 2010 amounted to ₱5.73 million and ₱6.35 million, respectively (see Note 10).



g. *Estimating impairment for nonfinancial assets*

The Group assesses impairment on investments and advances, property, plant and equipment and software cost whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. The nonfinancial assets of the Group include investments in associates, property, plant and equipment, and software cost.

There has been no existing indicator of impairment as of December 31, 2011 and 2010.

The net book values of the investments, property, plant and equipment and software cost as of December 31, 2011 and 2010 follow:

	2011	2010
Property, plant and equipment (Note 8)	₱20,737,333,275	₱19,582,414,736
Investments and advances (Note 9)	490,789,157	310,229,558
Software cost (Note 10)	5,732,959	6,345,855
	₱21,233,855,391	₱19,898,990,149

h. *Deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted.

In 2011 and 2010, the Group has various deductible temporary differences from which no deferred tax assets have been recognized as the Parent Company does not foresee taxable earnings due to the its Income Tax Holiday (ITH) (see Note 24).



i. *Estimating pension and other employee benefits*

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates and price for the retirement of pension. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

As of December 31, 2011 and 2010, the balances of the Group's defined benefit obligation and unrecognized actuarial losses follow (see Note 18):

	2011	2010
Present value of defined benefit obligation	₱64,766,789	₱54,391,181
Unrecognized actuarial losses	(7,793,627)	(5,748,295)

The Group also estimates other employee benefits obligation and expense, including cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of unpaid vacation and sick leaves as of December 31, 2011 and 2010 amounted to ₱8.56 million and ₱5.85 million, respectively (see Note 13).

4. **Cash and Cash Equivalents**

	2011	2010
Cash on hand and in banks	₱1,108,525,449	₱1,976,645,025
Cash equivalents	3,896,714,826	1,836,638,492
	₱5,005,240,275	₱3,813,283,517

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 1.80% to 4.62% and 2.00% to 4.50% in 2011 and 2010, respectively.

In 2011, 2010 and 2009, total interest income earned from cash and cash equivalents amounted to ₱121.67 million, ₱35.88 million and ₱30.12 million, respectively (see Note 22)



5. **Receivables**

	2011	2010
Trade receivables (Notes 28 and 29):		
Electricity sales	₱1,993,374,929	₱1,651,955,469
Local coal sales	950,455,290	757,221,337
Export coal sales	108,413,708	582,130,762
Due from related parties (Notes 17, 28 and 29)	199,110,601	120,628,995
Others (Notes 28 and 29)	33,318,009	143,142,750
	3,284,672,537	3,255,079,313
Less allowance for doubtful accounts	68,891,290	71,779,121
	₱3,215,781,247	₱3,183,300,192

Electricity sales

Receivables from electricity sales are claims from power distribution utilities, spot market and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30 day credit term and are carried at original invoice amounts less discounts and rebates.

Coal sales

Receivables from coal sales are noninterest-bearing and generally have 30 - 45 days' credit terms.

- Export sales - coal sold to international market which is priced in US Dollar.
- Local sales - coal sold to domestic market which is priced in Philippine Peso.

Due from related parties

Due from related parties refers to transactions entered by the Group with the related parties at arm's length and have similar terms to the transactions entered into with third parties (see Note 17).

Others include advances to officers, employees and contractors with maturity of up to one (1) year.

As of December 31, 2011 and 2010, trade receivables and other receivables with a nominal value of ₱68.89 million and ₱71.78 million were impaired and provided with allowance. Movements in the allowance for doubtful accounts of receivables were as follows:

	2011			
	Local Coal Sales	Electricity Sales	Other Receivables	Total
At January 1, 2011	₱7,892,343	₱53,523,802	₱10,362,976	₱71,779,121
Provision (Note 20)	-	-	5,004,512	5,004,512
Reversals (Note 23)	(7,892,343)	-	-	(7,892,343)
At December 31, 2011	₱-	₱53,523,802	₱15,367,488	₱68,891,290
Individual impairment	₱-	₱53,523,802	₱15,367,488	₱68,891,290



	2010			Total
	Local Coal Sales	Electricity Sales	Other Receivables	
At January 1, 2010	₱13,569,447	₱—	₱10,142,110	₱23,711,557
Provision (Note 20)	—	53,523,802	220,866	53,744,668
Reversals (Note 23)	(5,677,104)	—	—	(5,677,104)
At December 31, 2010	₱7,892,343	₱53,523,802	₱10,362,976	₱71,779,121
Individual impairment	₱7,892,343	₱53,523,802	₱10,362,976	₱71,779,121

6. Inventories

	2011	2010
Coal pile inventory at cost	₱2,470,381,662	₱827,182,784
Spare parts and supplies at NRV	2,122,453,877	1,529,501,990
	₱4,592,835,539	₱2,356,684,774

Spare parts and supplies with original cost of ₱580.93 million as of December 31, 2011 and 2010, were provided with allowance for inventory obsolescence amounting to ₱53.29 million.

The cost of coal inventories recognized as expense in the consolidated statement of comprehensive income amounted to ₱10.26 billion, ₱10.22 billion and ₱8.93 billion for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 19).

7. Other Current Assets

	2011	2010
Advances to suppliers	₱797,353,268	₱312,134,305
Creditable withholding tax	418,916,623	235,463,531
Prepaid insurance and others	88,986,374	53,836,891
Prepaid rent (Notes 10 and 30)	5,172,401	6,183,431
Security deposits (Notes 28, 29 and 30)	—	304,400,611
	₱1,310,428,666	₱912,018,769

Advances to suppliers

Advances to suppliers account represent payments made in advance for the acquisition of equipment, materials and supplies. These advances are applied against purchase which normally occurs within one year from the date the advances have been made.

Security deposits

Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Group of all its obligations and compliance with all provisions of the equipment rental agreement (see Note 30). These prepayments shall be returned by the lessor to the Group after deducting any unpaid rental, and/or any other amounts due to the lessor for any damage or expense incurred to put the vehicle in good working condition.

As of December 31, 2011, security deposits amounting to ₱304.40 million was refunded to the Group. There were no additional security deposits made during the year.



As of December 31, 2009, security deposits with a nominal amount of ₱22.20 million were initially recorded at fair value. Movement in the unamortized discount of security deposits follows:

	2011	2010
At January 1	₱168,856	₱12,956,371
Accretion (Note 22)	(168,856)	(12,787,515)
At December 31	₱-	₱168,856

8. Property, Plant and Equipment

	2011					Total
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	
At Cost						
At January 1	₱-	₱13,415,442,946	₱17,757,127,361	₱279,062,950	₱1,268,995,671	₱32,720,628,928
Additions	376,605,100	1,213,026,466	36,840,878	636,237	827,267,799	2,454,376,480
Transfers		814,585,385	662,984,106	85,984,317	(1,563,553,808)	-
Transfers from inventory (Note 31)	-	-	-	-	1,607,455,720	1,607,455,720
Disposals (Note 23)	-	(701,101,149)	(2,644,024)	-	-	(703,745,173)
At December 31	376,605,100	14,741,953,648	18,454,308,321	365,683,504	2,140,165,382	36,078,715,955
Accumulated Depreciation and Amortization						
At January 1	-	10,608,294,606	2,250,856,636	279,062,950	-	13,138,214,192
Depreciation (Notes 19 and 20)	-	1,999,349,053	901,617,650	3,318,829	-	2,904,285,532
Disposals (Note 23)	-	(700,135,252)	(981,792)	-	-	(701,117,044)
At December 31	-	11,907,508,407	3,151,492,494	282,381,779	-	15,341,382,680
Net Book Value	₱376,605,100	₱2,834,445,241	₱15,302,815,827	₱83,301,725	₱2,140,165,382	₱20,737,333,275

	2010					Total
	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress		
At Cost						
At January 1	₱10,362,070,550	₱17,727,550,950	₱279,062,950	₱571,185,355	-	₱28,939,869,805
Additions	2,589,750,052	9,200,188	-	708,798,651	-	3,307,748,891
Transfers	517,872,050	20,413,973	-	(538,286,023)	-	-
Transfers from inventory (Note 31)	-	-	-	529,047,775	-	529,047,775
Disposals (Note 23)	(54,249,706)	(37,750)	-	(1,750,087)	-	(56,037,543)
At December 31	13,415,442,946	17,757,127,361	279,062,950	1,268,995,671	-	32,720,628,928
Accumulated Depreciation and Amortization						
At January 1	8,988,247,985	1,317,761,799	279,062,950	-	-	10,585,072,734
Depreciation (Notes 19 and 20)	1,629,170,035	933,096,292	-	-	-	2,562,266,327
Disposals (Note 23)	(9,123,414)	(1,455)	-	-	-	(9,124,869)
At December 31	10,608,294,606	2,250,856,636	279,062,950	-	-	13,138,214,192
Net Book Value	₱2,807,148,340	₱15,506,270,725	₱-	₱1,268,995,671	₱-	₱19,582,414,736

Equipment in transit and construction in progress accounts mostly contains purchased mining equipments that are in transit and various buildings and structures that are under construction as of December 31, 2011 and 2010. Construction in progress also includes capitalized rehabilitation costs for the Unit I of Calaca power plant incurred in 2011, the rehabilitation of which is expected to be completed by early 2012. These are not qualifying assets, as such, no borrowing cost was capitalized in 2011 and 2010.



In January 2011, rehabilitation of Unit II of the Calaca power plant was completed. Related rehabilitation costs that are capitalized as part of the “Power plant and building” amounted to ₱620.29 million.

On July 12, 2010, PSALM issued an Option Existence Notice and granted SCPC the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed the “Option” and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the Option Existence Notice (see Note 27).

On May 5, 2011, PSALM granted SCPC’s request to assign portion of its Option to the Parent Company, for the latter to purchase the 82,740 square meters lot covered by TCT No. 115804.

On June 1, 2011, the Parent Company and SCPC exercised its option to purchase the Option Asset and subsequently entered into a Deed of Absolute Sales with PSALM for the total consideration of ₱376.61 million.

In 2011, 2010 and 2009, the Company sold various equipments at a gain amounting to ₱53.55 million, ₱6.09 million and ₱40.21 million, respectively (see Note 23).

