COVER SHEET

0 0 0 0 0 0 0 9 1 4 4 7
SEC Registration Number

S E M I R A R A   M I N I N G   C O R P O R A T I O N

(Company's Full Name)

2 N D   F L O O R   D M C I   P L A Z A   B U I L D I N G
2 2 8 1   D O N   C H I N O   R O C E S   A V E N U E
M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province)

Atty. John R. Sadullo
(Contact Person)

888-3000
(Company Telephone Number)

1 2   3 1
(Fiscal Year)

2 0 - I S
(Form Type)

Month *Day*
(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING CORPORATION

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 Ave., 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 6, 2013, 10:00 A.M., Fairways Room, Manila Golf & Country Club, Harvard Rd., Forbes Park, Makati City 1220, Philippines**

9. Approximate Date on which the Information Statement is to be sent or given to Security Holders: **April 11, 2013**

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 Ave., 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

TABLE OF CONTENTS

SCHEDULES

ATTACHMENTS

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 6, 2013, 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 27, 2013 (the "Record Date") at least fifteen (15) business days prior to May 6, 2013 or not later than April 11, 2013. 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 6, 2013 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 27, 2013 the Corporation has 356,250,000 outstanding common shares.

(b) The Board of Directors of the Corporation has set March 27, 2013, 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 6, 2013.

(c) At the annual stockholders' meeting to be held on May 6, 2013, 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 2012, and (iii) 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 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, 2013, 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* ***Schedule 1***	Filipino	200,647,533	56.32%

[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.

Common	PCD Nominee Corp., stockholder of record	N.A.	Filipino	49,015,501	13.76%
Common	Dacon Corporation, Dacon Bldg., 2281 Don Chino Roces Ave., Makati City, stockholder of record[2]	*See* ***Schedule 1***	Filipino	43,608,509	12.24%
Common	PCD Nominee Corp. (NF), stockholder of record	29,750,664 (8.35%) shares are listed under The Hongkong and Shanghai Banking Corp., Ltd.	Other Alien (Foreigner)	42,086,529	11.81%

(e) **Security Ownership of Management.** - The table sets forth as of March 15, 2013 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%
Common	Isidro A. Consunji	256,064[4]	Filipino	0.07%
Common	Cesar A. Buenaventura	6,010[5]	Filipino	0.00%
Common	Victor A. Consunji	725,180[6]	Filipino	0.20%
Common	Jorge A. Consunji	4,834[7]	Filipino	0.00%
Common	Herbert M. Consunji	10,010[8]	Filipino	0.00%
Common	Victor C. Macalincag	288,130[9]	Filipino	0.08%
Common	George G. San Pedro	40,030[10]	Filipino	0.01%
Common	Federico E. Puno	60,010[11]	Filipino	0.02%

[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] 202 shares are indirect beneficial ownership with PCD Nominee Corp. The shares are held by members of the family sharing the same household.
[4] 256,054 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] 725,170 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] 4,824 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.
[8] 10,000 shares are with PCD Nominee Corporation.
[9] 281,120 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.
[10] 40,000 shares are with PCD Nominee Corporation.
[11] 60,000 shares are with PCD Nominee Corporation.

Common	Ma. Cristina C. Gotianun	300,217[12]	Filipino	0.07%
Common	Ma. Edwina C. Laperal	1,499[13]	Filipino	0.00%
Common	Jaime B. Garcia	48,036[14]	Filipino	0.01%
Common	Denardo M. Cuayo	1,500[15]	Filipino	0.00%
Aggregate Ownership of all directors and officers as a group		**1,741,732**[16]	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 7, 2012 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, 2012 indicates the Corporation's significant transactions with related parties. Below are the descriptions of said transactions:

Co-subsidiaries

		Amount			**Outstanding Balance**	
Company	**Category**	**2012**	2011	2010	**2012**	2011
Wire Rope Corporation	Materials and supplies	**₱–**	–	(₱10.40)	**₱–**	₱–
D.M. Consunji, Inc.	Outside services and others	**(154.10)**	(220.49)	(67.38)	**(406.53)**	(52.16)
	Construction in Progress	**588.25**	172.34	–	**(135.80)**	(167.19)
		₱434.15	₱203.85	₱–	**(₱542,33)**	(₱219.35)

1. Wire Rope Corporation of the Philippines had transactions with the Parent Company representing supply of cable wires. The related expenses are included in cost of sales under "Materials and supplies" in the parent company statements of comprehensive income (see Note 20). Outstanding balances of Wire Rope Corporation are fully paid as of 2012 and 2011. These are noninterest-bearing and are to be settled within one year.

2. D.M. Consunji, Inc. (DMCI) had transactions with the Group representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in cost of sales under "Outside services" and in the "Rent expense" under the "General and administrative expenses" in the statements of comprehensive income.

[12] 300,098 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.
[13] 398 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.
[14] 8,006 shares are with PCD Nominee Corporation.
[15] 1,500 shares are with PCD Nominee Corporation.
[16] 1,292,490 shares are indirect beneficial ownership (Messrs. David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal and Victor C. Macalincag).

The Parent Company also engaged the service 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 are included in cost of sales "Outside services" in the parent company statements of comprehensive income.

DMCI was also engaged by SCPC in the ongoing rehabilitation of the power plant. Billings of DMCI was charged to "Construction in progress" account.

All outstanding balances of DMCI are lodged in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

Entities under common control

		Amount			Outstanding Balance	
Company	**Category**	**2012**	2011	2010	**2012**	2011
					(In Millions)	
DMC Construction Equipment Resources, Inc.	Outside services, and other expenses	**(₱55.63)**	(₱52.90)	(₱59.17)	**(₱1.03)**	(₱0.96)
	Hauling and shiploading costs	**(370.43)**	(498.42)	(507.86)	**(51.89)**	(52.61)
M&S Company, Inc.	Purchases	**(30.34)**	(52.83)	(48.07)	**(10.73)**	3.82
DMCI-PC/ DMCI-MC/ DMCI-MPC	Due to related parties	**(7.12)**	(129.08)	(121.29)	**72.73**	66.04
	Management fees	**(432.98)**	(497.40)	(216.46)	**(87.22)**	128.27
Dacon Corporation	Office and other expenses	**(0.17)**	(0.32)	-	**(0.49)**	(0.32)
DMC Urban Property Developers, Inc.	Office rentals	**(7.51)**	(6.49)	(6.97)	**(1.78)**	(5.07)
Royal Star Aviation, Inc.	Aircraft utilization cost	**(2.63)**	(2.75)	(0.73)	**(0.45)**	(0.47)
Asia Industries, Inc.	Rentals	**(0.38)**	(0.29)	(0.32)	**(0.30)**	–
Others	Other expenses	**(1.41)**	–	–	**(1.91)**	**0.50**
		(₱908.60)	(₱1,240.48)	(₱960.87)	**(₱85.13)**	₱59.05

1. DMC-Construction Equipment Resources, Inc. (DMC-CERI) had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and 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 are included in cost of sales under "Outside services" in the parent company statements of comprehensive income

   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 for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under "Hauling and shiploading costs" in the parent company statements of comprehensive income

   Furthermore, DMC-CERI provides to the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under "Direct labor" in the parent company statements of comprehensive income.

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by 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.

All outstanding balances of DMC-CERI are included in trade and other payables under "Trade-due to related parties" in the parent statements of financial position. These are noninterest-bearing and are to be settled within one year.

2. M&S Company, Inc. (M&S) supplies various supplies and materials to the Parent Company. Outstanding balance is included in trade and other payables in the parent company statements of financial position. These are noninterest-bearing and are to be settled within one year.

3. DMCI-PC, DMCI-MC, and DMCI Masbate Power Corporation (DMCI-MPC) assigned some of its employees through an agreement with the Parent Company to render services on the specific projects of the said affiliates. All outstanding balances of DMCI-PC, DMCI-MC and DMCI-MPC are included in trade and other payables under "Trade - due to related parties" in the parent company statements of financial position.

   DMCI-PC was engaged by SCPC for management, operation and maintenance services. DMCI-PC charges SCPC management fees for the services rendered. The said Operations and Maintenance fees is accounted in the "Management fees" account under "General and administrative expenses". The turnover and effective date of the agreement commenced on January 2011 up to ten years thereafter and maybe renewed for another ten years.

   The key management personnel of SCPC are employees of DMCI-PC. The necessary disclosures required by PAS 24, *Related Party Disclosures*, are included in DMCI-PC's financial statements.

   Outstanding balances are included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

4. Dacon, the principal shareholder 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 are included in operating expenses under "Office and other expenses" in the parent company statements of comprehensive income. These are noninterest-bearing and are to be settled within one year.

5. DMC Urban Property Developers, Inc. 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 expenses are included in cost of sales under "Outside services" in the parent company statements of comprehensive income (see Note 20). Outstanding balance of DMC-UPDI is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

6. Royal Star Aviation Inc. 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 are included in cost of sales under "Production overhead" in the parent company statements of comprehensive income. Outstanding balance of Royal Star Aviation, Inc. is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

7. Asia Industries Inc. had transactions with the Parent Company for the rental of parking space to which related expenses are included in operating expenses under "Office and other expenses" in

the parent company statements of comprehensive income. Outstanding balance of Asia Industries, Inc. is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

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	91
2.	Isidro A. Consunji	Filipino	64
3.	Victor A. Consunji	Filipino	62
4.	Jorge A. Consunji	Filipino	61
5.	Cesar A. Buenaventura	Filipino	83
6.	Ma. Cristina C. Gotianun	Filipino	58
7.	George G. San Pedro	Filipino	73
8.	Ma. Edwina C. Laperal	Filipino	51
9.	Herbert M. Consunji	Filipino	60
10.	Victor C. Macalincag *(Independent)*	Filipino	77
11.	Federico E. Puno *(Independent)*	Filipino	66

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 6, 2013. 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, Mses. Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal and Mr. George G. San Pedro were nominated by Mr. Isidro A. Consunji on March 5, 2013. Mr. Isidro A. Consunji is the brother of Mses. 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, 2013. 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 11, 2013 and the validation of proxy is scheduled on May 2, 2013, 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 6, 2013, have served the Corporation for at least five years.

The record of attendance of the Board of Directors who were present (✓)/absent (—) during the meetings of the Corporation for the year 2012 is as follows:

Name of Director	2012 Board Meetings								
	1-7	2-3	2-24	3-6	4-30	5-10[17]	8-8	10-30	12-20
David M. Consunji	✓	✓	✓	✓	✓	✓	✓	✓	✓
Isidro A. Consunji	✓	✓	✓	✓	✓	✓	✓	✓	✓
Victor A. Consunji	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jorge A. Consunji	✓	✓	✓	✓	✓	✓	✓	✓	✓
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	91
2.	Isidro A. Consunji	Vice Chairman/Chief Executive Officer	Filipino	64
3.	Victor A. Consunji	President/Chief Operating Officer	Filipino	62
4.	Junalina S. Tabor	Chief Finance Officer	Filipino	49
5.	Ma. Cristina C. Gotianun	VP-Administration/Compliance Officer	Filipino	58
6.	George G. San Pedro	VP-Operations/Resident Manager	Filipino	73
7.	George B. Baquiran	VP-Special Projects	Filipino	63
8.	Jaime B. Garcia	VP-Procurement & Logistics	Filipino	57
9	Denardo M. Cuayo	VP-Business Development	Filipino	48
10.	John R. Sadullo	Corporate Secretary & Corporate Information Officer	Filipino	42

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 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, 2013 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). On December 8, 2008, the Securities and Exchange Commission (SEC) approved the amendment to the Corporation's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. The Corporation abides to SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of Certificate of Qualification, and the required number of independent directors. DMCI Holdings, Inc. (DMCI-HI) is the majority stockholder of the Corporation and the nominated independent directors are neither stockholders nor directors of DMCI-HI.

[17] Organizational Meeting.

Further, the independent directors herein nominated are compliant with the term limits pursuant to SEC Memorandum Circular No. 9, Series of 2011, which took effect on January 2, 2012.

(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. ▪ 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 DOJ. In an order dated February 3, 2004, the DOJ 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.