Depreciation and amortization included in the consolidated statements of comprehensive income follow:

	2011	2010	2009
Included under:			
Cost of coal sales (Note 19):			
Depreciation and amortization	₱1,792,534,859	₱1,661,071,376	₱1,012,486,855
Hauling and shiploading costs	302,255,715	82,713,420	8,721,841
Cost of power sales - Depreciation and amortization (Note 19)	776,589,421	794,013,317	75,338,855
Operating expenses (Note 20)	38,230,893	28,629,024	8,386,156
	₱2,909,610,888	₱2,566,427,137	₱1,104,933,707
Depreciation and amortization of:			
Property, plant and equipment	₱2,904,285,532	₱2,562,266,327	₱1,101,085,787
Software costs (Note 10)	5,325,356	4,160,810	3,847,920
	₱2,909,610,888	₱2,566,427,137	₱1,104,933,707



9. Investments and Advances

	2011	2010
Acquisition cost		
At beginning of year	₱–	₱250,000,000
Additions during the year	–	–
Disposals during the year	–	(250,000,000)
	–	–
Accumulated equity in net earnings		
Balance at beginning of year	–	(41,117,412)
Equity in net earnings (losses) during the year	–	76,825,789
Disposals during the year	–	(35,708,377)
Balance at end of year	–	–
	–	–
Investment in sinking fund	490,789,157	310,229,558
	₱490,789,157	₱310,229,558

Disposal of investment in DMCI Mining Corporation (DMCI-MC) and DMCI Power Corporation (DMCI-PC)

On December 8, 2010, a Deed of Assignment was made and executed between the Parent Company and DMCI-HI, the former being the “Assignor” and the latter being the “Assignee”. The Parent Company offered to assign, transfer and convey all of its rights, ownership and interest over its shares in DMCI-PC and DMCI-MC. The said transaction resulted to a gain on disposal of investment in the amount of ₱41.38 million presented in the consolidated statement of comprehensive income (see Note 23).

Investment in sinking fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro BDO Unibank, Inc., - Trust and Investment Group. The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts (see Note 12). All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc., - Trust and Investment Group made an investment in Sinking Fund amounting ₱490.79 million and ₱310.23 million as of December 31, 2011 and 2010, respectively.

Interest from sinking fund amounted to ₱7.21 million and ₱5.42 in 2011 and 2010, respectively (see Note 22).

10. Other Noncurrent Assets

	2011	2010
5% input VAT withheld - net	₱150,127,447	₱150,127,447
Prepaid rent (Note 30)	104,103,570	144,204,098
Software cost - net	5,732,959	6,345,855
Environmental guarantee fund	1,500,000	1,500,000
Others	1,088,899	40,783,897
	262,552,875	342,961,297
Less current portion of prepaid rent (Note 7):	5,172,401	6,183,431
	₱257,380,474	₱336,777,866



5% input VAT withheld

As a result of the enactment of RA No. 9337 effective November 1, 2005 (see Note 24), National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales of the Group. On March 7, 2007, the Group obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Group filed a total claim for refund of ₱190.50 million from the BIR representing VAT erroneously withheld by NPC from December 2005 to March 2007, which eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Group's petition for a refund on erroneously withheld VAT initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of BIR moved for reconsideration of the CTA's Decision. On November 21, 2009, the Group filed its comment thereon. The motion for reconsideration remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years. Consequently, the claim for tax refund was provided with provision for impairment loss amounting to ₱40.37 million (see Note 20).

During the year, the CTA rendered a Decision granting the Parent Company's petition for refund or issuance of tax credit certificate (TCC) in the total amount of ₱178.65 million. The BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. Its motion for reconsideration having been denied, the BIR filed for a Petition for Review with the CTA En Banc on the following grounds:

- that the Parent Company failed to substantiate its claim for refund;
- that the sale or importation of coal is no longer exempted from VAT under the Tax Code, as amended by R.A. No. 9337; and
- that the BIR Ruling No. 006-2007 dated March 7, 2007 does not prevent the Government from collecting VAT on the sale of coal by the Parent Company.

The Petition for review remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years.

Software Cost

Movements in software cost account follow:

	2011	2010
At Cost		
At January 1	₱19,083,211	₱16,112,568
Additions	4,712,460	2,970,643
At December 31	23,795,671	19,083,211
Accumulated Amortization		
At January 1	12,737,356	8,576,546
Amortization (Note 19)	5,325,356	4,160,810
At December 31	18,062,712	12,737,356
Net Book Value	₱5,732,959	₱6,345,855

Environmental Guarantee Fund

The environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the multi-partite monitoring team (MMT) of the Group's environmental unit.

Others

Others include various types of deposits and deferred charges which are recoverable over more than one year.



11. Short-term Loans

Short-term loans represent various acceptances and trust receipts which are used to facilitate payment for importations of materials, fixed assets and other assets. Acceptances and trust receipts as of December 31, 2011 and 2010 amounted to ₱1.01 billion and ₱449.85 million, respectively.

12. Long-term Debt

	2011	2010
Mortgage payable	₱8,365,572,777	₱9,495,157,286
Bank loans	4,096,238,117	2,022,817,439
Deferred purchase payment	–	774,743,549
	12,461,810,894	12,292,718,274
Less current portion of:		
Mortgage payable	1,530,694,871	1,132,896,820
Bank loans	1,461,965,924	–
	2,992,660,795	1,132,896,820
	₱9,469,150,099	₱11,159,821,454

Mortgage Payable

On May 20, 2010, SCPC entered into a ₱9.60 billion Omnibus Loan Security Agreement (“Agreement”) with Banco de Oro Unibank, Inc. (BDO Unibank), Bank of Philippine Islands (BPI) and Philippine National Bank (PNB) as Lenders, the Parent Company as Guarantor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent.

Breakdown of the syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the APA and LLA, and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider at approximately 11:30 a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points.
- b. Repayment: The principal amount shall be payable in twenty-five equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.



The loan was drawn in full on May 20, 2010. Capitalized debt issuance cost amounted to ₱110.04 million and is amortized using the EIR method over the loan's term. Amortization of debt issuance cost recognized under "Finance cost" account in the consolidated statement of comprehensive income amounted to ₱22.15 million and ₱5.20 million for the years 2011 and 2010, respectively (see Note 21).

Rollforward of the capitalized debt issuance cost follows:

	2011	2010
Beginning at January 1	₱104,842,714	₱-
Additions	-	110,042,257
Amortization (Note 21)	(22,415,490)	(5,199,543)
Ending at December 31	₱82,427,224	₱104,842,714

As security for the prompt and full payment by SCPC, this loan was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan.

The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral accounts. BDO Unibank, Inc., - Trust and Investment Group made an investment in Sinking Fund amounting ₱490.79 million and ₱310.23 million as of December 31, 2011 and 2010, respectively (see Note 9).

Bank loans

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2011	2010				
(In Millions)							
Local bank loans							
Loan 1	October 2010	₱140.29	₱701.44	Various maturities in 2012 & 2013	1.16% payable in arrears, to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Any monies standing to the credit of the borrower's other account with the bank and any securities, deeds, boxes and parcels and their contents and property of any description held in borrower's name
Loan 2	Various availments in 2010 & 2011	1,313.59	639.06	Various maturities in 2012 & 2013	1.14 - 1.18% p.a. payable semi-annually in arrears, to be repriced every 6 months	Interest payable semi-annually in arrears, with interest rates inclusive of 10% withholding tax. Payment of interest shall commence on the 6th month and every six months thereafter until fully paid at the prevailing rate.	Unsecured loans



Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2011	2010				
(In Millions)							
Local bank loans							
Loan 3	Various availments in 2010 & 2011	688.45	442.08	October 2012	1.09 - 1.80% p.a. for 92 days, to be repriced every 30 to 180 days	Interest shall be payable on the last day of the current interest period or the 90th day of said period whichever occurs earlier and full payment of principal at maturity.	Unsecured loans
Loan 4	Various availments in 2010 & 2011	1,028.25	240.24	October 26, 2012 & various maturities in 2013	1.01% - 1.82% to be repriced over the 90 to 180 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Unsecured loans
Loan 5	August 2011	925.66	-	August 2013	1.03% - 1.10% p.a. for the first 90 days. Thereafter, interest will be repriced on a monthly/quarterly/semi-annual or annual basis.	Interest payable in 90 - 180 days and principal repayable in maturity.	Proceeds of the loan were restricted for equipment fund and working capital; Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1, compliant.
		¥4,096.24	¥2,022.82				

Deferred purchase payment

On November 16, 2009, the Parent Company entered into a Deferred Payment Sale and Purchase Agreement with Marubeni Corporation (MC) for the purchase of various equipment intended for enhancing its mining activities.

The amounts corresponding to the units or pieces of equipment that are shipped to the Parent Company shall be paid by the Parent Company to MC within seven hundred twenty (720) days after the date of the bill of lading for the relevant shipment of such units or pieces of equipment.

The interest rate applicable to each interest period shall be four percent (4.00%) per annum over the rate 180 days BBA LIBOR on two (2) business days prior to the first day of such interest period.

Notwithstanding the provisions for payment of the contract amount as stipulated, the Parent Company may, with not less than fourteen (14) business days written notice to MC, prior to the next interest payment date, prepay the whole or any part of the respective contract amount on that interest payment date.

During the first quarter of 2011, deferred purchase payment with MC has been fully settled.



13. Trade and Other Payables

	2011	2010
Trade:		
Payable to suppliers and contractors	₱5,010,829,635	₱3,081,556,102
Due to related parties (Note 17 and 28)	238,222,442	198,245,320
Output VAT Payable	965,446,171	600,148,149
Payable to DOE and local government units (LGU) (Note 26)	905,008,728	1,013,039,943
Accrued expenses and other payables	179,521,808	456,436,860
	₱7,299,028,784	₱5,349,426,374

Trade payables to suppliers, contractors and others include liabilities amounting to ₱468.08 million (US\$10.68 million) and ₱97.58 million (US\$2.11 million) as of December 31, 2011 and 2010, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies. Trade payables are noninterest-bearing and are normally settled on 30-day to 60-day credit terms.

Payable to DOE and LGU represents the share of DOE and LGU in the gross revenue of the Parent Company's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 26).