(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:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
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				
	2011	9,871,875.00	56,056,000.00	3,632,561.43
	2012	10,042,500.00	60,588,235.59	3,165,753.43
	2013*	10,042,500.00	60,588,235.59	3,165,753.43
	Total	**₱29,956,875.00**	**₱177,232,471.18**	**₱18,787,598.29**

All other Directors and Officers as a Group	2011	9,655,401.05	45,335,007.04	5,288,040.99
	2012	8,979,750.00	24,745,000.12	4,363,863.01
	2013*	8,979,750.00	24,745,000.12	4,363,863.01
	Total	**₱27,614,901.05**	**₱94,825,007.28**	**₱14,015,767.01**

**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.

<u>All directors of the Corporation receives an annual per diem of ₱240,000.00 and ₱20,000.00 for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees</u>.

(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, Mr. Davee M. Zuñiga 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 Mr. Davee M. Zuñiga is the Partner-In-Charge for less than five years or starting 2012. There is compliance with SEC Circular No. 8 Series of 2003 and SRC Rule 68(3)(b)(ix) (Rotation of External Auditors).

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Not applicable for annual stockholders' meeting.

D. <u>OTHER MATTERS</u>

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 7, 2012:
(1) Approval of the Previous Minutes of the Stockholders' Meeting held on May 2, 2011;
(2) Ratification of the Acts of the Board for the year 2011;
(3) Approval and/or ratification of the 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; and
(4) Appointment of the SGV, as the Independent External Auditor for the year 2012.

(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 2012 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) Appointment of an Independent External 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.

(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 Management
(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) 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.

(d) 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 10-13 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 6, 2013, 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 April 26, 2013, 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, 2013, 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 6, 2013.

(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), and (4) 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 7, 2012.

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

   **Nominated as Independent Directors*

4. 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 ₱60,000.00, 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 6, 2013.

____________________ 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. **CONSOLIDATED AUDITED FINANCIAL STATEMENTS ENDING DECEMBER 31, 2012 AND 2011 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
ISSUER

By:

JOHN R. SADULLO
Corporate Secretary

Makati City, Philippines March 25, 2013.

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, 2013:

1.	Dacon Corporation	1,215,393,901	Common	45.77%
2.	PCD Nominee Corporation (F)[18]	470,393,118	Common	17.71%
3.	PCD Nominee Corporation (NF)	438,962,858	Common	16.53%

The following are the two (2) largest beneficial owners of the shares of Dacon Corporation:
Inglebrook Holdings, Inc. 2,511,010 shares 12.38%
Eastheights Holdings, Inc. 2,511,010 shares[19] 12.38%

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 and Election Committee has selected the following upon nomination to the Board of Directors at the Annual Stockholders' Meeting:

__Directors:__

1. **David M. Consunji,** 91, Filipino, is the Chairman of the Board of the Corporation and has served as Director since 2001. 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, Semirara Claystone Inc., Semirara Energy Utilities Inc., 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,** 64, Filipino, is the Vice-Chairman, Chief Executive Officer, and the Chairman of the Nomination & Election Committee of the Corporation. He has served as Director since 2001. 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, Semirara Claystone Inc., Semirara Energy Utilities Inc., 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

[18] 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.

[19] 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., Rice Creek Holdings, Inc. while Double Spring Investments Corporation holds 201,909 shares or 1% of the issued and outstanding shares.

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,** 62, Filipino, is the President, Chief Operating Officer (COO), and a member of the Audit Committee of the Corporation. He has served as Director since 2001. 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, Semirara Claystone Inc., Semirara Energy Utilities Inc., 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,** 61, Filipino, is a Director of the Corporation and has served as Director since 2001. 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, Semirara Claystone Inc., Semirara Energy Utilities Inc., Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power 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,** 83, Filipino, is a Director of the Corporation and has served as Director since 2001. 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**, 60 years old, Filipino, is a Director of the Corporation and has served as Director since 2001. 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**, 77, Filipino, is an Independent Director, Chairman of the Audit Committee, member of the Compensation & Remuneration and Nomination & Election Committees of the Corporation. He has served as Independent Director since 2004. 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**, 73, Filipino, is a Director, Vice-President for Operation and Resident Manager of the Corporation. He has served as Director since 2001. 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,** 66, Filipino, is an Independent Director and a member of the Audit Committee, Compensation & Remuneration Committee and Nomination & Election Committee of the Corporation. He has served as Independent Director since 2004. 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,** 58, Filipino, is a Director, Chairman of the Remuneration & Compensation Committee, Vice-President for Human Resources & Administration and Compliance Officer of the Corporation. She has served as Director since 2006. 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, Semirara Claystone Inc.. Semirara Energy Utilities Inc., 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**, 51, Filipino, is a Director of the Corporation and has served as Director since 2007. 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.

<u>Executive Officers:</u>

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-HR & 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/Corporate Information Officer

**Member of the Board*

1. **George B. Baquiran**, 68, Filipino, is the Vice President for Special Projects and has held as such since 2006. 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**, 57 years old, Filipino, is the Vice President for Procurement and Logistics and has held as such since 2006. Over 20 years of experience in senior management level with D.M. Consunji Group of Companies inclusive of overseas experience in strategic sourcing and supply chain management, procurement, materials management and logistics in coal mining industry, energy (coal fired power plant), construction, shipping, agro-forest timber and wood processing, aviation and maritime industry. 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 Secretary and Treasurer of Royal Star Aviation, Inc., Director of Semirara Cement Corporation, Executive Vice-President of DMC Construction Equipment Resources, Inc., Director & Vice President of M&S Company, Inc., Vice President of Zanorte Palm-Rubber Plantation Inc., and South Davao Development Co., Inc. He is an Industrial Engineer by profession.
3. **Junalina S. Tabor**, 49 years old, Filipino, is the Chief Finance Officer of the Corporation and has held as such since 2010. 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. She is also the Chief Finance Officer of SEM-Calaca Power Corporation.

4. **John R. Sadullo**, 42, Filipino, is the Corporate Secretary, Legal Counsel and Corporate Information Officer of the Corporation, and has held as such since 2005. 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, Semirara Energy Utilities Inc., and Semirara Claystone Inc. 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**, 48, Filipino is the Vice President for Business Development of the Corporation and has held as such since 2011. 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
2012 Summary of Board Acts and Resolutions

1. Special Meeting held on January 11, 2012:
    a. Approval of the Board's minutes of meeting held on November 9, 2011;
    b. Authority of the Corporation's President to vote all shares held by the Corporation in the special stockholders' meeting of Southwest Luzon Power Generation Corporation on July 16, 2012;
    c. Authority of the Corporation to apply for conversion of its Exploration Permit into a Mineral Production Sharing Agreement with the DENR; and
    d. Authority to open bank accounts, availment of credit facilities and other services with One Network Bank;
2. Special Meeting held on February 3, 2012:
    a. Approval of the Board's minutes of meeting held on January 11, 2012;
    b. Approval/confirmation/ratification of the terms and conditions of the Project Debt Facility of up to P14 billion between Southwest Luzon Power Generation Corporation (SLPGC) and BDO Capital & Investment Corporation (BDO), and execution of corporate security by the Corporation, SLPGC and BDO;
    c. Authority to dispose of the Corporation's 82,740-sq.m. property in exchange for the unissued shares of Southwest Luzon Power Generation Corporation at par value of P1.00 per share;
    d. Authority to enter into a Coal Supple Agreement with Southwest Luzon Power Generation Corporation; and
    e. Authority of the Corporation's President to apply for registration under the Omnibus Investments Code of 1987 for its Bobog Coal Mine Project under the 2011 Investments Priorities Plan.

3. Special Meeting held on February 24, 2012:
    a. Approval of the Board's minutes of meeting held on February 3, 2012; and
    b. Appointment of the Corporation's Attorney-in-Fact to represent the Corporation in the case of Gabinet, et. al. vs. Semirara Mining Corporation, et. al., Civil Case No. 210-C, MCTC-Pandan, Antique;

4. Regular Meeting held on March 6, 2012:
    a. Approval of the Board's minutes of meeting held on February 24, 2012;

b. Approval of the Corporation and its Subsidiaries' consolidated audited financial statements for the period ended December 31, 2011;
c. Fixing the date of Annual Stockholders' Meeting on May 7, 2012, 10:A.M., at the Fairway's Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City; the Record Date on March 20, 2012; and designation of Special Committee on Proxy Validation;
d. Authority to release Director's bonus for the past financial year 2011 performance in the amount of P1 million pesos net of income tax;
e. Appointment of SGV as the Corporation's Independent External Auditor for the year 2012;
f. Authority to apply for corporate plans and other products and services of Globe Telecom, Inc.;
g. Authority to participate in the coal bidding to acquire coal blocks in Mindoro and Bislig relative to the DOE-4th Philippine Energy Contracting Round that will open in December 2011; and
h. Authority to apply/register with the Board of Investments for income tax holiday for the year 2011, as an expanding domestic coal producer on a non-pioneer status under E.O. 226.

5. Special Meeting held on April 30, 2012:
   a. Approval of the Board's minutes of meeting held on March 6, 2012;
   b. Authority to cash dividend at P12.00 per share to stockholders of record as of May 29, 2012 and payable on June 25, 2012;
   c. Authority to open bank accounts and availment of other proceds and services at BDO Unibank, Inc.;
   d. Authority to open bank accounts and availment of other products and services at Rizal Commercial Banking Corporation;
   e. Authority of the Corporation to settle/compromise to any claims incident to or arising out of coal supplied by the Corporation with Solid Cement Corporation and Apo Cement Corporation; and
   f. Approval of the Corporation's Amended Good Governance Guidelines.

6. Organizational Meeting held on May 10, 2012:
   a. Approval of the Board's minutes of meeting held on April 30, 2012;;
   b. Election of the Corporation's key officers and composition of committees;
   c. Approval of the Corporation's quarterly financial statements for the interim period ended March 31, 2012;
   d. Authority to donate one (1) unit of motor vehicle to The Roman Catholic Diocese of San Jose De Antique located at San Jose de Buenavista, Antique;
   e. Authority to open bank accounts and availment of other products and services at Allied Banking Corporation;
   f. Appointment of the Corporation's Attorney-in-Fact to represent the Corporation in the case of *Perla M. Ganite, et. al. vs. Semirara Mining Corporation, et. al., SPL. Civil Case No. 210-C, 6th Municipal Circuit Trial Court, Pandan-Libertad-Caluya, Pandan, Antique*;
   g. Appointment of the Corporation's Legal Counsel to represent the Corporation in the case of *Arnel C. Antaza, Complainant, vs. DMCI/Semirara Mining Corporation, Engr. Mark Monar, et. al., Respondents, NLRC NCR Case No. 00-04-05293-12*; and
   h. Authority to sell one (1) unit of motor vehicle;

7. Regular Meeting held on August 8, 2012:
   a. Approval of the Board's minutes of meeting held on May 10, 2012;

b. Approval of the Corporation's consolidated quarterly financial statements of the interim period ended June 30, 2012;
c. Approval of the Amended Audit Committee Charter and Nomination & Election Committee Charters to align with SEC Memorandum Circular No. 4, Series of 2012;
d. Authorizing Banco De Oro Unibank, Inc. to issue certificate of bank deposit in favor of the Embassy of the Peoples Republic of China in connection with visa application of the Corporation's qualified employees;
e. Authority to lease property of the Corporation to Globe Telecom, Inc. for outdoor cellsite;
f. Authority to sell one (1) unit of the Corporation's motor vehicle;
g. Appointment of the Corporation's Attorney-in-Fact to represent the Corporation in the case of *Perla M. Gabinete, et. al., vs. Semirara Mining Corporation, et. al., Civil Case No. C-260, Regional Trial Court, Culasi, Antique, Branch 13*;
h. Authority to register the Corporation's Humic Acid Project as Pioneering Industry with the Board of Investments; and
i. Authority of Jaime B. Garcia to sign the quitclaim in relation to all claims of the Corporation under its various insurance policies with Malayan Insurance.