Details of the accrued expenses and other payables account follow:

	2011	2010
Interest	₱76,887,268	₱52,629,791
Withholding and other taxes	37,024,671	58,777,144
Real property tax	18,828,610	18,828,610
Rental (Note 17)	15,264,799	15,264,799
Salaries and wages	12,476,527	40,010,809
Financial benefit payable	8,265,879	-
Professional fees	6,050,000	6,000,000
Probable legal claims (Note 27)	-	215,803,423
Coal hauling	-	13,034,083
Others	4,724,054	36,088,201
	₱179,521,808	₱456,436,860

Others include bonus, accruals on contracted services, utilities, supplies and other administrative expenses.

14. Provision for Decommissioning and Site Rehabilitation

	2011	2010
At January 1	₱14,732,350	₱17,621,980
Additions	31,091,791	-
Accretion of interest (Note 21)	1,758,087	774,354
Adjustment	-	(3,663,984)
At December 31	₱47,582,228	₱14,732,350



On May 13, 2008, the DOE granted the Parent Company's request for an extension of its Coal Operating Contract (COC) for another 15-year or until July 14, 2027. Due to the term extension, the Parent Company has changed the discount rates used in the calculation of the net present value of the provision from 4.11% to 5.35% in 2009 to 1.31% to 8.15% in 2010.

Also, on November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, covering an additional area of 5,500 hectares and 300 hectares, respectively. Due to these change, the Parent Company has provided additional provision for decommissioning and site rehabilitation in the amount of ₱80.00 million, with a carrying value of ₱31.09 million as of December 31, 2011.

In accordance with the provisions of IFRIC 1, the additions and adjustments were included in the parent company statements of financial position for the years 2011 and 2010.

15. Capital Stock

	2011	2010
Common stock - ₱1 par value		
Authorized - 1,000,000,000 shares	₱1,000,000,000	₱1,000,000,000
Issued and outstanding shares	356,250,000	356,250,000

Stock Rights Offering

On June 10, 2010, the Parent Company offered for subscription 59,375,000 Rights Shares to eligible existing common shareholders at the Offer Price of ₱74 per share. The Rights Shares were issued from the Parent Company's authorized but unissued shares of stock. Each eligible stockholder was entitled to subscribe to one Rights Share for every five Common Shares held as of the Record Date at an Offer Price of ₱74 per Rights Share. Net proceeds from the stock rights offering amounted to about ₱4.39 billion. The amount representing excess of offer price over the par value of the share offering amounting to about ₱4.33 billion was credited to additional paid-in capital for the year ended December 31, 2010.

Deposit on Future Stock Subscriptions

On December 1, 2009, DMCI-HI and Dacon advanced deposits on future subscriptions which aggregated to ₱5.40 billion. These advances were used in the reissuance of treasury shares on April 8, 2010 and stock rights offering on June 10, 2010.

Shares Held in Treasury

On July 7, 2005, the BOD approved the buyback of the Parent Company's shares aggregating 40 million shares which begun on August 15, 2005 until December 31, 2005. On January 11, 2006, the BOD approved to extend its buyback program for a period of 60 days starting January 12, 2006 under the same terms and conditions as resolved by the BOD last July 7, 2005, provided that the total number of shares to be reacquired shall in no case exceed 15 million shares.

The number of shares held in treasury is 19,302,200 amounting to ₱528.89 million as of December 31, 2009 and 2008. On April 8, 2010, the Parent Company reissued all of its treasury shares to Dacon Corporation (Dacon) at ₱67 per share or a total of ₱1.29 billion. The excess of the proceeds over the total cost of the treasury is included under additional paid-in capital in the amount of ₱764.36 million.



Below is the summary of the Parent Company's track record of registration of securities under the Securities Regulation Code Annex 68-D1.1:

	Number of shares registered and outstanding	Share price	Date
Shares issued and outstanding	250,000,000	₱1	01/01/2005
Add (deduct):			
Additional issuance	46,875,000	35	02/04/2005
Buy back treasury shares	(13,802,700)	28	07/07/2005
Buy back treasury shares	(5,499,500)	26	01/11/2006
Reissuance of treasury shares	19,302,200	67	04/08/2010
Stock rights offering	59,375,000	74	07/19/2010
December 31, 2011	356,250,000		

As of December 31, 2011, the Company has 639 shareholders of the 356,250,000 outstanding shares.

16. Retained Earnings

Cash Dividends

On April 27, 2011, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱10.00 per share or ₱3.56 billion to stockholders of record as of May 27, 2011. The said cash dividends were paid on June 22, 2011.

On April 27, 2010, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱6.00 per share or ₱1.78 billion to stockholders of record as of May 27, 2010. The said cash dividends were paid on June 23, 2010.

On March 30, 2009, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱6.00 per share or ₱1.67 billion to stockholders of record as of April 30, 2009. The said cash dividends were paid on May 15, 2009.

Restrictions

Retained earnings amounting to ₱2.07 billion and ₱1.52 billion as of December 31, 2011 and 2010, respectively, include the accumulated equity in undistributed net earnings of consolidated subsidiaries accounted for under cost method. The amounts are not available for dividends until declared by the subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2011 amounted to ₱5.34 billion.

On April 4, 2005, the BOD authorized the restriction in the amount of ₱1.00 billion out of the Parent Company's retained earnings for future capital expenditures and investment diversification program of the Group.



On March 18, 2008, the BOD authorized an additional ₱500.00 million appropriation for capital expenditures and expansion and likewise, on November 11, 2008, the BOD approved the reversal of the appropriated retained earnings in the amount ₱800.00 million. The remaining ₱700.00 million shall continue to be appropriated for capacity expansion and additional investment.

17. Related Party Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Affiliates are entities that are owned and controlled by DMCI-HI. These affiliates are effectively sister companies of the Group. Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Group's significant transactions with related parties include the following:

- a. Continuing Indemnity Agreement dated September 3, 1998 with DMCI-HI and certain related parties whereby the Group, in consideration for guarantees extended by DMCI-HI and related parties in the form of Real Estate Mortgage (REM), standby letters of credit and other credit lines or facilities to secure the Group's indebtedness to various banks and creditors, agreed to indemnify and hold DMCI-HI and related parties free from and against any and all claims, liabilities, demands, actions, costs, expenses and consequences of whatever nature which may arise or result from said corporate guarantees. The Group further agreed to pay a fixed interest rate per annum on all sums or monies paid by DMCI-HI and related parties by reason of or in connection with the said corporate guarantees, letters of credit, credit facilities or REM; real properties of this affiliate were already freed from lien effective at the time when these old equipment loans were fully paid. The loans contracted in 2004 and 2005 were still guaranteed by DMCI-HI. Guarantee fees incurred amounted to ₱0.30 million in 2010, and ₱2.62 million in 2009. These are included under "Finance costs" in the consolidated statement of comprehensive income (see Note 21);
- b. DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, has transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to ₱52.90 million, ₱59.17 million and ₱166.22 million in 2011, 2010, and 2009, respectively. These are included in Cost of sales under "Cost of coal sales - Outside services" (see Note 19);

DMC-CERI also provides to the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to ₱498.42 million, ₱507.86 million and ₱500.75 million in 2011, 2010 and 2009, respectively, and are included in Cost of sales under "Cost of coal sales - Hauling and shiploading costs" (see Note 19). The reported expense of the Group is net of freight payment by NPC (billing is cost and freight).



Land lease rental with DMC-CERI amounting to ₱1.70 million and ₱13.74 million were accrued during the periods ended December 31, 2011 and 2010, respectively (see Note 13);

- c. M&S Company, Inc. (M&S), an affiliate, supplies various supplies and materials to the Parent Company on cash on delivery basis. The Parent Company's total purchases from M&S amounted to ₱52.83 million and ₱48.07 million in 2011 and 2010, respectively. M&S also rents out various equipment used in the Parent Company's operations which amounted to nil and ₱110.70 million as of December 31, 2011 and 2010, respectively. This is included in Cost of sales under "Cost of coal sales - Outside services" in the consolidated statements of comprehensive income (see Note 19);
- d. DMCI-PC, DMCI-MC, and DMCI Masbate Power Corporation (DMCI-MPC), affiliates under common control of DMCI-HI, entered into an agreement with the Parent Company to assign some of its employees to render services in the specific projects of the said affiliates. The related expenses billed to DMCI-PC, DMCI-MC and DMCI-MPC aggregated to ₱129.08 million and ₱121.29 million as of December 31, 2011 and 2010. The amount of ₱66.04 million and ₱121.29 million remains outstanding as of December 31, 2011 and 2010, respectively, and are included in Receivables under "Trade - Due to related parties" in the consolidated statements of financial position;
- e. Dacon, the ultimate parent of DMCI-HI, upgraded during the year the Parent Company's information technology environment, including the maintenance of its accounting system, Navision, to which related expenses amounting to ₱0.32 million are included in Operating expenses under "Office and other expenses" in the consolidated statements of comprehensive income (see Note 20);
- f. D.M. Consunji, Inc. (DMCI), an affiliate under common control of DMCI-HI, had transactions with the Group representing equipment rental and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses amounted to ₱220.49 million, ₱67.38 million and ₱69.01 million in 2011, 2010 and 2009, respectively. These are included in Cost of sales under "Cost of coal sales - Outside Services" (see Note 19).

The Parent Company engaged the services of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses aggregated to ₱341.04 million. These are included in Cost of sales under "Cost of coal sales - Outside service" (see Note 19). SCPC also engaged the services of DMCI in the ongoing rehabilitation of the power plant. Billing of DMCI was charged to "Construction in progress" account;

- g. DMC Urban Property Developers, Inc. (UPDI), an affiliate, had transactions with the Parent Company representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expense amounted to ₱6.49 million, ₱6.97 million and ₱7.78 million in 2011, 2010 and 2009, respectively. These are included in Cost of sales under "Cost of coal sales - Outside services" (see Note 19);
- h. Labor cost related to manpower services rendered by DMC-CERI and DMCI employees represents actual salaries and wages covered during the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned;



- i. Wire Rope Corporation of the Philippines, an affiliate, had transactions with the Parent Company representing supply of cable wires. The related expenses amounted to nil and ₱10.4 million in 2011 and 2010, respectively. This is included in Cost of sales under “Cost of coal sales - Materials and supplies” (see Note 19);
- j. Royal Star Aviation Inc., an affiliate, transports the Parent Company’s guests and employees from Manila to Semirara Island and vice versa and bills them for the utilization costs of the aircrafts. The related expenses amounted to ₱2.75 million and ₱0.73 million in 2011 and 2010, respectively, and are included in Cost of sales under “Cost of coal sales - Production overhead” in the consolidated statements of comprehensive income (see Note 19);
- k. Asia Industries Inc., an affiliate, had transactions with the Parent Company for the rental of parking space to which related expenses amounted to ₱0.29 million and ₱0.32 million in 2011 and 2010, respectively. These are included in Operating expenses under “Office and other expenses” in the consolidated statements of comprehensive income (see Note 20);
- l. In June 2010, SCPC’s accounting and administrative functions, including payroll were handled by the DMCI-PC and charges SCPC for the services rendered.

In March 2011, SCPC entered into an Operation and Maintenance Agreement with DMCI-PC for the latter to render management, rehabilitation, operation and maintenance services to SCPC for a period of ten (10) years for a fee equal to the budgeted cost of services plus a mutually agreed mark-up of 5%.

Management fees amounted to ₱497.40 million and ₱216.46 million in 2011 and 2010 (see Note 20). Compensation of SCPC’s key management personnel is paid by the said related party. Hence, the disclosure of compensation required under PAS 24 for key management personnel is included in the financial statements of DMCI-PC; and

- m. At a special meeting held on December 1, 2009, the BOD of DMCI-HI approved the assignment to SCPC of DMCI-HI’s rights and obligations under the APA and LLA for an amount equal to at least all costs incurred by DMCI-HI during or relating to its participation in the bidding and acquisition process for the Purchased Assets.

The following table summarizes the total amount of transactions due to or from related parties as of December 31, 2011 and 2010:

	2011	2010
Due from related parties (Note 5)		
Under common control of DMCI-HI	₱194,311,607	₱120,605,298
Others	4,798,994	23,697
	199,110,601	120,628,995
Due to related parties		
Under common control of DMCI-HI	178,304,963	126,491,712
Others	59,917,479	71,743,608
	238,222,442	198,235,320
	(₱39,111,841)	(₱77,606,325)

The Group has not recorded any impairment losses on its receivables relating to amounts owned by related companies. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



Compensation of key management personnel of the Parent Company by benefit type follows:

	2011	2010	2009
Short-term employee benefits	₱93,866,643	₱101,960,815	₱61,966,888
Post employment benefits	2,346,104	2,738,299	1,268,462
	₱96,212,747	₱104,699,114	₱63,235,350

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

18. Pension Plan

The Parent Company has a funded, noncontributory defined benefit plan covering substantially all of its employees. The date of the latest actuarial valuation is December 31, 2011.

As of December 31, 2011, 2010 and 2009, the assumptions used to determine pension benefits of the Group follow:

	2011	2010	2009
Discount rate	6.75%	8.10%	10.75%
Salary increase rate	3.00%	3.00%	3.00%
Expected rate of return on plan assets	6.00%	6.00%	5.75%

The following table summarizes the components of pension expense in the consolidated statement of comprehensive income:

	2011	2010	2009
Current service cost	₱5,597,830	₱4,762,273	₱3,876,679
Interest cost on benefit obligation	4,405,686	4,405,532	3,734,738
Expected return on plan asset	(2,572,704)	(1,635,383)	(1,500,491)
Actuarial loss (gain) recognized	15,459	–	(1,663,057)
	₱7,446,271	₱7,532,422	₱4,447,869

The above pension expense is included under Personnel costs in operating expenses (see Note 20).

The pension (asset) liability recognized in the statement of financial position follows:

	2011	2010
Present value of defined benefit obligation	₱64,766,789	₱54,391,181
Fair value of plan assets	57,994,669	28,646,138
Excess of present value of defined benefit obligation over fair value of plan assets	6,772,120	25,745,043
Unrecognized actuarial losses	(7,793,627)	(5,748,295)
	(₱1,021,507)	₱19,996,748



Movements in the present value of defined benefit obligation follow:

	2011	2010
Balance at the beginning of year	P54,391,181	P40,981,694
Current service cost	5,597,830	4,762,273
Interest cost on benefit obligation	4,405,686	4,405,532
Actuarial loss	372,092	7,047,090
Benefits paid from plan assets	-	(2,334,000)
Benefits paid - direct payments from book reserves	-	(471,408)
Balance at end of year	P64,766,789	P54,391,181

Movements in the fair value of plan assets follow:

	2011	2010
Balance at beginning of the year	P28,646,138	P28,423,387
Expected return on plan assets	2,572,704	1,635,383
Contributions during the period	28,464,526	-
Actuarial gain (loss) from plan assets	(1,688,699)	921,368
Benefits paid	-	(2,334,000)
Balance at end of year	P57,994,669	P28,646,138
Actual return	P884,005	P2,556,751

The overall expected rate of return on plan assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The Group does not expect any contribution to the pension fund in 2012.

The amounts for the current and previous four periods follow:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	P64,766,789	P54,391,181	P40,981,694	P39,107,208	P27,760,518
Fair value of plan assets	57,994,669	28,646,138	28,423,387	25,008,190	55,374,465
Deficit (excess)	6,772,120	25,745,043	12,558,307	14,099,018	(27,613,947)
Experience adjustments on plan liabilities	(2,339,743)	4,250,163	(5,651,794)	(12,320,619)	(37,166,703)
Experience adjustments on plan assets	(1,688,699)	921,368	(31,911,761)	1,545,486	-

Movements in the unrecognized actuarial loss follow:

	2011	2010
Balance at the beginning of year	(P5,748,295)	P377,427
Actuarial loss on defined benefit obligation	(372,092)	(7,047,090)
Actuarial gain (loss) on the fair value of plan assets	(1,688,699)	921,368
Actuarial loss recognized	15,459	-
	(P7,793,627)	(P5,748,295)



As of December 31, 2011 and 2010, the major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2011	2010
Investment in debt/equity securities	96.25%	97.89%
Deposits in banks	2.10	0.42
Miscellaneous receivables	1.65	1.69
	100.00%	100.00%

19. Cost of Sales

Cost of coal sales consists of:

	2011	2010	2009
Materials and supplies (Note 17)	₱3,539,708,005	₱3,648,419,107	₱2,469,067,063
Fuel and lubricants	2,812,308,480	2,192,053,459	1,895,994,109
Depreciation and amortization (Notes 8 and 10)	1,792,534,859	1,661,071,376	1,012,486,855
Outside services (Note 17)	583,512,807	1,392,956,840	2,306,385,701
Hauling and shiploading costs (Notes 8 and 17)	859,891,741	605,250,315	540,872,300
Direct labor	354,994,588	411,300,417	366,772,235
Production overhead (Note 17)	320,585,320	311,575,215	336,768,443
	₱10,263,535,800	₱10,222,626,729	₱8,928,346,706

Cost of power sales consists of:

	2011	2010	2009
Coal	₱3,720,772,855	₱2,956,897,728	₱172,809,840
Spot purchases	1,500,978,204	1,773,351,388	154,852,467
Depreciation and amortization (Notes 8 and 10)	776,589,421	794,013,317	75,338,855
Bunker	234,071,851	67,731,908	7,169,892
Diesel	113,440,407	99,855,348	2,620,572
Lube	22,661,500	37,938,217	2,264,229
Market fees	22,015,982	24,022,888	1,265,307
Coal handling expense	2,107,676	13,596,690	3,387,368
Others	4,445,766	-	-
	₱6,397,083,662	₱5,767,407,484	₱419,708,530

Spot purchases pertain to the cost of electricity acquired from the spot market. This is recognized as expense when the Company receives the electricity and simultaneously sells to its customers.

On December 4, 2009, SCPC received from the Philippine Electricity Market Corporation the electronic certificate which evidenced the direct membership of the SCPC in the WESM. Being a direct member of the WESM, the Company can sell electricity to its customers assigned by PSALM, sell available power in excess of its customers' electricity requirements in the WESM as spot sales and purchase power directly from the spot market should the need arises. In addition, the SCPC, as a requirement for being a direct member of WESM, has to pay market fees based on the total energy traded in the market. In 2011, 2010 and 2009, SCPC purchased power from the spot market in the amount of ₱1.50 billion, ₱1.77 billion and ₱0.15 billion, respectively.



20. Operating Expenses

	2011	2010	2009
Government share (Note 26)	₱1,479,972,809	₱1,310,029,153	₱450,151,548
Management fees (Note 17)	500,743,201	216,458,717	–
Taxes and licenses	334,393,508	31,705,447	2,729,342
Personnel costs (Notes 17 and 18)	194,509,438	335,103,976	140,485,645
Insurance and bonds	61,394,404	57,083,139	11,273,086
Repairs and maintenance	52,485,703	49,501,640	3,125,221
Depreciation (Note 8)	38,230,893	28,629,004	8,386,156
Transportation and travel	34,221,417	33,561,854	17,871,246
Professional fees	29,987,831	65,796,354	28,373,909
Entertainment, amusement and recreation	16,542,752	18,855,526	9,251,477
Provision for doubtful accounts (Note 5)	5,004,512	53,744,668	–
Provision for billing disputes (Note 27)	–	383,293,921	–
Provision for impairment loss (Note 10)	–	–	40,374,335
Office expenses and others	109,687,646	137,471,519	31,178,614
	₱2,857,174,114	₱2,721,234,918	₱743,200,579

Office expenses and others pertain to various expenses such as advertising, utilities, supplies and repairs and maintenance expenses.