8. Regular Meeting held on October 30, 2012:
   a. Approval of the Board'sminutes of meeting held on August 8, 2012;
   b. Approval of the Corporation's consolidated quarterly financial statements of the interim period ended September 30, 2012;
   c. Approval of the Corporation's Table of Authorities and Amendment to Corporation's Mission/Vision statement;
   d. Authority to apply/open credit facilities with Pilipinas Shell Petroleum Corporation as the Corporation's supplier of lube oil /diesel requirements;
   e. Authority to sell one (1) unit of the Corporation's motor vehicle;
   f. Authority to open bank accounts and availment of other products and services with China Banking Corporation;
   g. Authority to open bank accounts and availment of other products and services with Bank of China; and
   h. Authority to apply for membership/accreditation with the Confederation of Truckers' Association of the Phils.

9. Special Meeting held on December 20, 2012:
   a. Approval of the Board's minutes of meeting held on October 30, 2012;
   b. Approval of additional subscription from the unissued authorized capital stock of Southwest Luzon Power Generation Corporation to the extent of 800,000,000 shares at par value of P1.00 per share;
   c. Authority to sell motor vehicle in favor of DMCI Palawan Power Corporation;
   d. Authority to renew accreditation with the Bureau of Customs in connection with the exportation of coal and importation of machineries and equipment;
   e. Authority to waive prescription under the Statute of Limitations of NIRC relative to collection and enforcement of revenue taxes;
   f. Authority to apply for corporate credit card at BDO Unibank, Inc.; and
   g. Amending resolution dated September 18, 2009 on the exclusion of Mr. Nestor D. Dadivas, as Class "B" signatory to JPMorgan Chase Bank, N.A.

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

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 6, 2013, 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 7, 2012
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. ELECTION OF DIRECTORS FOR 2013-2014
7. APPOINTMENT OF SYCIP GORRES VELAYO & CO. AS INDEPENDENT EXTERNAL AUDITOR
8. ADJOURNMENT

Stockholders of record as of March 27, 2013 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, 2013, 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. Registration starts at exactly 8:45 and closes at 9:45 o'clock in the morning.

Makati City, Metro Manila, March 25, 2013.

For the Board of Directors

By:

JOHN R. SADULLO
Corporate Secretary

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 6, 2013, 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 April 26, 2013, 5:30 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, 2013, 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 6, 2013.

(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), and (4) 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 7, 2012.

☐ 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. 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*

4. 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 ₱60,000.00, 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 6, 2013.

______________________ 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 : ______________________

SEMIRARA
MINING
CORPORATION

MANAGEMENT REPORT

Pursuant to SRC Rule 20(4)

SEMIRARA MINING CORPORATION
MANAGEMENT REPORT

TABLE OF CONTENTS

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.

On August 31, 2011, Southwest Luzon Power Generation Corporation ("SLPGC"), a wholly-owned subsidiary of the Corporation was incorporated with an authorized capital stock of ₱10 Billion and paid-up capital of ₱3 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 ₱19.8 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 Company's other wholly-owned subsidiaries are SEM-Cal Industrial Park Developers, Inc. (SIPDI), Semirara Claystone Inc. (SCI), and Semirara Energy Utilities Inc. (SEUI).

The Corporation has secured permits and licenses from the government as follows: a) Extension of Coal Operating Contract with the DOE from 2012 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 and Makati City; e) Aerodrome Rating Certificate No. 218 issued by the ATO-yearly renewable by site; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2014; and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152013 until March 12, 2016.

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– ₱0.50/MT for untitled land and ₱1.00/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.

On September 10, 2012 the Technical Report on Bobog Coal Deposit was released, which showed a resource estimates of 27.5 million metric tons of measured and 9 million metric tons of indicated in situ coal in Bobog mine. The coal resource is contained in 26 seams but only 19 were considered in the estimate as mineable due to thickness, quality and consistency factors. Of the 19 seams, 12 attained thickness greater than 3 meters and occasionally up to 20 meters. The coal resource has a heating value ranging from 6,930 to 10,149 BTU/lb, with a mass-weighted average of 9,500 BTU/lb. Under the ASTM classification of coal by rank, the seams in Bobog range from Sub-bituminous B to Sub-bituminous A.

The average number of workforce of the Corporation is 2,158 and 2,195 for the years 2012 and 2011 respectively, inclusive of employees based at the Corporation's head office in Manila. Out of the 2,158 workforce for 2012, 252 are employed by Semirara while the rest are employed by the Corporation's contractor, DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The breakdown of the Company's employees according to type, are as follows:

Executive	9
Managers	26
Supervisors	52
Rank and File	165
Total	**252**

On the other hand, in 2012 the average number of workforce at SCPC's Calaca Power Plant are 378, 345 are employees of the O&M contractor. In 2011, its workforce were 420. As of December 31, 2012, SLPGC has one employee while the Company's other subsidiaries, namely, SIPDI, SCI and SEUI are non-operational, hence, no employees were hired.

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 which however did not materialize due to settlement resulting to the signing of the new CBA. After the expiration of the CBA on August 31, 2011, no new CBA was executed by SMCLU and the Corporation. Meanwhile, the terms of the CBA continues to be implemented. There are no existing labor unions in the Corporation's subsidiaries.

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 ₱600,000, 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 Corporation endeavored to enhance its business processes, such that in 2007, works for ISO certification started. Finally, in 2008, the Corporation 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-Cualsi 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 several 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 ₱190,500,981.23.

   2.1 *CTA Case No. 7717 (For ₱11,847,055.07).* – On October 15, 2009, the CTA granted the Corporation's petition in the amount of ₱11,847,055.07 for VAT withheld 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 remains pending with BIR.

   2.2. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534 (CTA EB No. 752 [For ₱15,292,054.93]).* – On January 4, 2011, the CTA granted the Corporation's petition in the amount of ₱15,292,054.91 for VAT withheld for the month of January 2007. CIR's Motion for Reconsideration was denied on March 18, 2011. CIR appealed the case to CTA *En Banc (CTA EB No. 752)* but the CTA *En Banc* dismissed the CIR's petition for lack of merit. The CIR again moved to reconsider the *En Banc* decision, but was denied on June 28, 2012. Thereafter, the CIR filed a petition for review on certiorari with the Supreme Court, to which the Corporation filed a comment. The petition remains pending to date.

2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202922 (CTA EB No. 772 [For ₱86,108,626.19]).* – On February 10, 2011, the CTA granted the Corporation's petitions in the amount of ₱86,108,626.10 for VAT withheld for the period covering January 1, 2006 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied, it elevated the case to CTA *En Banc (CTA EB No. 772),* but was denied by the CTA En Banc on June 22, 2012. The CIR filed its Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR filed with the Supreme Court (SC) a Petition for Review dated November 5, 2012. In a minute resolution dated January 30, 2013, the SC dismissed the CIR's petition outright without requiring the Corporation to file a comment on the ground that the petition failed to sufficiently show any reversible error in the assailed judgment.

2.4. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202922 (CTA EB No. 793 [For ₱77,253,245.39]).* - On March 28, 2011, the CTA granted SMC's petition in the amount of ₱77,253,245.39 for the period covering July 1, 2006 to December 31, 2006. On April 12, 2011, as Respondent CIR's Motion for Reconsideration was denied on June 3, 2011, the CIR elevated the case to CTA *En Banc (CTA EB No. 793),* but the latter, on April 23, 2012 dismiss the petition for lack of merit. As the CIR's Motion for Reconsideration was likewise denied on May 29, 2012, it filed a Petition for Review with the Supreme Court. The case remains pending to date.

3. **Business Tax Case**. On February 26, 2007, SMC filed a complaint *(SMC vs. Municipality of Calaca, RTC-142, 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 ₱66,685,189.00. 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 does not maintain an office in the Municipality of Calaca, despite delivery to NPC-Calaca, hence, the proper situs of taxation is not in Calaca but its principal office. Pre-trial before the court is set on April 5, 2013.

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 -submitted to the RTC on November 17, 2003 involving the balance of ₱82,979,702.24 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. On October 11, 2012, the parties submitted a Compromise Agreement dated July 2, 2012 to the Court for its approval.

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 defendants 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 for dismissal of the case due to lack of jurisdiction and improper venue in so far as other individual defendants are concerned, and complaint states no cause of action. Todate, the Court is yet to rule on the motion of 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. The occupation of the

Corporation was based on the authority of the new owner of the property. Plaintiffs' prayed to the Court to order defendants to vacate the properties and pay damages and attorney fees. The case was referred for mediation, but todate, no order has been received on the schedule of mediation.

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 Corporation's mining facility in Caluya, Antique. Bornea alleged that there was no justifiable ground for dismissal and due process was not observed. On April 24, 2012, the Labor Arbiter resolved to dismiss the complaint for lack of merit. Complainant appealed the case, but the NLRC-Cagayan de Oro City dismissed the appeal for lack of merit in its Decision dated December 28, 2012. Bornea filed a Motion for Reconsideration on February 19, 2013 with the NLRC. Said motion remains pending to date.

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. (DMCI-HI) 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 DMCIHI to 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%.

On April 8, 2010 the Corporation sold through PSE its treasury shares equivalent to 19,302,200 at ₱67.00 per share. In June 2010, by way of Stock Rights Offering, the Corporation offered for subscription 59,375,000 common 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 -at a price of ₱0.40/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:

	High	Low	Close
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	252.00	211.00	244.80
Apr-Jun	257.80	200.00	218.20
July-Sep	236.00	214.40	222.00
Oct-Dec	234.00	217.00	233.40
2013			
Jan-Mar[1]	258.00	228.40	231.00

(2) **Holders. –** The number of shareholders of record as of March 27, 2013 was 659. As of March 15, 2013, 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.	49,015,501	13.76
Common	Dacon Corporation	43,608,509	12.24
Common	PCD Nominee Corp. (NF)	42,086,529	11.81
Common	Others	20,891,928	05.86

Names of Top Twenty (20) Stockholders as of March 15, 2013 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage[2]
1.	DMCI Holdings, Incorporated	200,647,533	56.32
2.	PCD Nominee Corp.	49,015,501	13.76
3.	Dacon Corporation	43,608,509	12.24
4.	PCD Nominee Corp. (NF)	42,086,529	11.81
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.	Windermere Holdings, Inc.	35,077	0.01

[1] As of March 15, 2013.
[2] Based on Corporation's outstanding shares recorded with its Stock and Transfer Agent.

16.	Fernwood Investments Inc.	28,109	0.01
17.	Amatong, Isagani S.	13,900	0.00
18.	Freda Holdings, Inc.	11,534	0.00
19.	Teng, Ching Bun	10,000	0.00
20.	Gala, Luismil De Villa	7,500	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, 2013:

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	200,647,533	56.32
Common	PCD Nominee Corp.	49,015,501	13.76
Common	Dacon Corporation	43,608,509	12.24
Common	PCD Nominee Corp. (NF)	42,086,529	11.81

(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 ownership	Citizenship	%
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	725,180[6]	Filipino	0.20
Common	Jorge A. Consunji	4,834[7]	Filipino	0.00

[3] 202 shares are indirect beneficial ownership (held my members of the family sharing the same household). Said shares are with PCD Nominee Corp.
[4] 256,054 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] 725,170 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.

Common	Herbert M. Consunji	10,010[8]	Filipino	0.00
Common	Victor C. Macalincag	288,130[9]	Filipino	0.08
Common	George G. San Pedro	40,030[10]	Filipino	0.01
Common	Federico E. Puno	60,010[11]	Filipino	0.02
Common	Ma. Cristina C. Gotianun	300,217[12]	Filipino	0.08
Common	Ma. Edwina C. Laperal	1,499[13]	Filipino	0.00
Common	Jaime B. Garcia	48,036[14]	Filipino	0.01
Common	Denardo M. Cuayo	1,500[15]	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**1,741,732**[16]	Filipino	**0.49**

(3) **Dividends**. –_On April 30, 2012, the Board of Directors approved the declaration of cash dividend at ₱12.00 per share payable on June 25, 2012 to stockholders as of record date, May 29, 2012.