21. Finance Costs

	2011	2010	2009
Interest on:			
Bank loans	₱428,635,398	₱652,152,869	₱100,651,973
Amortization of debt issuance cost (Note 12)	22,415,490	5,199,543	–
Acceptances and letters of credits	30,478,806	10,314,050	10,379,698
Accretion of ARO (Note 7)	1,758,087	774,354	1,160,993
	₱483,287,781	₱668,440,816	₱112,192,664

22. Finance Income

	2011	2010	2009
Interest on:			
Cash in banks	₱20,485,464	₱25,628,932	₱1,514,481
Cash equivalents and temporary investments	108,389,881	15,668,969	28,604,294
Accretion on security deposits (Note 10)	168,856	12,787,515	20,623,718
Others	5,832,479	3,582,348	2,010,403
	₱134,876,680	₱57,667,764	₱52,752,896



23. Other Income

	2011	2010	2009
Gain on sale of equipment (Note 8)	₱53,547,507	₱6,088,124	₱40,205,597
Recoveries from insurance claims	35,179,622	5,069,284	18,173,051
Reversal of allowance for doubtful accounts (Note 5)	7,892,343	5,677,104	3,191,293
Gain on sale of investments (Note 9)	–	41,378,255	–
Negative goodwill (Note 33)	–	–	15,666,754
Miscellaneous	3,285,825	7,214,245	30,698,527
	₱99,905,297	₱65,427,012	₱107,935,222

24. Income Tax

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the statements of comprehensive income follows:

	2011	2010	2009
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustments for:			
Tax-exempt income	(30.68)	(31.14)	(30.62)
Interest income already subjected to final tax at a lower rate - net of nondeductible interest expense	(0.29)	(0.11)	(0.19)
Unrecognized deferred tax assets	0.26	0.30	3.35
Nondeductible interest expense	0.19	0.11	0.16
Nondeductible expense	0.16	0.25	–
Equity in net losses (earnings)	–	(0.59)	0.62
Gain on divestment	–	(0.32)	–
Derecognized deferred tax assets	–	0.60	–
Effective income tax rate	(0.37%)	(0.90%)	3.32%

The significant components of deferred tax assets and liabilities represent the deferred tax effects of the following:

	2011	2010
Deferred tax assets on:		
<i>SCPC</i>		
Amortization of loan discount	₱6,724,647	₱–
Unrealized foreign exchange loss	3,439,317	–
Provision for decommissioning and site rehabilitation	1,177,374	–
	11,341,338	–
<i>SLPGC</i>		
Organizational costs	6,060,168	–
<i>NOLCO</i>	7,500	–
	6,067,668	–
	₱17,409,006	₱–

(Forward)



	2011	2010
Deferred tax liabilities on:		
<i>Parent Company</i>		
Incremental cost of property, plant and equipment	₱565,481	₱7,846,603
Net unrealized foreign exchange gains	–	20,192,488
Unamortized prepaid rent	–	48,214
	₱565,481	₱28,087,305

In 2011 and 2010, the Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets has not been recognized:

	2011	2010
Allowance for doubtful accounts (Note 5)	₱68,891,290	₱71,779,121
Allowance for inventory write down (Note 6)	53,286,925	53,286,925
Provision for impairment loss (Note 10)	40,374,335	40,374,335
Provision for decommissioning and site rehabilitation (Note 14)	39,788,796	14,732,350
Unrealized foreign exchange loss	26,475,064	–
Pension costs	25,156,349	19,996,748
NOLCO	30,000	–
Organizational costs	20,170	–
Unamortized discount on security deposits	–	168,856
	₱254,022,929	₱200,338,335

Unrecognized NOLCO for 2011 will expire on 2014.

Board of Investments (BOI) Incentives

The Parent Company

On September 26, 2008, BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

- a. ITH for six (6) years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 metric tons (MT) representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.

The Parent Company shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its Corporate Social Responsibility (CSR), which shall be submitted before the lapse of its initial four (4) year ITH.

- b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.



Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

- c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On August 19, 2009, BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱1.35 billion, ₱1.37 billion and ₱0.64 billion in 2011, 2010 and 2009, respectively.

SCPC

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, SCPC shall be entitled to the following incentives, among others:

- a. SCPC shall enjoy income tax holiday for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.
- b. For the first five (5) years from the date of registration, SCPC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI of \$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.
- c. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.
- d. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

SCPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱1.87 billion and ₱1.40 billion in 2011 and 2010, respectively.



25. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2011	2010	2009
Net income	₱6,031,136,575	₱3,952,708,257	₱1,845,984,707
Divided by the weighted average number of common shares outstanding	356,250,000	326,684,867	277,572,800
Basic / diluted earnings per share	₱16.93	₱12.10	₱6.65

For the years ended December 31, 2011, 2010 and 2009, there were no outstanding dilutive potential common shares.

26. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year Coal Operating Contract (COC) to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On June 8, 1983, the Ministry of Energy (now DOE), issued a new COC to the Parent Company, incorporating the foregoing assignment and amendments. The COC gives the Parent Company the exclusive right to conduct exploration, development and coal mining operations on Semirara Island until July 13, 2012. On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share (including accrued interest computed at 14% per annum on outstanding balance) under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1.48 billion, ₱1.31 billion and ₱450.15 million in 2011, 2010 and 2009, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 20). The liabilities, amounting to ₱0.91 billion and ₱1.01 billion as of December 31, 2011 and 2010 are included under the "Trade and other payables" account in the consolidated statement of financial position (see Note 13).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant in determining the amount due to DOE.



27. Contingencies and Commitments

Operating lease commitment - as a lessee

As discussed in Note 33, SCPC entered into a Land Lease Agreement (LLA) with PSALM for the lease of land with which the plant is situated, for the period of 25 years, renewable for another 25 years with the mutual agreement of both parties. SCPC paid US\$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25 year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits (SBLC). The performance security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buy the option assets in consideration for the grant of the option, the land purchase price should be equivalent to the highest of the following and or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) \$21.00 per square meter. Valuation basis for 1 to 3 shall be based on the receipt of PSALM of the option to exercise notice. The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an Option Existence Notice and granted SCPC the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed the “Option” and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of the Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, the Parent Company and SCPC exercised the land lease option at a purchase price of ₱376.61 million and is included as part of “Property, plant and equipment” (see Note 8).

Transition supply contracts

The APA included a number of Transition Supply Contracts (TSC) to distribution utilities and large load customers located in close proximity to the Purchased Assets. The volume of energy demand for each of the customers is reflected in their respective TSC. The electricity pricing in the said TSC is tied to the NPC’s Luzon Time of Use (TOU) rate approved by the Energy Regulatory Commission (ERC) which is adjustable by changes in foreign exchange and fuel cost. The said tariff, even if adjustable, is subject to ERC’s approval before the same could be implemented. Assignment of Sun Power Corporation’s TSC was not accepted by the Company at the closing date due to anticipated loss once accepted. Assigned TSC were renewed on various dates in 2010, except for High Street Corporation.



Provision for probable legal claims

The Parent Company has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the Energy Regulatory Commission (ERC) against NPC and PSALM involving over-nominations made by NPC during the billing period January to June 2010 beyond the 169,000 kW MERALCO allocation of the Company, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 11% computed from the date of the SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference of February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million (see Note 20). Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

As of December 31, 2011, decision of ERC regarding the case is still pending resolution.

28. Financial Risk Management Objectives and Policies

The Group has various financial assets such as trade receivables, cash and cash equivalents, security deposits and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise bank loans, trade and other payables and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below:



The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2011 and 2010.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Parent Company can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Parent Company is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Parent Company's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs. As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits.

To mitigate this risk, the Parent Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, foreign exchange).



Below are the details of the Parent Company's coal sales to the domestic market (excluding those to the power-generating companies) and to the export market:

	2011	2010
Domestic market	41.14%	29.24%
Export market	37.27	57.36
<i>as a percentage of total coal sales volume</i>		

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Parent Company as of December 31, 2011 and 2010 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

<i>Based on ending coal inventory</i>	Effect on income before income tax	
	2011	2010
Change in coal price		
Increase by 30%	₱915,762,074	₱344,913,146
Decrease by 30%	(915,762,074)	(344,913,146)

<i>Based on coal sales volume</i>	Effect on income before income tax	
	2011	2010
Change in coal price		
Increase by 30%	₱6,019,117,161	₱5,022,990,106
Decrease by 30%	(6,019,117,161)	(5,022,990,106)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US\$) denominated debts.



The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile.

	2011						Carrying Value
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	
				(In Thousands)			
Cash equivalents	1.80% to 4.62%	₱3,896,715	₱-	₱-	₱-	₱-	₱3,896,715
Foreign long-term debt at floating rate							
\$3.20 million loan (USD)	1.59%-2.88% payable in arrears, to be repriced every 90 days	₱140,288	₱-	₱-	₱-	₱-	₱140,288
\$29.96 million loan (USD)	1.94% p.a. payable semi-annually in arrears, to be repriced every 6 months	639,057	674,531	-	-	-	1,313,588
\$15.70 million loan (USD)	1.80% p.a. for 92 days, to be repriced every 30 to 180 days	442,382	246,064	-	-	-	688,446
\$23.45 million loan (USD)	1.82% p.a., to be repriced every 3 months	240,239	788,014	-	-	-	1,028,253
\$21.11 million loan (USD)	1.03%-1.10% payable in 3-4 months, principal to be paid at maturity	-	925,663	-	-	-	925,663
Mortgage payable at floating rate	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,508,877	1,514,248	1,519,639	1,525,049	2,297,759	8,365,572
		₱2,970,843	₱4,148,520	₱1,519,639	₱1,525,049	₱2,297,759	₱12,461,810



The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on December 31, 2011 and 2010, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in hundred thousands)	Effect on Profit Before Tax			
	2011		2010	
+100	(¥124,681)	(US\$2,844)	(¥122,934)	(US\$2,804)
-100	124,681	2,844	122,934	2,804

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on unsecured bank loans.

There was no effect on the equity other than those affecting the profit before tax.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.



The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2011 and 2010 based on undiscounted contractual payments.

	2011					Total
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	
Assets						
Cash in bank and cash equivalents	₱4,989,794,059	₱-	₱-	₱-	₱-	₱4,989,794,059
Receivables:						
Trade:						
Electricity sales	834,041,959	1,105,809,168	-	-	-	1,939,851,127
Local coal sales	942,197,245	8,258,045	-	-	-	950,455,290
Export coal sales	108,413,708	-	-	-	-	108,413,708
Due from related parties	199,110,601	-	-	-	-	199,110,601
Others*	6,492,192	8,705,081	-	-	-	15,197,273
Environmental guarantee fund	-	-	-	-	1,500,000	1,500,000
	7,080,049,764	1,122,772,294	-	-	1,500,000	8,204,322,058
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	5,000,033,413	10,796,222	-	-	-	5,010,829,635
Due to related parties	238,222,442	-	-	-	-	238,222,442
Accrued expenses and other payables**	142,174,353	322,784	-	-	-	142,497,137
Short-term loans	1,010,692,002	-	-	-	-	1,010,692,002
Long-term debt at floating rate						
\$3.2 million loan (USD) with interest payable in arrears	810,163	140,778,239	-	-	-	141,588,402
\$29.96 million loan (USD) with interest payable semi-annually in arrears	7,627,682	649,523,897	675,015,756	-	-	1,332,167,335
\$15.70 million loan (USD) with interest payable in arrears	3,461,409	447,368,880	246,064,056	-	-	696,894,345
\$23.45 million loan (USD) with interest payable in arrears	5,533,275	246,646,131	791,122,589	-	-	1,043,301,995
\$21.11 million loan (USD) with interest payable in arrears, to be repriced every 90 to 180 days	4,985,227	4,985,227	932,309,744	-	-	942,280,198
₱9.60 billion mortgage payable at PDST-F benchmark yield for 3-month treasury securities +1.75%	25,446,333	1,477,732,575	1,568,360,565	1,573,171,948	3,957,134,668	8,601,846,089
	6,438,986,299	2,978,153,955	4,212,872,710	1,573,171,948	3,957,134,668	19,160,319,580
	₱641,063,465	(₱1,855,381,661)	(₱4,212,872,710)	(₱1,573,171,948)	(₱3,955,634,668)	(₱10,955,997,522)

*excludes advances for liquidation

**excludes statutory liabilities



	2010					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in bank and cash equivalents	₹3,804,596,734	₹-	₹-	₹-	₹-	₹3,804,596,734
Receivables:						
Trade:						
Electricity sales	1,598,431,667	-	-	-	-	1,598,431,667
Local coal sales	749,328,994	-	-	-	-	749,328,994
Export coal sales	582,130,762	-	-	-	-	582,130,762
Due from related parties	120,628,995	-	-	-	-	120,628,995
Others*	129,640,823	-	-	-	-	129,640,823
Security deposits	304,400,611	-	-	-	-	304,400,611
Environmental guarantee fund	-	-	-	-	1,500,000	1,500,000
	7,289,158,586	-	-	-	1,500,000	7,290,658,586
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	3,081,556,102	-	-	-	-	3,081,556,102
Due to related parties	198,245,320	-	-	-	-	198,245,320
Accrued expenses and other payables**	183,017,680	-	-	-	-	183,017,680
Short-term loans	449,845,179	-	-	-	-	449,845,179
Long-term debt at floating rate						
\$16.00 million loan (USD) with interest payable in arrears, to be repriced every 90 days	9,156,418	9,156,418	703,800,303	-	-	722,113,139
\$14.58 million loan(USD) with interest payable semi-annually in arrears, to be repriced every six (6) months	6,221,439	6,221,439	650,157,885	-	-	662,600,763
\$10.08 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	3,985,363	3,985,363	448,059,321	-	-	456,030,047
\$5.48 million loan (USD) with interest payable in arrears, to be repriced every three (3) months	2,187,257	2,187,257	243,520,053	-	-	247,894,567
\$17.62 million deferred purchase payment at 4% interest p.a. over the rate 180 days	15,507,539	15,507,539	783,130,726	-	-	814,145,804
₹9.60 billion mortgage payable at PDST-F benchmark yield for 3-month treasury securities +1.75%	493,510,409	889,111,096	1,752,277,703	1,709,598,558	5,653,301,175	10,497,798,941
	4,443,232,706	926,169,112	4,580,945,991	1,709,598,558	5,653,301,175	17,313,247,542
	₹2,845,925,880	(₹926,169,112)	(₹4,580,945,991)	(₹1,709,598,558)	(₹5,651,801,175)	(₹10,022,588,956)

*excludes advances for liquidation

**excludes statutory liabilities



Foreign currency risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US\$. Majority of revenue are generated in Pesos, however, substantially all of capital expenditures are in US\$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 27.74% and 38.98% of the Group's sales in 2011 and 2010, respectively, were denominated in US\$ whereas approximately 24.65% and 20.38% of debts as of December 31, 2011 and 2010, respectively, were denominated in US\$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows:

	December 31, 2011		December 31, 2010	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$27,878,828	₱1,222,207,823	\$47,358,433	₱2,076,193,708
Trade receivables	2,472,940	108,413,708	13,278,530	582,130,755
Liabilities				
Trade payables	(1,023,013)	(44,848,885)	(10,304,844)	(451,764,348)
Short-term loans	(23,054,106)	(1,010,692,002)	(10,261,067)	(449,845,179)
Long-term debt (including current portion)	(93,436,089)	(4,096,238,127)	(63,812,979)	(2,797,561,000)
Net foreign currency denominated liabilities	(\$87,161,440)	(₱3,821,157,483)	(\$23,741,927)	(₱1,040,846,064)

The spot exchange rates used in 2011 and 2010 ₱43.84 to US\$1.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2011 and 2010.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in profit before tax	
	2011	2010
₱2	(₱174,322,880)	(₱47,483,853)
(₱2)	174,322,880	47,483,853

There is no impact on the Group's equity other than those already affecting net income. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized ₱38.32 million net foreign exchange loss and ₱199.49 million net foreign exchange gain for the years ended December 31, 2011 and 2010, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables and long-term debt.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.



On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group generally offers 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

The credit risk is concentrated to the following markets:

	2011	2010
Trade receivables:		
Electricity sales	62.48%	61.52%
Local sales	30.61	28.84
Due from related parties	6.41	4.64
Others	0.50	5.00
	100.00%	100.00%

The table below shows the maximum exposure to credit risk of the Group.

	Gross Maximum Exposure	
	2011	2010
Cash and cash equivalents	₱4,989,794,059	₱3,804,596,734
Receivables:		
Trade:		
Electricity sales	1,939,851,128	1,598,431,667
Local coal sales	950,455,290	749,328,994
Due from related parties	199,110,601	120,628,995
Others	15,197,273	129,640,823
Security deposits*	-	304,400,611
Environmental guarantee fund**	1,500,000	1,500,000
Total credit risk exposure	₱8,095,908,351	₱6,708,527,824

*Included under "Other current assets"

**Included under "Other noncurrent assets"

As of December 31, 2011 and 2010, the credit quality per class of financial assets is as follows:

	2011				
	Neither Past Due nor Impaired		Substandard Grade	Past due or Individually Impaired	Total
	Grade A	Grade B			
Cash and cash equivalents	₱4,989,794,059	₱-	₱-	₱-	₱4,989,794,059
Receivables:					
Trade:					
Electricity sales	1,560,491,505	379,359,622	-	53,523,802	1,993,374,929
Local coal sales	839,947,873	91,602,242	-	18,905,175	950,455,290
Export coal sales	108,413,708	-	-	-	108,413,708
Due from related parties	199,110,601	-	-	-	199,110,601
Others	9,317,074	1,186,119	-	15,944,364	26,447,557
Environmental guarantee fund	1,500,000	-	-	-	1,500,000
Total	₱7,708,574,820	₱472,147,983	₱-	₱88,373,341	₱8,269,096,144



	2010					Total
	Neither Past Due nor Impaired		Substandard Grade	Past due or Individually Impaired		
	Grade A	Grade B				
Cash and cash equivalents	₱3,804,596,734	₱-	₱-	₱-		₱3,804,596,734
Receivables:						
Trade						
Electricity sales	1,598,182,785	-	-	53,772,684		1,651,955,469
Local coal sales	296,162,508	347,712,843	-	113,345,986		757,221,337
Export coal sales	582,130,762	-	-	-		582,130,762
Due from related parties	120,628,995	-	-	-		120,628,995
Others	-	113,991,886	-	21,894,710		135,886,596
Security deposits	304,400,611	-	-	-		304,400,611
Environmental guarantee fund	1,500,000	-	-	-		1,500,000
Total	₱6,707,602,395	₱461,704,729	₱-	₱189,013,380		₱7,358,320,504

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. Security deposits are to be refunded by the lessor at the end of lease term as stipulated in the lease contract. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Due from related parties are considered Grade A due to the Group's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Included under Grade A are accounts considered to be of high value and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group shows possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category Substandard grade due to the following reasons:

- Electricity and local coal sales - transactions are entered into with reputable and creditworthy companies
- Export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Parent Company



As of December 31, 2011 and 2010, the aging analysis of the Group's receivables presented per class is as follows:

	2011			Total
	Past Due but not Impaired		Impaired Financial Assets	
	<45 days	45-135 days		
<i>Receivables</i>				
Trade:				
Electricity sales	₱-	₱-	₱53,523,802	₱53,523,802
Local coal sales	10,647,130	₱8,258,045	-	18,905,175
Export coal sales	-	-	-	-
Others	-	4,694,080	11,250,284	15,944,364
Total	₱10,647,129	₱12,952,125	₱64,774,086	₱88,373,341

	2010			Total
	Past Due but not Impaired		Impaired Financial Assets	
	<45 days	45-135 days		
<i>Receivables</i>				
Trade:				
Electricity sales	₱248,882	₱-	₱53,523,802	₱53,772,684
Local coal sales	91,602,243	13,851,400	7,892,343	113,345,986
Export coal sales	-	-	-	-
Others	6,606,977	9,041,960	6,245,773	21,894,710
Total	₱98,458,102	₱22,893,360	₱67,661,918	₱189,013,380

Capital management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes.

The Group manages its capital using DE ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2011 and 2010.

	2011	2010
Interest-bearing loans	₱12,461,810,894	₱12,292,718,274
Total equity	14,808,539,757	12,339,903,182
DE ratio	84.15%	99.62%
EPS	₱16.93	₱12.10

The aggressive expansion and investment strategies of the Group resulted to higher DE ratio in 2011 and 2010. The DE ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.



The following table shows the component of the Group's capital as of December 31, 2011 and 2010:

	2011	2010
Total paid-up capital	₱7,031,777,411	₱7,031,777,411
Retained earnings - unappropriated	7,076,762,346	4,608,125,771
Retained earnings - appropriated	700,000,000	700,000,000
	₱14,808,539,757	₱12,339,903,182

29. Fair Values

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2011 and 2010.