(4) **Recent Sales of Unregistered or Exempt Securities**. - No unregistered or exempt securities were sold in 2012, 2011 and 2010.

PART III-FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2009-2012)*

Full Years 2011-2012

I. PRODUCTION AND OPERATIONS

COAL

Total materials moved in 2012 decreased by 9% at 77,072,255 from 85,060,883 bank cubic meters (bcm) last year due to longer hauling cycle and lower operating days. During the year, mining operations were concentrated at the lowest level of the pit, thus resulting to longer hauling cycle. Meanwhile, total rainfall this year of 2,771 mm is 2% lower than last year.

The advance stripping activities in the previous periods benefit the current period's mining operations as activities in 2012 were more focused on coal production rather than overburden stripping. As a result, strip ratio dropped by 15% at 8.66:1 from 10.13:1 last year. This explains the 5% increase in run-of-mine (ROM) coal production at 8,235,875 metric tons (MTs) from 7,840,467 MTs last year, despite the decrease in material movement. Coal recovery improved with the sale of unwashed coal to subsidiary Sem-Calaca Power Generation Corporation (power segment) for the use

[7] 4,824 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.
[8] 10,000 shares are with PCD Nominee Corporation.
[9] 288,120 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.
[10] 40,000 shares are with PCD Nominee Corporation.
[11] 60,000 shares are with PCD Nominee Corporation.
[12] 300,098 shares are indirect beneficial ownership (held by a corporation of which such person is a controlling stockholder). Said shares are with PCD Nominee Corporation.
[13] 398 shares are indirect beneficial ownership with PCD Nominee Corporation. The shares are held by a corporation of which such person is a controlling shareholder.
[14] 8,006 shares are with PCD Nominee Corporation.
[15] 1,500 shares are with PCD Nominee Corporation.
[16] 1,292,490 shares are indirect beneficial ownership (Messrs. David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal, and Victor C. Macalincag).

of its Unit 2. Hence, net total product coal increased by 8% at 7,656,849 MTs from 7,118,460 MTs last year.

Ending inventory increased by 39% at 1,382,607 MTs from beginning inventory of 991,887 MTs also as a result of higher coal recovery.

The table below shows the quarterly comparative production data for 2012 and 2011.

COMPARATIVE PRODUCTION DATA
(in '000, except Strip Ratio)

	Q1 '12	Q2 '12	Q3 '12	Q4'12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	%Inc (Dec)
Total Materials (bcm)	22,303	19,273	15,666	19,830	77,072	26,850	22,294	16,120	19,797	85,061	-9%
ROM Coal (MT)	1,805	2,220	1,739	2,472	8,236	1,822	2,296	1,837	1,887	7,840	5%
Strip Ratio	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	14.03:1	9.00:1	8.06:1	9.78:1	10.13:1	-15%
Net TPC (MT)	1,651	2,089	1,579	2,337	7,657	1,642	2,149	1,646	1,682	7,118	8%
COAL WASHING											
Washable Coal (MTs)	344	334	358	278	1,314	408	313	434	470	1,625	-19%
Washed Coal (MTs)	206	200	215	167	788	245	188	261	282	975	-19%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%		60%	
Beg. Inventory (MTs)	992	950	963	1,276	992	491	469	74	237	491	102%
End Inventory (MTs)	950	963	1,276	1,383	1,383	469	74	237	992	992	39%

POWER

UNIT 1

When Calaca Power Plant assets were acquired in December 2009, Unit 1 can only generate 160 MW or 53% of its rated capacity using pure Semirara Coal. The rehabilitation of the unit was centered on improving the loading capacity to at least 220 MW or 73% of its rated capacity.

The rehabilitation of the plant started in August 2011 and end in July 2012. It took more than a year of planning to cover all major repair works. The rehab project suffered delays in the commissioning stage to ensure the safe and reliable operation of the plant. The original equipment manufacturers (OEMs), Foster Wheeler for the boiler and Toshiba for the Turbine/Generator, supervised the repair to commissioning of the Unit. Although delayed, the unit can now load 235 MW or 77% of its rated capacity, an improvement of 24% or 75 MW on pure Semirara Coal.

Generation capacity is low at 20% in the five months of running against 27% last year but the average load is significantly higher at 197 MW against 155 MW. In general, the unit is now better in terms of generation capacity and efficiency.

Unit availability was only 2,697 hours or 31% compared to 54% last year since Unit 1 was down for about 7 months during the current period due to the rehabilitation works. Total energy generated was 531 Gwh or 27% down compared to last year.

UNIT 2

Unit 2 is on its second year of operation after its rehabilitation in the last quarter of 2010.

The unit performed better this year in all aspects of operation compared to last year. Gross generation has increased by 71% or 1,932 Gwh. Unit availability improved from 60% to 88% and force outage was limited to only 12% from 36% last year. Running hours in 2012 is remarkably higher at 7,761 hours than 2011 48% increase.

Loading capacity is limited to 260 MW due to some leaks on two of its high pressure heaters 7 & 8. The average load capacity during the current period is at 249 MW or 20% more than last year.

The table below shows the quarterly comparative plant performance for 2012 and 2011.

COMPARATIVE PLANT PERFORMANCE DATA *YTD'12 vs YTD'11*											
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	%Inc (Dec)
Gross Generation, *Gwh*											
Unit 1	-	-	128	403	531	243	245	239	-	727	*-27%*
Unit 2	473	478	508	473	1,932	189	395	181	367	1,132	*71%*
Total Plant	473	478	636	876	2,463	432	641	420	367	1,860	*32%*
					-					-	
% Availability											
Unit 1	0%	0%	36%	87%	31%	70%	74%	70%	0%	54%	*-43%*
Unit 2	88%	88%	92%	86%	88%	49%	83%	37%	71%	60%	*48%*
Total Plant	44%	44%	64%	86%	60%	59%	78%	54%	35%	57%	*5%*
Capacity Factor											
Unit 1	0%	0%	19%	61%	20%	0%	0%	36%	0%	28%	*-27%*
Unit 2	72%	72%	77%	72%	73%	29%	60%	27%	56%	43%	*70%*
Total Plant	18%	18%	24%	33%	47%	17%	24%	16%	14%	35%	*32%*

II. MARKET

COAL

Total coal sold in 2012 increased by 10% at 7.18 million MTs compared to 6.52 million MTs in 2011. Q1 2012 sales of 1.67 million MTs was 2% higher than 1.64 million MTs sold in Q1 2011, however, Q2 2012 sales volume of 2.06 million MTs was 18% lower as against 2.52 million MTs in Q2 2011, while Q3 sales continued to drop by 15% at 1.25 million MTs this year from 1.46 million MTs in 2011. Q4 sales recovered with an increase of 145% at 2.21 million MTs from 902 thousand MTs last year.

The table below shows the quarterly comparative coal sales volume data for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA *(in '000 MTs)*													
CUSTOMER	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	Q1 '11	Q2 '11	Q3 '11	Q4 '11	YTD '11	%	%Inc (Dec)
Power Plants													
Calaca	205	285	545	456	1,492	21%	412	320	420	256	1,408	22%	*6%*
Other PPs	325	382	203	126	1,037	14%	384	325	569	270	1,547	24%	*-33%*
TOTAL PPs	**531**	**667**	**748**	**582**	**2,528**	**63%**	**795**	**645**	**989**	**525**	**2,955**	**72%**	***-14%***
Other Industries													
Cement	272	338	224	220	1,053	15%	187	145	146	182	660	10%	*59%*
Others	98	105	128	98	430	6%	197	60	107	111	475	7%	*-9%*
Total Others	**370**	**443**	**352**	**318**	**1,482**	***21%***	**384**	**205**	**254**	**292**	**1,135**	***17%***	***31%***
TOTAL LOCAL	**901**	**1,110**	**1,100**	**900**	**4,011**	56%	**1,180**	**850**	**1,242**	**818**	**4,090**	63%	***-2%***
EXPORT	771	946	146	1,310	3,173	44%	462	1,665	218	85	2,430	37%	*31%*
GRAND TOTAL	**1,672**	**2,056**	**1,245**	**2,211**	**7,184**	**100%**	**1,641**	**2,516**	**1,460**	**902**	**6,519**	**100%**	***10%***

Sale to power plants decreased by 14% this year at 2.53 million MTs from 2.96 million MTs last year. Although Q1 and Q2 off-take of the power segment were lower this year as compared to last year as rehabilitation of Unit 1 was completed only in Q3, coal off-take increased in the second half. As a result, the power segment's total coal purchases increased by 6% at 1.49 million MTs this year from 1.41 million MTs last year. Meanwhile deliveries to other power plants dropped in the second half, resulting to a 33% drop YoY at 1.04 million MTs this year from 1.55 million MTs in 2011.

On the other hand, with three new customers this year, sales to cement plants increased by 59% at 1.05 million MTs from 660 thousand MTs last year.

The 9% drop in sales to other local customers was mainly caused by weaker purchases by some small traders in Q1 and Q4 this year. Deliveries to other industrial plants totaled to 430 thousand MTs from 475 thousand MTs in 2011.

The increase in sales to cement plants helped offset the decrease in deliveries to power plants and other industrial customers, thus softening the drop in total local sales at 2% to 4.01 million MTs this year from 4.09 million MTs in 2011.

On the other hand, export sales rebounded in Q4, bringing total exports to 3.17 million MTs this year or a 31% growth from last year's 2.43 million MTs.

All supply contracts with the Corporation are already priced at market. As a result, the drop in global coal prices brought down composite average FOB price per MT this year to PHP2,453, a 20% decrease from last year's PHP3,078.

POWER

The power segment's 2012 recorded sales for bilateral contracts increased to 2,007 GWH from 1,553GWh in 2011 or 29% improvement. This mainly came from the contract with MERALCO which was effective since 26 December 2011.

MERALCO is still the single biggest customer of the power segment in 2012, accounting for 80% share of the total energy sales to bilateral contracts. BATELEC I and Trans-Asia accounted for 12% and 6% market share, respectively.

Meanwhile, spot market sales dropped by 26% from 472 GWh in 2011 to 348 GWh in 2012. The decrease in spot sales was due to the increase in contracted power which effectively reduced the excess capacity for sale in the spot market.

Total energy sold in 2012 posted at 2,355 GWh 2012, 85% directly to the customers through bilateral contracts, and 15% to the spot market. Total energy sales increased by 16% from 2,025 GWh recorded in 2011.

Of the total energy sold, 99% was sourced from the generation of the power plants, while 1% was purchased from the spot market.

Spot market prices in 2012 were more volatile compared to 2011. This is due to the abrupt forced outages and scheduled maintenance of major power plants which decreased the supply in the months of May to July 2012. Also, It was observed that the demand increased by an average of 4% in 2012. These two factors caused the increase of spot prices in the market.

In the last quarter of 2012, spot prices escalated due to the planned outages of Ilijan Block A (600 MW) and Sta. Rita Mod 30 (256 MW) amidst the increased demand as business activities stepped up until Christmas Eve. This situation in the market provided Unit 1 an opportunity to generate more Revenues as power generated during the plant's testing were sold to the spot market.

The table below shows the quarterly comparative sales volume data and composite average price for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	Q1'12	Q2'12	Q3'12	Q4'12	YTD'12	Q1'11	Q2'11	Q3'11	Q4'11	YTD'11	% Inc (Dec)
Bilateral Contracts	489	427	518	573	2,007	362	457	398	336	1,553	29%
Spot Sales	0.59	1	68	278	347	94	215	75	88	472	-26%
GRAND TOTAL	**489**	**428**	**586**	**851**	**2,354**	**456**	**671**	**474**	**425**	**2,025**	**16%**
Composit Ave Price	**4.14**	**4.41**	**3.79**	**4.19**	**4.12**	**4.58**	**4.79**	**4.51**	**5.12**	**4.75**	**-13%**

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped by 6% YoY at PHP24.15 billion from PHP24.15 billion last year. Although coal sales volume increased, lower composite average price/MT pulled down coal Revenues before elimination to PHP17.63 billion this year from PHP20.06 billion last year. Net of eliminations, Coal Revenues dropped by 11% YoY at PHP14.45 billion from PHP16.20 billion last year. On the other hand, higher energy generation offset the decrease in average price per kwhr caused by the decrease in international coal price index. As a result, energy sales slightly improved by 1% at PHP9.70 billion from PHP9.61 billion last year.