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
<i>Loans and receivables:</i>				
Cash and cash equivalents	₱4,989,794,059	₱4,989,794,059	₱3,804,596,734	₱3,804,596,734
Receivables:				
Trade:				
\ Electricity sales	1,939,851,128	1,939,851,128	1,598,431,667	1,598,431,667
Local sales	950,455,290	950,455,290	749,328,994	749,328,994
Export sales	108,413,708	108,413,708	582,130,762	582,130,762
Due from related parties	199,110,601	199,110,601	120,628,995	120,628,995
Others	15,197,273	15,197,273	129,640,823	129,640,823
Security deposits	-	-	304,400,611	304,400,611
Environmental guarantee fund	1,500,000	1,500,000	1,500,000	1,500,000
Total	₱8,204,322,059	₱8,204,322,059	₱7,290,658,586	₱7,290,658,586
Financial Liabilities				
<i>Other financial liabilities:</i>				
Trade:				
Payable to suppliers and contractors	₱5,010,829,635	₱5,010,829,635	₱3,681,704,251	₱3,681,704,251
Due to related parties	238,222,442	238,222,442	200,090,262	200,090,262
Accrued expenses and other payables	142,497,137	142,497,137	163,027,683	163,027,683
Short term loans	1,010,692,002	1,010,692,002	449,845,179	449,845,179
Long-term debt	12,461,810,894	12,461,810,894	12,292,718,274	12,292,718,274
Total	₱19,769,060,838	₱19,769,060,838	₱17,800,425,592	₱17,800,425,592

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents and receivables approximate carrying amounts at the reporting date.

The fair values of security deposits are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms to maturity. The discount rate used ranged from 5.08% to 7.89% in 2010.



Financial liabilities

Trade and other payables

The fair values of trade payables, accrued expenses and other payables, and short-term loans approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2011 and 2010, interest rates ranges from 1.01% to 1.82% and 1.01% to 4.00%, respectively.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2011 and 2010, the Group does not have financial instruments measured at fair value.

30. Lease Commitments

Equipment Rental Agreement

On various dates in 2009 and 2008, the Parent Company entered into Equipment Rental Agreement (the Agreement) with Banco de Oro Rental, Inc. (the Lessor) for the rental of various equipments for a period of twenty (20) months starting on various dates. The Agreement requires for the payment of a fixed monthly rental. The Agreement also requires the Group to pay security deposit which shall be held by the lessor as security for the faithful and timely performance by the Group of all its obligations. Upon termination of the Agreement, the lessor shall return to the Group the security deposit after deducting any unpaid rental and/or other amounts due to lessor (see Note 10). The equipment is, at all times, shall be and remain, the sole and exclusive equipment of the lessor, and no title shall pass to the Group.

As of December 31, 2011, the Agreement with the Lessor is terminated and security deposits amounting to ₱304.40 million was refunded to the Group.

Land lease agreement

As discussed in Notes 8, 27 and 33, SCPC entered into a Land Lease Agreement with PSALM for the lease of land in which the plant is situated, for a period of 25 years, renewable for another 25 years with the mutual agreement of both parties. The Group paid US\$3.19 million or its peso equivalent of ₱150.57 million as payment for the 25 years of rental.



As part of the agreement, the Group has the option to buy the parcels of land that form part of the leased premises upon issuance of an Option Existence Notice. On July 12, 2010, PSALM issued an Option Existence Notice and granted the Company the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. The Company availed of the “Option” and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the Option Existence Notice.

On May 5, 2011, PSALM granted SCPC’s request to assign portion of its option to the Parent Company to buy the 82,740 square meters lot covered by TCT No. 115804.

On June 1, 2011, the Parent Company and SCPC exercised its option to purchase the Option Asset and subsequently entered into a Deed of Absolute Sales with PSALM for the total consideration of ₱376.61 million.

31. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing and financing activities follows:

	2011	2010	2009
Transfers from inventory	₱1,607,455,720	₱529,047,775	₱9,065,739
Conversion of deposit on future stock subscriptions to common shares	–	5,402,125,985	–
Acquisition of conventional and other mining equipment on account (Notes 12 and 13)	–	300,379,924	474,363,625
Acquisition of business (Note 33)	–	–	9,571,202,577
Assignment of APA and LLA (Note 33)	–	–	54,343,156

As of December 31, 2011 and 2010, total cost incurred in the rehabilitation of the power plant and other facilities under construction amounted to ₱1,607.46 million and ₱529.05 million, respectively. These were initially recognized as part of the inventories and were capitalized in the “Construction in progress” account upon issuance (see Note 8).

32. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has two reportable operating segments as follows:

- The coal mining segment is engaged in surface open cut mining of thermal coal; and
- The power generation segment involved in generation of energy available for sale thru electricity markets and trading.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements.



Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	2011 (In thousands)			
	Mining	Power	Adjustments and Eliminations	Consolidated
Revenue				
Sales to external customers	₱16,201,880	₱9,611,704	₱-	₱25,813,584
Inter-segment sales	3,861,843	-	(3,861,843)	-
	20,063,723	9,611,704	(3,861,843)	25,813,584
Cost of sale	(11,920,123)	(5,620,494)	879,998	(16,660,619)
Depreciation	(2,086,783)	(776,589)	2,863,372	-
Gross profit	6,056,817	3,214,621	(118,473)	9,152,965
Operating expenses	(1,837,902)	(1,019,272)	-	(2,857,174)
Operating profit	4,218,915	2,195,349	(118,473)	6,295,791
Other income				99,905
Finance income				134,877
Foreign exchange gain				(38,318)
Finance costs				(483,288)
Provision for income tax				22,169
Net income	₱5,483,753	₱1,865,788	(₱1,318,475)	₱6,031,136
Operating assets	₱22,193,762	₱22,662,959	(₱9,736,701)	₱35,120,021
Deferred tax assets	-	17,409	-	17,409
Investments and advances	-	490,789	-	490,789
	₱22,193,762	₱23,171,157	(₱9,736,701)	₱35,628,219
Operating liabilities	₱5,316,671	₱3,826,450	(₱833,401)	₱8,309,720
Long-term debt	4,140,133	8,369,261	-	12,509,394
Deferred tax liability	565	-	-	565
	₱9,457,369	₱12,195,711	(₱833,401)	₱20,819,679
Other disclosures				
Capital expenditure	₱2,130,050	₱324,326	₱-	₱2,454,376

	2010 (In thousands)			
	Mining	Power	Adjustments and Eliminations	Consolidated
Revenue				
Sales to external customers	₱14,242,225	₱8,655,623	₱-	₱22,897,848
Inter-segment sales	2,511,722	2,330	(2,514,052)	-
Equity in net earnings (loss) of an associate	89,175	(12,349)	-	76,826
	16,843,122	8,645,605	(2,514,052)	22,974,674
Cost of sale	(11,060,316)	(4,975,609)	45,891	(15,990,034)
Depreciation	(1,672,139)	(794,128)	2,466,267	-
Gross profit	4,110,667	2,875,868	(1,894)	6,984,640
Operating expenses	(1,721,678)	(982,091)	-	(2,721,235)
Operating profit	2,388,989	1,893,777	(1,894)	4,263,405
Other income				65,426
Finance income				57,667
Foreign exchange gain				199,488
Finance costs				(668,440)
Provision for income tax				35,162
Net income	₱2,529,654	₱1,424,948	(₱1,894)	₱3,952,708
Operating assets	₱18,779,152	₱20,109,279	(₱8,703,952)	₱30,184,479
Investments and advances	-	310,230	-	310,230
	₱18,779,152	₱20,419,509	(₱8,703,952)	₱30,494,709

(Forward)



2010 (In thousands)				
	Mining	Power	Adjustments and Eliminations	Consolidated
Operating liabilities	₱4,688,519	₱1,423,863	(₱728,226)	₱5,384,156
Long-term debt	3,247,406	9,495,157		12,742,563
Deferred tax liability	28,087			28,087
	₱7,964,012	₱10,919,020	(₱728,226)	₱18,154,806
Other disclosures				
Capital expenditure	₱3,291,597	₱16,152	₱-	₱3,307,749
2009 (In thousands)				
	Mining	Power	Adjustments and Eliminations	Consolidated
Revenue				
Sales to external customers	₱11,500,193	₱443,493	₱-	₱11,943,686
Inter-segment sales	175,039	956	(175,995)	-
Equity in net loss of an associate	(21,990)	(17,359)	-	(39,349)
	11,653,242	427,090	(175,995)	11,904,337
Cost of sale	(8,056,999)	(345,066)	(945,990)	(9,348,055)
Depreciation	(1,021,209)	(75,339)	1,096,548	-
Gross profit	2,575,034	6,685	(25,437)	2,556,282
Operating expenses	(716,857)	(25,656)	(688)	(743,201)
Operating profit	1,858,177	(18,971)	(26,125)	1,813,081
Other income				107,935
Finance income				52,753
Foreign exchange gain				47,703
Finance costs				(112,193)
Provision for income tax				(63,294)
Net income	₱1,773,983	₱82,263	(₱10,261)	₱1,845,985
Operating assets	₱13,615,842	₱17,776,293	(₱7,373,293)	₱24,018,842
Investments and advances	87,912	156,521	-	244,433
	₱13,703,754	₱17,932,814	(₱7,373,293)	₱24,263,275
Operating liabilities	₱2,577,891	₱905,620	(₱199,332)	₱3,284,179
Long-term debt	1,452,263	9,571,203		11,023,466
Deferred tax liability	35,910	36,147		72,057
	₱4,066,064	₱10,512,970	(₱199,332)	₱14,379,702
Other disclosures				
Capital expenditure	₱2,853,553	₱16,211,800	₱-	₱19,065,353
Investment in associates	87,912	156,521	-	244,433

1. Inter-segment revenues are eliminated on consolidation.
2. Cost of sales do not include depreciation and amortization expense charged during production.
3. Segment asset include investment in associates accounted for by the equity method.
4. Segment assets exclude deferred tax assets amounting to ₱17.41 million in 2011.
5. Segment liabilities exclude deferred tax liabilities amounting to ₱0.57 million, ₱28.09 million, and ₱72.06 million in 2011, 2010 and 2009, respectively. Long term bank loans are no longer included as these are managed on a group basis.
6. Capital expenditures consist of additions of property, plant and equipment including assets from the acquisition of business.
7. All non-current assets other than financial instruments are located in the Philippines.