Consolidated Cost of Sales decreased by 12% at PHP14.64 billion from PHP16.66 billion last year. Before elimination, Cost of Coal Sold dropped by 12% at PHP12.33 billion from PHP14.01 billion last year due to lower cost/MT sold. Net of elimination, Cost of Coal Sold likewise dropped by 12% YoY at PHP9.82 billion from PHP11.10 billion. Cost of Coal Sold per MT dropped by 24% compared to last year due mainly to higher units of production and tightening control on some mine overhead costs. This partially offsets the decline in Revenues due to lower average coal prices.

In the same note, power Cost of Energy Sales before elimination reduced by 14% at PHP5.53 billion from PHP6.40 billion last year. Minimal spot purchases for replacement power and lower coal fuel average cost this year accounted for the decrease in cost.

The resulting consolidated Gross Profit increased by 4% at PHP9.51 billion, with the coal power segments each contributing PHP5.42billion and PHP4.10 billion, respectively. Last year's consolidated Gross Profit stood at PHP9.15 billion last year, PHP5.94 billion from coal and PHP3.21billion from power. Consolidated Gross profit margin improved to 39% from 35% last year.

Consolidated Operating Expenses increased by 19% at PHP3.39 billion from PHP2.86 billion last year. Net of eliminating entries, the coal segment's Operating Expenses increased by 10% at PHP2.03 billion from last year's PHP1.84 billion as lower Cost of Sales increased Government Share by 5% at PHP1.56 billion from PHP1.48 billion last year. The power segment's Operating Expenses after elimination also went up by 32% at PHP1.34 billion from PHP1.02 billion last year due to writedown of net book value of replaced major components and parts relative to the rehabilitation of Unit 1 amounting to PHP341 million. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Corporation incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP23.86 million pre-operating expenses, representing taxes, licenses and fees incurred during the year. Another subsidiary, Sem-Cal Industrial Park Developers, Inc. (SIPDI) and Semirara Claystone Inc. also incurred Pre-operating Expenses of PHP37 thousand and PHP64 thousand during the period, respectively.

Consolidated Forex Gains posted a remarkable PHP391 million as against losses of PHP38.32 million last year. The PHP continued to strengthen against the USD during the year. Since most of its loans are USD-denominated, bulk of this year's Forex Gains is attributed to the coal segment which recognized PHP387.83 million versus last year's Loss of PHP26.01 million. Meanwhile, with minimal Forex exposure, the power segment's Forex Gains registered at PHP3.17 million as against Losses of PHP12.31 million last year.

Lower cash and lower placement interest rates resulted to the decrease in consolidated Finance Income by 39% at PHP82.15 million from PHP134.88 million last year. The coal segment's investible funds reduced after its additional equity infusion of PHP2.5 billion to SLPGC, thus its Finance Income decreased by 83% at PHP13.12 million from PHP79.45 million last year. On the other hand, the power segment's Finance Income increased by 24% at PHP68.95 million from PHP55.43 million due to higher short-term placement income from SLPGC in the first half of 2012 with its higher cash level, coming from the proceeds of the initial drawdown from the project loan facility and equity infusion by the parent, parked in short-term placements.

Consolidated Finance Costs slightly increased by 4% at PHP501.28 million from PHP483.29 million last year. The coal segment's interest-bearing loans increased by 6% at PHP4.91 billion from PHP4.62 billion last year. Although interest rates are lower this year, Finance Costs increased by 17% at PHP122.61 million from PHP104.93 million last year as it only started paying off short-term debts toward the end of the year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped to PHP7.35 billion from PHP8.84 billion last year. Of this amount, P550 million reflects the new availment by SLPGC. With the availment of short-term working capital loans during the year, the power segment's Finance Costs slightly increased at PHP378.67 million from PHP378.36 million last year.

Consolidated Other Income increased by 209% at PHP308.90 million from PHP99.91 million generated by the coal segment last year from gain on sale of retired assets. After eliminating the PHP 1.5 billion Dividend Income from the power segment, the coal segment's Other Income this year, increased by 78% at PHP177.63 million from PHP99.91 million last year, included gain on sale of retired assets, sale of electricity and insurance claims. Meanwhile, the power segment's Other Income of PHP131.26 million this year is mainly composed of sale of fly ash.

The resulting consolidated Income Before Tax stood at PHP6.40 billion, with the coal and power segments contributing PHP3.83 billion and PHP2.57 billion, respectively; meanwhile SLPGC registered a loss of 3.56 million. This year's consolidated Income Before Tax posted a 6% growth over last year's PHP6.01 billion.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments (BOI)-registered companies. Moreover, on 20 September 2012, the coal segment received the approval of its BOI registration for Bobog Mine, another mine site to be developed next to the current active Panian mine. The ITH benefit will start upon commercial operation of the new mine. SLPGC's application for BOI registration was also approved during the year. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP39.45 million this year. In 2011, consolidated Benefit from Income Tax posted at PHP22.17 million. The coal and power segments' tax provision this year stood at PHP1.3 million and PHP28.0 million, respectively.

The resulting consolidated Net Income After Tax posted a 5% growth at PHP6.36 billion from PHP6.031 billion last year. Coal and power segments respectively generated PHP3.82 billion and PHP2.54 billion this year, while SLPGC recorded a net loss of PHP8.0 million. Earnings per Share (EPS) correspondingly increased by 5% at PHP17.85 from PHP16.93 last year.

B. Financial Condition, Solvency and Liquidity

Consolidated cash provided by operating activities this year amounted to PHP.6.40 billion. Consolidated loan availments totaled to PHP4.47 billion. Meanwhile, sale of assets during the year generated PHP127.49 million, while increase in Other Noncurrent Liabilities of PHP57.94 million resulted to a positive impact to the cash flow. With Beginning Cash of PHP5.01 billion, total consolidated Cash available for the period stood at PHP17.27 billion.

Of the available cash, PHP5.37 billion was used to fund major CAPEX; PHP3.99 billion for the power plant expansion under construction in progress, PHP1.15 billion for mining equipment, and PHP237.54 million for the existing power plants.

The Corporation also paid cash dividends of PHP12 per share or a total of PHP4.27 billion. Of this amount, PHP1.5 billion was contributed by the power segment in form of cash dividend paid to the parent company.

Meanwhile, PHP5.30 billion was spent for debt repayments, PHP2.03 billion for the maturing obligations of power, and PHP3.26 for the coal segment.

Other investing activities during the period also utilized cash, namely, additions to investments and advances amounting to PHP 17.25 million which included investment in sinking fund and retirement benefit direct payments of PHP1.93 million.

With this year's intensive expenditures, consolidated Ending Cash closed at PHP534.39 billion, a significant 89% drop from last year's PHP5.01 billion due to investments made in the power segment and long-term debt service.

The consolidated current ratio as of end of the current period went down at 0.97x versus 1.25x in 2011 due to reclassification of long-term debt to current portion and short-term refinancing of long-term debt principally from the coal segment, capitalizing the lower LIBOR rate and spreads for USD short-term borrowings coupled with stronger Philippine peso.

C. Financial Condition

Consolidated Total Assets stood at PHP36.19 billion, reflecting a 2% increase from beginning balance of PHP35.63 billion due to acquisition of new mining equipment for refleeting of retired units and rehabilitation of Power Unit 1. After eliminations, the coal and power segments' Total Assets closed at PHP11.37 billion and PHP20.83 billion, respectively. SLPGC, SCI and SIPDI recorded Total Assets of PHP3.97 billion, PHP2.5 million and PHP2.6 million, respectively.

Consolidated Current Assets dropped by 9% to PHP11.71 billion from PHP14.12 billion as at end of 2011. Coal, power, SLPGC, SCI and SIPDI accounted for PHP7.88 billion, PHP3.76 billion, PHP64.19 million, PHP2.5 million and PHP2.57 million, respectively.

Consolidated Cash and Cash Equivalents' 89% decrease to PHP534.39 million from PHP5.01 billion beginning balance mainly accounted for the decrease in consolidated Current Assets. The substantial decrease in Cash is attributable to payment of dividends and payment of Trade and Other Payables, particularly the down payment for the 2 x 150MW power plant expansion.

On the other hand, Net Receivables increased by 11% at PHP3.58 billion from PHP3.22 billion last year mainly from increased receivables of electricity sales and coal export sales towards the end of the year. The coal and power segments Receivables of PHP1.28 billion and PHP2.3 billion, respectively, are mainly trade related.

Consolidated Net Inventories likewise increased by 23% at PHP5.66 billion from PHP4.59 billion as at the end of 2011. The coal segment's ending Inventory of PHP4.54 billion is mainly comprised of cost of ending coal inventory and materials and supplies, while the power segment's Inventory of PHP1.16 billion is mainly comprised of coal inventory and spareparts inventory for corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets increased by 48% at PHP1.94 billion from PHP1.31 billion in 2011. The coal segment's Other Current Assets of PHP1.64 billion is mainly comprised of creditable withholding taxes, advances to suppliers, and pre-paid insurance. The power segment's Other Current Assets of PHP262 million mainly accounted for advances to suppliers and pre-paid insurance.

Consolidated Non-Current Assets grew by 14% at PHP24.47 billion from PHP21.50 billion as at end of 2011. Coal, power, and SLPGC accounted for PHP3.49 billion, PHP17.07 billion, and PHP3.9 billion, respectively.

The increase in consolidated non-current assets is largely attributed to the 10% increase in consolidated net PPE of PHP22.72 billion from PHP20.74 billion in 2011. Down payments were made to suppliers for the expansion of power capacity under SLPGC, while the coal segment also purchased replacement mining equipment for its retired assets. Coal, power, and SLPGC accounted for net PPE of PHP3.39 billion and PHP16.46 billion, and PHP2.88 billion, respectively.

Consolidated Investments posted a minimal increase of 4% at PHP508.04 million from PHP490.79 million beginning balance. This accounts for the sinking fund maintained by the power segment.

Consolidated Deferred Tax Assets of PHP1.54 million accounted for the power segment's provision for decommissioning and site rehabilitation of PHP1.52 million and PHP19.36 thousand NOLCO of Semirara Claystone, Inc., another subsidary of the Corporation. In 2011, consolidated Deferred Tax Assets closed at PHP17.41 million.

Consolidated Other Non-Current Assets increased by 382% to PHP1.24 billion from PHP257.38 million in 2011. This is mainly comprised of advances to contractor, input VAT withheld and pre-paid rent. Coal, power, and SLPGC accounted for Other Non-Current Asset of PHP115 million and PHP94 million, and PHP1.03 billion, respectively.

Consolidated Total Liabilities decreased by 7% at PHP19.29 billion from PHP20.82 billion last year. Coal, power, SLPGC, SCI and SIPDI accounted for PHP9.78 billion, PHP8.31 billion, PHP675 million, PHP44 thousand and PHP67 thousand, respectively.

The drop in Total Liabilities is primarily due to the reduction in Consolidated Total Long-term Liabilities which decreased by 26% at PHP7.12 bilion from PHP9.52 billion in 2011. Coal, power, SLPGC accounted for PHP9.8 billion, PHP9.6 billion, PHP675 million, respectively.

After settlement of the balance of the coal segment's government share for prior year of P905.0 million and payment of other trade accounts for both coal and power segments, consolidated Trade and Other Payables decreased by 7% at PHP6.81 billion from PHP7.30 billion beginning balance. Coal, power, SLPGC and SIPDI respectively accounted for PHP4.82 billion, PHP1.93 billion, PHP69.98 million, PHP65 thousand and PHP87 thousand of Trade and Other Payables.

Consolidated Current Portion of Long-Term Debt likewise increased by 73% at PHP5.18 billion from PHP2.99 billion as at end of 2011 since majority of the loans availed for CAPEX will mature next year, which recorded a closing balance of PHP3.37 billion and PHP1.51 billion, respectively.