Geographic Information

Revenues from external customers

The financial information about the operation of the Group as of December 31, 2011, 2010 and 2009 reviewed by the management follows:

	2011	2010	2009
Revenue:			
Local coal sale	₱9,041,167,716	₱5,315,636,853	₱7,252,952,002
Export coal sale	7,160,712,695	8,926,587,776	4,247,240,809
	₱16,201,880,411	₱14,242,224,629	₱11,500,192,811

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. All non-current assets other than financial instruments are located in the Philippines.

Coal sales to power company amounted to ₱7.01 billion and ₱2.37 billion for the year ended December 31, 2011 and 2010, respectively.

33. Business Combination

On July 8, 2009, PSALM selected DMCI-HI as the winning bidder for the sale of the 600-MW Batangas Coal-Fired Thermal Power Plant (the Power Plant) located in San Rafael Calaca, Batangas.

Pursuant to the provision of the Asset Purchase Agreement (APA), PSALM, agreed to sell and transfer to DMCI-HI the Power Plant on an “as is where is” basis. The agreed Purchase Price amounting to \$368.87 million was for the acquisition of 2 x 300-MW Batangas Coal-Fired Thermal Power Plant from PSALM as of December 2, 2009.

In an Amendment, Accession and Assumption Agreement dated December 2, 2009, DMCI-HI assigned all of its rights and obligations under the APA and the LLA to SCPC. PSALM consented to the said assignment. Closing under the APA was achieved on December 2, 2009, upon which control, possession, risk of loss or damage of and the obligation to operate the Purchased Assets, and the rights to its revenues were turned over to SCPC. However, legal title to the Purchased Assets will transfer to SCPC only upon full payment of the purchase price. As the assignee in the APA and LLA, the SCPC acquired the rights and obligations enumerated in the APA and LLA for a consideration amounting to ₱54.34 million.

On December 2, 2009, the total cash payments made to PSALM are broken down as follow:

- ₱6.62 billion in peso equivalent using the exchange rate of ₱47.12 representing 40% down payment for US\$351.0 million purchase price of the Power Plant; and
- ₱0.49 billion in peso equivalent using the exchange rate of ₱47.20 representing payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.



Below are the significant provisions of the APA:

- a. All liabilities, obligations, taxes, fees, fines or penalties pertaining to the Power Plant and operating contracts accruing or incurred prior to closing date, regardless of the date when the demand for payment or assessment is made, shall be for the account of PSALM.
- b. SCPC must hire as contractual employees all of the separated NPC employees for a period of five (5) months.
- c. During the deferred payment period, SCPC shall at the end of each fiscal year, maintain a debt service ratio of at least 1.1:1.0 and debt-equity ratio not exceeding 2.5:1.0.
- d. Should there be (i) Semirara coal; (ii) diesel fuel and (iii) bunker fuel on site on closing date, SCPC shall pay PSALM the value of those based on the price paid by NPC for the same.

As embedded in the APA, DMCI-HI will also enter into aLLA with PSALM for the lease of land in which the Power Plant is situated, for the period of 25 years, renewable for another period of 25 years, upon mutual agreement of both Parties (see Note 30).

Other provision of the Agreement includes:

- a. DMCI-HI undertakes that it shall own at least 57% of the voting capital of the Parent Company; and
- b. SCPC shall be a wholly owned subsidiary of the Parent Company.

A breach of any of the above shall constitute a breach by DMCI-HI of the APA.

Relative to the assignment of the APA and LLA by DMCI-HI to SCPC, total consideration recognized by SCPC as due to DMCI-HI amounted to ₱54.34 million.

In a letter dated December 18, 2009, PSALM claims an additional amount of ₱9.55 million representing the difference between the US\$ to Peso exchange rate used for the 40% down-payment of the purchase price, ₱47.13, versus the ₱47.20 US\$ to Peso exchange rate PSALM alleges to be in accordance with the APA. The assessed amount was accrued in 2009 as additional acquisition cost allocated to Property, plant and equipment. Subsequently, the amount was paid by the Group in February 8, 2010.

The principal amount of the Deferred Payment is equivalent to 60% of the purchase price for the Power Plant. The Deferred Payment will be paid to PSALM via 14 equal semi-annual payments beginning June 2, 2010 with an interest rate of 11% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SCPC is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SCPC may prepay any portion of the Deferred Balance in Philippine Pesos (see Note 12).

Under a Memorandum of Agreement dated December 2, 2009 between PSALM and SCPC, the amounts of ₱288.39 million representing parts identified as required to achieve 350 MW capability of the Power Plant and ₱247.55 million as unawarded purchase orders will be deducted from the principal amount of the Deferred Balance.



The fair value of the identifiable assets and liabilities as at the date of acquisition were (amounts in thousands):

	Fair value recognized on acquisition (Restated)
Property, plant and equipment (Note 8)	₱16,211,370
Materials and supplies (Note 6)	618,340
Coal (Note 6)	273,936
Prepaid rent (Note 10)	150,568
Fuel and diesel (Note 6)	86,705
Net assets acquired	17,340,919
Negative goodwill arising on acquisition	(15,667)
Total cost	₱17,325,252

Total consideration transferred relating to the acquisition follows (amounts in thousands):

Cash consideration	₱7,104,375
Payable to PSALM (Note 12)	9,770,448
Transaction cost (Note 20)	450,429
Total cost	₱17,325,252

The net assets recognized in the consolidated financial statements as of December 31, 2009 were based on a provisional assessment of fair value as the Group had sought an independent valuation for the property, plant and equipment. The results of this valuation had not been received at the date the 2009 consolidated financial statements were approved for issue by management.

The valuation of the property, plant and equipment and materials and supplies was completed in April 2010 and showed that the fair value at the date of acquisition was ₱16.21 billion, an increase of ₱514.34 million compared with the provisional value.

The 2009 comparative information has been restated to reflect this adjustment. There was recognition of negative goodwill arising on the acquisition of ₱15.67 million. The decreased depreciation charge on the buildings from the acquisition date to December 31, 2009 was ₱20.76 million.

34. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling



rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Power Supply Agreement with Manila Electric Company (MERALCO)

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect in December 26, 2011 and shall have a term of seven (7) years, which may be extended by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.



c. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2011.

d. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

35. Events After Reporting Period

a. Execution of deed of assignment for the land owned by the Parent Company in exchange of the SLPGC's common shares

On February 22, 2012, the Parent Company and SLPGC executed a deed of assignment for the land owned by the Parent Company in exchange of common shares of SLPGC. The land, with an area of 82,740 square meters, more or less, was purchased by the Parent Company from PSALM on July 25, 2011. The current zonal value of the land is ₱1,025.00 per square meter or a total of ₱84.81 million based on the zonal values of properties in Batangas where the land is located. SLPGC has issued 84.81 million common shares at a par value of ₱1.00 per share or a total of ₱84.81 million in exchange of the said land subject to terms and conditions as follow:

- that the SEC filing fee and documentary stamp tax due on the issuance of shares of stocks and other related expenses shall be for the account of the Parent Company;



- that any and all expenses which may be incurred in connection with the transfer of Transfer Certificate of Title (TCT) covering the land shall be for the sole account of the Parent Company;
- that any and all expenses, taxes and costs which may be incurred in the filing with the BIR confirming the transfer of land in favor of the SLPGC in exchange of shares of stocks shall be for the account of the Parent Company; and
- that upon execution of the deed of assignment, SLPGC shall have the right to create any security interest on the land in order to secure any loan which the SLPGC may obtain from certain banks or other financing institutions.

b. *Execution of Omnibus Loan and Security Agreement (the “Omnibus Agreement”) between SLPGC and BDO Unibank., BPI, and China Banking Corporation (CBC)*

On February 24, 2012, SLPGC entered into a ₱11.50 billion Omnibus Agreement with BDO, BPI and CBC as Lenders, the Parent Company as the Pledgor, BDO Capital and Investment Corporation as the Lead Arranger and Sole Bookrunner, BPI Capital Corporation and CBC as Co-Lead Arrangers and BDO Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee, Registrar and Paying Agent.

Breakdown of the syndicated loan follows:

	Amount
BDO Unibank	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

The Omnibus Agreement was entered into to finance the engineering, procurement, and construction of a two 150 mega-watt coal-fired thermal power plant located in Calaca, Batangas.

Details of the loan follow:

- a. Interest: At a floating rate equivalent to the Philippine Dealing System Treasury-Fixing (PDST-F) plus a spread of 100 basis points (bps) or the Bangko Sentral ng Pilipinas (BSP) overnight rate, provided that, if the BSP Special Deposit Accounts (SDA) rate is 50 bps or more below BPS overnight rate, applicable interest will be 90% of BSP overnight rate, provided however that, if 90% of the BSP overnight rate is lower than the equivalent of PDST-F plus a spread of 100 bps, then the applicable interest rate shall be equivalent to PDST-F plus a spread of 100bps. SLPGC shall have one-time option to shift the floating interest rate to the fixed interest rate provided that the conditions in the Omnibus Agreement are satisfied.
- b. Repayment: The principal amount shall be paid in twenty-seven (27) equal consecutive quarterly installments, each such installment to be paid on a principal repayment date, with the last installment to be paid on the final principal repayment date. The loan may be prepaid voluntarily provided that the conditions in the Omnibus Agreement are satisfied.



The advances of each lender shall be evidenced by a promissory note. Each note shall be dated as of the drawdown date and payable to the order of such lender in the amount of the advance evidenced thereby. The first drawdown is expected to be on or before March 25, 2012 in an amount of not less than ₱500.00 million.

As security for the timely payment of the loan and prompt observance and performance of all the provisions of the Omnibus Agreement, the loan was collateralized by first-ranking real estate mortgage on future real assets and first-ranking chattel mortgage on the future chattels. Further, 67% of issued and outstanding shares of SLPGC owned by the Parent Company were also pledged in this loan.

36. Approval of Financial Statements

The consolidated financial statements of Semirara Mining Corporation and its subsidiaries as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were endorsed for approval by the Audit Committee on February 28, 2011 and were authorized for issue by the Executive Committee of the BOD on March 6, 2012.