On the other hand, consolidated Total Non-Current Liabilities decreased by 25% at PHP7.12 billion, from PHP9.52 billion in 2011. Coal, power, and SLPGC accounted for PHP1.16 billion, PHP5.35 billion and PHP605 million, respectively.

Consolidated Long-Term Debt decreased by 12% at PHP7.0. billion from PHP9.47 billion beginning balance, primarily due to reclassification to short-term of maturing CAPEX loans of the coal segment and power segment's debt servicing. This caused the decrease in Total Non-Current Liabilities. Coal, power, and SLPGC accounted for PHP1.12 billion, PHP5.34 billion and PHP547 million, respectively.

Provision for Decommissioning and Site Rehabilitation increased by 31% at PHP62.45 million from PHP47.58 million due to an additional provision made by the coal segment after its contract area was expanded to include portions of Caluya and Sibay islands.

During the year, the Corporation recognized consolidated Pension Liabilty of PHP5.85 million. After dividend payment of PHP4.28 billion and accounting of income generation of PHP6.36 billion, consolidated Stockholders' Equity increased by 14% at PHP16.89 billion from PHP14.81 billion as at end of 2011.

Debt-to-Equity ratio improved by 18% at 1.15:1 from 1.41:1 as at the start of the year.

IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – Despite the drop in global coal prices, the Corporation was able to recognize an increase in profits this year, translating to an improved EPS. Cost management in the coal segment and success in rehabilitating both units of the power segment are factors that paved the way for the Corporation's continued remarkable performance during the year.
2. **Debt-to-Equity Ratio** – The Corporation's healthy balance sheet allowed it to pay off debts. Hence despite incurring an additional PHP 550 million loan for the expansion of the power capacity, DE improved as at the end of the year. The Corporation's strong financial condition enables it to enjoy the best commercial terms for its financing requirements.
3. **Business Expansion** – Taking an extra step in its forward integration to the power business, the Corporation started with its expansion plans to put up another 2 x 150 MW power plants during the year. This will further maximize the value of its coal reserves as these plants are designed to use unwashed coal, thus improving coal recovery.
4. **Expanded Market** – The successful breakthrough in the export market in 2007 paved way for the increased acceptance of Semirara coal amongst local users. The thrust of the Corporation now is to further develop its local market, and slowly displace export sales with domestic deliveries as the latter give better margins.
   Meanwhile, the power segment limitted its exposure to the volatility of the spot market by signing bilateral contracts, both firm and non-firm. As base load plants, it is more ideal to have a stable market for the generated electricity.
5. **Improved coal quality** – The consistent implemention of measures to improve or enhance coal quality resulted to increased acceptance both in the export and domestic markets. Meanwhile, to improve coal recovery and cost efficiency, the power plants started to burn unwashed coal during the year. This also provides additional income to the power segment as sale of fly ash dramatically increased.

V. OTHER INFORMATION

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation 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. SCPC

started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.

3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of 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 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 Corporation, as a group, to hold position in the power sector. The imbalance in the power demand and supply of energy in our country drove the Corporation 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 facilitycuts 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 Corporation 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 Corporation. 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 Corporation 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 Corporation 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/KWhr 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 Corporation 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 corporation 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 Corporation, 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 Corporation. This allowed the Corporation to increase its investments, particularly property, plant and equipment (PPE) which totaled to a consolidated amount of PHP35.63 billion.

The Corporation 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 Corporation'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 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 corporation, 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 Corporation's EPS increased by 40%, a testament to its strong absolute earnings during the year. This performance indicator is crucial in determining the Corporation'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 Corporation capability to expand its business for capital growth. With a healthy DE ratio, the Corporation'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 Corporation. A deeper knowledge in the industry guided the Corporation's plans of expanding its power plant capacities. The shift in the Corporation'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 Corporation 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 Corporation's marketing success. The Corporation 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.

IV. OTHER INFORMATION

9. There were no known trends, events or uncertainties that have material impact on liquidity.
10. The Corporation 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. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.
11. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
12. The Corporation has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
13. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
14. There are no significant elements of income of loss from continuing operations.
15. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.

16. 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 2009-2010

I. PRODUCTION AND OPERATIONS

Coal:
Over the years, global consumption for thermal coal has steadily increased. To meet rising demand, the Corporation 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 possitively impacted mining operations.

The Corporation 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 Corporation, 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 Corporation 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 Corporation'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 Corporation 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 Corporation'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 Corporation 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 milion 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 Corporation 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 Corporation 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 Corporation 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 Corporation listed additional 59,375,000 shares to finance its investment in SCPC. This generated PHP4.39 billion for the Corporation. In addition, in the second quarter of the year, the Corporation reissued its 19,302,200 Treasury Shares, generating a total of PHP 765 million. These activities, further augmented the cash generated by the Corporation 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 Corporation 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 Corporation 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 Corporation.
2. **Debt-to-Equity Ratio**–The Corporation'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 Corporation'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 Corporation 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 Corporation.
4. **Expanded Market** – The improved performance of the Corporation 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 Corporation. 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 Corporation 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 Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation 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 of 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.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Corporation and its Subsidiaries[17] is the accounting firm Sycip, Gorres, Velayo & 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 Mr. Davee M. Zuñiga is the Partner-In-Charge starting 2012 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	
2012	4.0[18]
2011	3.7[19]
Total	7.7[20]

   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.

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

[17] SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation were incorporated in November 2009 and August 2011, respectively.
[18] Includes Subsidiary's audit fee of P1.9 Million.
[19] Includes Subsidiary's audit fee of P1.6 Million.
[20] Audit and audit-related fees only; no fees for other assurance and related services were paid.

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 Corporation is committed to the principles and leading practices of good corporate governance that promote higher standards of accountability and transparency, provide effective oversight of the Corporation's business, and enhance shareholder value. The Corporation has complied with the principles and leading practices of good governance. To date, there has been no deviation from the Corporation's Revised Code of Corporate Governance and SEC's Revised Code of Corporate Governance. The Corporation has annually reported and disclosed its level of adoption to Corporate Governance Guidelines for Publicly Listed Companies to SEC and PSE as being generally compliant and aligned with recommended governance guidelines and global best practices. The Corporation's Revised Code of Corporate Governance, Board Committee Charters and good governance policies are disclosed in its website: www.semiraramining.com.

The Corporation seeks to continually improve its governance framework through review and adoption of global best practices to align with the higher corporate governance standards of the ASEAN Corporate Governance Scorecard for ASEAN publicly-listed companies.

VISION AND MISSION

In October 2012, the Board reviewed and reaffirmed the Corporation's Vision "Coal Towards an Energy-Sufficient Philippines" and Mission of continuing to remain as the undisputed leader in the coal mining industry in the country through engagement with its various stakeholders.

THE BOARD OF DIRECTORS

The Board of Directors (Board) is responsible for the overall governance of the Corporation. It establishes the vision, mission, strategic objectives, key policies as well as adequate control mechanisms and risk management systems to effectively oversee and monitor Management's performance. The Board establishes decision authority policies, levels, limits and guidelines for Management according to its risk appetite level and required Board approvals for governance matters such as debt commitment, equity investment or divestment, change in share capital, asset mortgage, among others.

The full Board consists of eleven (11) Directors of whom four (4) are regular executive directors, five (5) are regular non-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. The Board represents a mix of highly qualified individuals of such stature and experience in industry, finance, business and operations which enable them to effectively participate in Board deliberations. All Directors were evaluated and nominated by the Nomination and Election Committee as having met the criteria and qualifications in accordance with regulatory requirements and Good Governance Guidelines for the Board of Directors on tenure policy, term limits and service to other boards. All non-executive Directors and executive Directors including the CEO are subject to election or re-election annually at the Annual Shareholders' Meeting.

Board seat memberships held by the Corporation's Directors are in consonance with global best practices espoused by the ASEAN Corporate Governance Scorecard. One of its non-executive Independent Directors has prior extensive work experience in the coal mining industry. In 2012, each Director has held simultaneously no more than five (5) board seats in publicly-listed companies. Moreover, the

Corporation's executive directors do not serve on more than two (2) boards of listed companies outside its parent DMCI Holdings Inc. group of companies.

The roles of the Chairman and Chief Executive Officer (CEO) are separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

Chairman
The Chairman is a non-executive director who oversees and leads the Board on behalf of the shareholders. His Board duties include, among others, presiding over the meetings of the Directors and shareholders, ensuring that Board meetings are held in accordance with the by-laws or as the Chairman may deem necessary; coordinating the agenda of Board meetings with the Corporate Secretary and proposed inputs of the CEO, Management and Directors; and maintaining qualitative and timely lines of communications between the Board and Management. The current Chairman is not an immediate past CEO of the Corporation.

CEO
The CEO implements the key strategies and policies as well as annual targets and objectives set by the Board. He provides leadership, direction and overall management of the Corporation's business and activities. He leads in the development and implementation of short and long term plans, financial management and annual budget. The Vice Chairman concurrently holds the position of CEO.

Independent Directors
An Independent Director is defined as one with no interest or relationship with the Corporation that may hinder his independence from the Corporation or its management, or may reasonably be perceived to materially interfere in the exercise of his independent judgment in carrying out the responsibilities expected of a director. The Corporation's Independent Directors possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for Independent Directors. They are independent of Management and major shareholders of the Corporation. More importantly, they bring objectivity and independent mindset during Board deliberations and discussions. The Corporation's Independent Directors are subject to SEC's prescribed term limit for Independent Directors of ten (10) years and re-election which took effect in 2012. They have been elected also as such in the Corporation's wholly-owned subsidiary SEM-Calaca Power Corporation and have adhered to SEC's prescribed limit for Independent Directors to be elected as such in no more than five (5) companies within a conglomerate, i.e. DMCI Group conglomerate.

Director Compensation
Director remuneration consists of an annual retainer fee, per diem, short-term cash incentive and reimbursement of allowances as appropriate. The shareholders approved an annual retainer fee of Two Hundred Forty Thousand (₱240,000) per Board Director per calendar year and a per diem of Twenty Thousand Pesos (₱20,000) for each Director serving as a Board Committee Chairman or Committee Member for every Board Committee meeting held and attended. When appropriate, the Board determines, upon recommendation of the Compensation and Remuneration Committee, short-term performance-related bonuses for non-executive Directors, executive Directors and CEO. The Corporation's Amended By-Laws prescribes a limit to the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Corporation's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Corporation's net income before tax during the previous year. The Board considers performance-based measures on financial and operating metrics such as profitability, growth, liquidity and production efficiency, among others.

In 2012, executive and non-executive Directors including Independent Directors and the CEO received cash performance incentives relating to preceding year's financial performance the aggregate amount of which did not exceed the abovementioned limits set by the Corporation's Amended By-laws. Details of

Director compensation are disclosed further in the relevant section of the Corporation's SEC 20-IS Information Statement.

Board Performance
The Board had nine (9) meetings including its organizational meeting in 2012. 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.

At the beginning of each year, the Corporate Secretary advises the schedule of regular Board meetings and Board committee meetings in line with the Corporation's regulatory reporting dates. Special Board meetings may be called as the need arises. The Corporate Secretary assists the Chairman in setting the Board agenda and informs the Directors of the agenda prior to Board meetings to ensure that they have accurate information and adequate materials to enable them to arrive at informed decisions on matters requiring their approvals. The Corporate Secretary ensures that all Board procedures, rules and regulations are strictly followed by the Directors. He is responsible for the safekeeping and preservation of the integrity of the minutes of Board meetings. The Corporate Secretary is concurrently the Legal Counsel Head, who keeps the Directors updated regarding statutory and regulatory changes.

The Board's annual performance evaluation process involves self-assessment of the Board as a whole and individual peer director evaluation. Formal questionnaire for the full Board self-assessment covers Board responsibilities, structure, meetings, processes, and management support, while that of individual director performance assessment areas cover leadership, interpersonal skills, strategic thinking and participation in Board meetings and committee assignments. Board evaluations are independently administered and compiled by the Good Governance Officer who subsequently advises results thereof to the Board highlighting the Board's strengths and those areas needing Board attention for appropriate action, including private feedback to each Director for his individual performance.

The Board members and their meeting performance are summarized below.

BOARD OF DIRECTORS PERFORMANCE 2012			
Directors	Board Appointment	Meeting Performance	
		Board Meetings, incl. Organizational	Annual Shareholders' Meeting
David M. Consunji	Chairman	9/9	1/1
Isidro A. Consunji	Vice Chairman, Chief Executive Officer	9/9	1/1
Victor A. Consunji	Executive Director, President & Chief Operating Officer	9/9	1/1
George G. San Pedro	Executive Director, VP-Operations & Resident Manager	6/9	1/1
Ma. Cristina C. Gotianun	Executive Director, VP-Human Resources & Administration, Compliance Officer	9/9	1/1
Jorge A. Consunji	Non-executive Director	9/9	1/1
Herbert M. Consunji	Non-executive Director	7/9	1/1
Cesar A. Buenaventura	Non-executive Director	9/9	1/1
Ma. Edwina C. Laperal	Non-executive Director	5/9	0/1
Victor C. Macalincag	*Independent Director*	9/9	1/1
Federico E. Puno	*Independent Director*	8/9	1/1

Board Committees
The Board established three (3) Committees to support in the performance of its fiduciary functions. The Committees are guided by Board-approved Charters in the discharge of their roles and oversight responsibilities. The Corporation adopts best practices with having majority membership of Independent Directors in all Board Committees thus going beyond the requirements of SEC's 2009 Revised Code of

Corporate Governance. Majority membership of Independent Directors in all Board Committee extends a strong presence of independence and enhances the Board's oversight of Management through checks and balance. The Board Committees annually review their respective Charters for effectiveness, and endorse changes, if any, for Board approval.

The Board Committees annually conduct a review of the effectiveness of the Committees' performance using formal self-assessment questionnaires as benchmarked against best practices, with results thereof and recommended plans discussed for appropriate action. The Audit Committee solicits feedback from Executive Management to affirm and/or improve its Committee performance.

The Corporate Secretary, Good Governance Officer and Legal department provide full support to the Board and its good governance committees.

Nomination and Election Committee
Chairman – Isidro A. Consunji
Member – Victor C. Macalincag, Independent Director
Member – Federico E. Puno, Independent Director

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. It reviews each Director's continuation on the Board every year, taking into account meeting attendance, participation and contribution to the Board. The Nomination and Election Committee Charter is disclosed in the Corporation's website : www.semiraramining.com.

The Committee had two (2) meetings attended by all Members in March 1, 2012 and March 20, 2012. It reviewed the qualifications of Board nominees for directorship ensuring they meet the requisite qualifications and endorsed the final list of nominees for election.

Compensation and Remuneration Committee
Chairman – Ma. Cristina C. Gotianun
Member – Victor C. Macalincag, Independent Director
Member – Federico E. Puno, Independent Director

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 Corporation's culture, strategy and control environment. It annually reviews and recommends for Board approval Director remuneration set within the maximum level by the Corporation's Amended By-Laws and as approved by the shareholders. It reviews compensation-related disclosures of Directors and Executives in the Corporation's annual and related reports to be in accordance with regulatory requirements and reporting standards. 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. The Committee is authorized by its Charter to engage, at the Corporation's expense, the services of an adviser or consultant to assist or advise the Committee in fulfilling its oversight responsibilities. Rodolfo C. Salazar serves as a consultant of the Committee. He is also a Board Director of the Corporation's power subsidiary SEM-Calaca Power Corporation. The Compensation and Remuneration Committee Charter is disclosed in the Corporation's website: www.semiraramining.com.

The Committee had one (1) meeting attended by all Members in December 18, 2012. It discussed Director and Executive compensation levels, benefits and performance reward system, including those of the CEO and COO based on the results of the Board's evaluation of their performance. Its Committee Charter is disclosed in the Corporation's website : www.semiraramining.com.

Audit Committee

Chairman – Victor C. Macalincag, Independent Director
Member – Federico E. Puno, Independent Director
Member – Victor A. Consunji

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. It is primarily responsible for the appointment, re-appointment and removal of the external auditor. The Audit Committee Charter is disclosed in the Corporation's website: www.semiraramining.com.

The Committee is chaired by an Independent Director who is a Certified Public Accountant. 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 Corporation's mining business and related industries. Both Independent Directors have prior extensive working experiences and held key positions in accounting, finance and treasury functions of government and government-owned & controlled corporations.

The Audit Committee meeting performance is summarized below.

	MEETING PERFORMANCE 2012								**TOTAL**
Audit Committee	Feb 28	April 19	May 9	July 10	Aug 6	Aug 22	Oct 30	Dec 18	
Victor C. Macalincag Chairman *Independent Director*	✓	✓	✓	✓	✓	✓	✓	✓	**8/8**
Federico E. Puno Member *Independent Director*	✓	**x**	✓	✓	✓	✓	✓	✓	**7/8**
Victor A. Consunji Member	✓	✓	✓	✓	✓	**x**	✓	✓	**7/8**

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. 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 Corporation'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 Corporation's governance framework through continual review and support of good governance policies and best practices. In 2012, it endorsed the hotline reporting mechanism as a reporting tool for raising governance related issues.

During the year, the Committee amended its Charter to include explicit provisions on training and education of Committee members, review or issuance of critical compliance certifications, among others, and to align with SEC's Audit Committee performance assessment guidelines for publicly-listed companies. The Committee also conducted, and reported to SEC, the results of its regular self-assessment and rating of the Committee's performance which indicated an overall compliance level in consonance with abovementioned SEC guidelines.

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 2013.
- **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's assurance and advisory work including its structure and organization.
- **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 Corporation's mission and strategic objectives, ensuring that the Corporation'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 (IA) functionally reports directly to the Audit Committee. The IA is guided by a Board-approved Internal Audit Charter and adopts a risk-based, process-focused audit approach aligned with the professional auditing standards as mandated by SEC's 2009 Revised Code of Corporate Governance and as set by The Institute of Internal Auditors (IIA). It refers to IIA's Practice Advisories, Practice Guides and Positions Papers in keeping current on changes, emerging issues and leading practices of the internal auditing profession. The IA provides Management and the Audit Committee with independent and objective assurance and advisory services of the Corporation's business processes, controls, compliance and effectiveness of its risk management practices. It periodically reports audit activity and performance in relation to its annual internal audit plan, significant findings and recommendations to the Audit Committee and the President. Internal audit oversight of the Audit Committee includes appointment, performance evaluation and replacement of the Internal Audit head. The Corporation supports IA's continuous professional training and career development by memberships in professional organizations such as IIA, Information Systems and Control Association, Philippine Institute of Certified Public Accountants, and participation in external and in-house trainings and seminars. Karmine Andrea B. San Juan is the Internal Audit Manager as of December 31, 2012.

The IA's Quality Assurance and Improvement Program (QAIP) aims to provide assurance of quality and added-value services to its stakeholders as well as to ensure operating efficiency and effectiveness of its internal organization and resources. Formal audit policies and procedures ensure adherence to IIA's applicable planning, fieldwork and reporting standards. Feedback from audit client is obtained through formal survey upon completion of an individual engagement to assess audit activity effectiveness in meeting the needs of its audit client and opportunities for improvement.

In 2012, the IA amended the Internal Audit Charter to enhance provisions reflective of IIA guidelines. The Audit Committee reviewed the performance of the IA function using a formal questionnaire covering areas on IA's understanding of its responsibilities and accountability, charter, organization structure, skills, experience, communication and quality performance. The review aims to benchmark against best practice principles and to determine ambiguities, if any, on IA's role, independence and effectiveness, and consequently to seek continual improvement of the function's strategic role in the organization. The Audit Committee members assessed the IA function's overall performance as very good, having performed its primary mandate of reassurance and value protection and also providing added value through advisory services, business risk insights and risk mitigation.

COMPLIANCE

Ma. Cristina C. Gotianun, Vice President- Human Resources and 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 Corporation's Revised Code of Corporate Governance.

The Compliance Committee shares in the responsibility of assurance reporting on the Corporation'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 Corporation fully complies with the disclosure and reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), such as certifications on compliance with its Revised Code of Corporate Governance and Board attendance, structured reports, as well as timely disclosure of significant and material information, events or developments and reporting of transactions involving trading of the Corporation's shares by its Directors within the prescribed reporting period.

Environment

Environmental stewardship and social responsibility are core values of the Corporation. The Philippine coal industry is subject to stringent regulations of the Philippine government's Department of Environment and Natural Resources (DENR). The Corporation 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 Corporation's compliance with such ECC conditions, applicable laws, rules and regulations on a quarterly basis.

Regular audits are conducted by internal auditors to assess the Corporation's compliance with corporate policies, government regulations and industry guidelines and to develop programs for improvement. In December 2012, the Corporation's coal mining operation and support activities have been recertified in its fourth consecutive year by the Governing Board of Certification International Philippines, Inc. as being in conformance to International Organization for Standardization ISO 14001:2004 on Environmental Management System.

Safety

Safety is a core value of the Corporation and defines its culture as a responsible mining and energy Corporation. The Corporation adopts the Australian standards and best practices in open-pit coal mining operation with safe production as its most important objective. It has ranked loss of life or unacceptable threat to human safety as its most significant interruption impact factor. The Corporation's workplace safety objective is to eliminate or reduce to the lowest level any risk that may result in fatality, personal injury, illness, property or environment damage. Safety risks are addressed with focus on prevention and zero tolerance for fatality. Safety procedures are strictly enforced, including measures on slope stability and rebuilding, installation of dewatering pumps to control water intrusion or seepage, a crack monitoring team to continuously monitor ground displacements. Road and safety driving rules are strictly observed by equipment operators to ensure non-vehicular collision due to poor visibility from dust, a common risk to coal mining activity. Reinforced education and training of workers and equipment operators for the proper use, repairs and maintenance of mining equipment have reduced accidents and injury events in the workplace. Job hazards, work instructions and guidelines are established and communicated to the workforce to ensure that such are carried out under controlled condition. Sufficient training and information is undertaken to promote a safety culture and safety behavior expected from everyone. The Corporation's suppliers and contractors working on the Corporation's premises as well as visitors and customers are required to comply with the Corporation's health and safety procedures.

The Corporation is compliant with the regulatory and reporting requirements of various Philippine government agencies tasked to oversee health and safety, among others. In December 2012, the Corporation's coal mining operation and support activities have been recertified in its fourth consecutive year by the Governing Board of Certification International Philippines, Inc. as being in conformance to International Organization for Standardization ISO 18001:2007 on Occupational Health and Safety Management System.

ENTERPRISE RISK MANAGEMENT

The Board sets the tone and establishes the risk appetite level for the Corporation'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 Corporation'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 established. 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.

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 Corporation'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.

Strategic Risk Profile

The Corporation considers operations risks as its topmost strategic risks. It has implemented risk management processes, procedures and policies to manage or control such risks. The Board and

Management ranked the following strategic risk categories as critical and significant to the attainment of the Corporation's objectives and sustainability:

- Operations risk – refer to coal quality and consistency, supply chain disruption, natural calamities (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability, loss of core personnel;
- Market risk – refer to subsidiary and/or customer dependence, pricing, competition and macroeconomic shift on demand;
- Investment risk – refer to capital allocation, equity investment and guarantees in subsidiaries; and
- Reputation and compliance risk – refer to environment, workplace health & safety, regulatory compliance, community relations, loss of confidence or reputational damage, contractual obligations, among others.

Integrated Management System

To manage the key risk areas for coal mining and mining-related activities, the Corporation has adopted the quality systems and principles of the International Organization for Standardization (ISO) since 2008. The Governing Board of Certification International Philippines, Inc. has recertified the Corporation's Integrated Management System covering the coal mining operations and its support activities as conforming to the Standards on ISO 9001:2009 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System. These management systems ensure continuous improvement of policies to guide operations in the areas of health and safety, environment and community relations.

Risk treatment for the Corporation's mining equipment and fixed assets also involves transfer of risks through Industrial All-Risk, Floater, Fire, Marine Hull, Aircraft Hull insurance covers.

Emergency Preparedness and Response Policy

The Corporation has identified potential accidents and emergency situations and established appropriate preparedness and response procedures, including preventive actions and where appropriate, how to mitigate the environmental impacts and/or risk that may be associated with unplanned events, accidents and emergency situations. Emergency procedures are tested periodically to ensure full understanding and observance of all employees. Emergency preparedness and response procedures are regularly reviewed.

Business Continuity Management System

In 2012, the Corporation has started development of its Business Continuity Management System (BCMS) in accordance with ISO 22301:2012 Societal Security – BCMS – Requirements. It is establishing a holistic framework to ensure early business recovery and continuity of critical services in the event of a disruption, whether anticipated or unplanned, that might be, or could lead to a business loss, emergency or crisis. Its crisis management and business continuity processes are focused toward building organizational resilience with the capability for an effective response to safeguard the interests of the various stakeholders. Business impact assessment workshops and training activities have been conducted for supervisory and management levels throughout the organization. The Corporation appointed George G. San Pedro, Vice President for Operations & Resident Manager and Jaime B. Garcia, Vice President for Procurement and Logistics as Business Continuity Planning (BCP) Directors for Mine Site and Makati Office, respectively. As BCP Directors, they are authorized and responsible for the activation, implementation and maintenance of the BCMS.

Financial Risk Management

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

Information Technology Risk Management
The Corporation established its Information Technology (IT) Disaster Recovery Plan (DRP) to ensure early restoration of critical IT and communication services and systems with the most up-to-date data available for the Corporation's business continuity. The DRP includes detailed back-up and recovery procedures, responsibilities of a Disaster Recovery Team and emergency procurement, among others. The Corporation maintains two (2) back-up servers which are already available at the designated Disaster Recovery "Cold Site". The Corporation annually conducts a "mock" disaster recovery exercise to test the DRP and IT vulnerabilities, if any.

GOOD GOVERNANCE PROGRAM
Semirara Mining Corporation believes that good corporate governance creates and adds shareholder value over the long-term and ensures sustainability of the Corporation. Its good governance policies and control activities are geared toward a culture of ethical conduct, higher standards of performance, transparency and accountability throughout the organization and its subsidiary operations. 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 Corporation 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 and Director Development Program
The Corporation'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 Corporation'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 Corporation's mine sites and subsidiary operating plants to gain a closer understanding of business 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. All Directors are to avail themselves of educational opportunities as appropriate and as part of their continuous professional education. During the year, Directors including senior management participated in the parent Corporation's groupwide in-house seminars on economic briefings, ERM and strategic topics. They are periodically provided with reference materials on global best practices and governance issues as part of their continuing education.

CEO and COO Performance Evaluation
The Board annually conducts reviews of the CEO's and COO's performance based on key result areas consisting of Board-approved financial performance metrics relating to the Corporation's business and operating objectives, and non-financial metrics covering strategic objectives, governance, internal processes, business development and corporate social responsibility. In 2012, the Board evaluated the performance of the CEO and COO for the preceding year.

Code of Conduct

Semirara Mining Corporation has adopted Codes of Conduct for Directors & Executive Officers, and Employees (Codes) to affirm the Corporation's standards of professional and ethical business conduct, workplace safety and environmental responsibilities. The Codes reflect the Corporation's core values of teamwork, excellence, loyalty, integrity, commitment and professionalism. They provide policies and guidelines on observance of law, respect of environment, safety, insider trading, fair dealings, confidentiality of information, accounting and financial reporting integrity, corporate and charitable giving, among others.

The Corporation conducts orientation or reorientation training sessions of the Codes to new and existing employees and full-time service providers as part of culture-building of core values and ethical conduct. The Codes are available for ease of access on the Corporation intranet and own website. Directors, Officers and Employees are required to annually certify compliance to the Codes and submit an Annual Disclosure Statement of any financial, business or personal interests or dealings with the Corporation or its subsidiaries. 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 Corporation.

Conflict of Interest Policy

The Codes explicitly provide guidelines for all Directors, Officers and employees, including their immediate family members within a degree of affinity or consanguinity, on anti-corrupt practices involving conflict of interest, business gifts and entertainment, among others. Conflict of interest situations also refer to ownership of a part of another company or business having interests adverse to the Corporation and accepting commissions or share in profits from any supplier, customer or creditor. The Corporation does not seek competitive advantages through illegal, unethical or unfair dealing practices. Improper communications with competitors or suppliers regarding bids for contracts must be reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.

The Corporation's Gift and Entertainment policy and guidelines explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. Such guidelines enumerate conditions on the propriety of accepting a gift or invitation to meals and entertainment such as it is unsolicited, part of a business meeting or discussion, not being given to influence business judgment or action, does not violate any laws, and a promotional item or token of nominal value of not more than Two Thousand Pesos (₱2,000) under the client's, supplier's or customer's relations program.

To monitor compliance with the Conflict of Interest policy, the Corporation requires early submission by a Director, Officer and employee of a "single transaction" disclosure statement, and due before potential conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by the Corporation, subsidiaries or its affiliates with or from a particular contractor or supplier. Failure to make proper disclosure as required may result in disciplinary action.

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 Corporation 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 Corporation's Good Governance Guidelines for its Directors address issues regarding Director tenure, service on other Corporation boards and conflict of interest, personal loan, continuing education, among others.

Fraud and Ethics Response Policy
This Policy reinforces the Corporation'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 Corporation will deal with such issues.

Hotline Reporting
In 2012, the Corporation launched a Hotline reporting mechanism intended to provide an additional and secure reporting venue for employees, customers, suppliers and other stakeholders to raise confidential concerns on fraud, questionable and unethical transactions in good faith. Reporting of the concern or complaint raised is treated with due care and confidentiality. The Corporation expressly prohibits retaliation, intimidation, harassment or adverse employment consequences against a reporter who raises a concern or complaint. It shall investigate and address promptly any concern of reprisal and harassment brought to its attention. A Hotline reporting form guides the reporter to provide adequate information and basis to enable the Corporation to effectively investigate, evaluate and resolve the reported matter. The Hotline reporting is accessible at the Corporate Governance section of the Corporation's website: www.semiraramining.com or through a dedicated email address at: hotline@semiraraminingmkti.net.

Insider Trading Policy
Directors, Officers and employees are required to abide by the Corporation'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 Corporation'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 Corporation to its stakeholders. It also outlines succession procedures for the CEO including the process of appointment and time frame in case of an interim leadership, time frame for appointing a board transition committee and its roles – e.g. communicating to key stakeholders. The Corporation shall develop a pool of candidates while at the same time encouraging the professional development and advancement of current employees. Succession procedures are to be similarly applied for changes in key officers.

Related Party Transaction Policy
It is the Corporation'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 Good Governance
The Corporation's Subsidiary, SCPC 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 Corporation recognizes the rights and interests of its key stakeholders, specifically shareholders, employees, customers, suppliers, creditors, government, host communities and environment. Concerns or

queries of stakeholders may be raised through the Hotline reporting mechanism or emailed to investor_relations@semiraraminingmkti.net.

Shareholders

The Corporation is committed to creating and enhancing shareholder value through asset protection and sustainability of the Corporation's business. It promotes a culture of transparency and equal respect of shareholder and investor rights embodied in its Revised Code of Corporate Governance. The Corporation holds the Annual Shareholders Meeting (ASM) every first Monday of May each year to report to its shareholders as well as give them the opportunity to ask the Board updates or issues for clarification. The Corporation allows voting in absentia via proxy thus, giving a shareholder who is unable to attend such meeting the opportunity to participate and vote on the shareholder's behalf. The Corporation makes publicly available by the next working day the result of shareholder votes taken during the annual shareholders meeting for all resolutions. On May 7, 2012, the Corporation held its ASM at the Manila Golf & Country Club Forbes Park, Makati City, a meeting location that is accessible to the shareholders. The ASM was well attended by the Board Chairman, Chairmen of the Audit Committee, Compensation and Remuneration Committee and Nomination and Election Committee, other Board Directors, the CEO and other key officers.

The Corporation maintains a share structure that gives all shares equal voting rights. Shareholders rights also include their participation in decisions concerning fundamental corporate changes such as amendments to the Corporation's constitution, authorization of additional shares and transfer or sale of all or substantially all of the Corporation's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Corporation's assets.

The Corporation's Investor Relations unit which is under the Office of the Chief Finance Officer, implements its investor relations program aimed to provide knowledge, understanding and transparency of the Corporation's business, operating and financial condition to the investing public. To sustain investor confidence, the Corporation maintains a policy of open and constant communication and disclosure of its activities, subject to insider information guidelines. It maintains continuing dialogue with local and international institutional investors by engaging in conference calls, and meeting with institutional and prospective investors, investment analysts, fund managers and the financial community through participation in analyst-media briefings, reverse roadshows and investor conferences in the region. It also arranges visits to the Mine site and subsidiary power plant operations for institutional investors. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC, PSE and in Corporation website.

The Corporation is committed to providing reasonable economic returns to its investors. It Corporation has been consistently paying out cash dividends more than its dividend policy of 20% of Net Income After Tax since its domestic and international shares offering in 2005.

Employees

The Corporation recognizes that its greatest resources are its employees. Its policies and programs are implemented to meet its obligations toward its employees and support its mission of empowering its employees in a climate of integrity and excellence. Benefits for full-time employees cover health care, insurance, vacation leaves, sick leaves, and retirement benefits including disability and death benefits. Mine site employees are provided housing benefits, free utilities and free education for dependents, among others. The Corporation promotes employee well-being is promoted through physical fitness program and accessible use of the Corporation's health facilities, among others.

The Corporation understands the value of high-performing talent to the alignment of the Corporation's business needs and sustainability. The Corporation's competency-based performance management system evaluates employee performance using a Balanced Scorecard that considers technical competencies as well as employee support or compliance to the Corporation's Code of Conduct, good governance policies and Environmental, Health and Safety policies, among others. Its compensation reward policy sets remuneration at levels having regard to industry and market standards for similar work responsibilities and positions; and short-term incentives, with appropriate financial performance of the Corporation, to affirm or encourage performers and continuous improvement in performance levels.

The Corporation's training and development program includes skills upgrade, in-house seminars on leadership training, ISO quality management, risk awareness, quality of worklife and support of seminar updates conducted by external professional organizations. Short management courses were conducted for supervisors and managers in their new or crucial role and link between Management and rank & file staff. Working safely as a condition to employment is reinforced by training seminars on basic occupational health and safety and regular drills on fire and earthquake.

Customers
The Corporation's mission is to supply its customers with quality coal that meets their stringent specification. It measures the characteristics of coal to ensure that customer requirements are determined and understood with notification to the customer of significant changes communicated in a timely manner before effecting any change. Tests are conducted and results recorded to evidence conformity with the requirements. Coal shall not be loaded and shipped until all the tests are conducted and all results passed the customer's specification. Client feedback mechanism is implemented to measure client perception in meeting customer requirements and complaints, if any, are resolved through corrective action and after-sales settlement guidelines. The Corporation's continuing recertification as being in conformance to ISO 9001:2008 on Quality Management System affirms its commitment to achieve and enhance customer satisfaction through continual improvement of processes. The Codes of Conduct promote fair dealings with customers and confidentiality of business information such as customer data.

Suppliers and Creditors
The Corporation's quality policy for procurement activities ensure competitive sourcing and pricing of highest quality of goods and services to support the Corporation's objectives. It includes procedures on accreditation, evaluation of new suppliers and re-evaluation of performance of accredited suppliers of critical raw materials every twelve months to ensure consistent quality of purchased products and services. Canvassing procedures ensure competitive pricing, favorable terms and value-added services without compromising quality. The Corporation's mission is to provide economic returns to its business partners. It supports strategic partnerships with suppliers, creditors and other business partners with honoring commitments to agreements and timely payments of contracted obligations.

The Corporation's capital management strategy is to ensure it maintains a strong credit rating and healthy capital ratios to support its business, maximize shareholder value and safeguard creditors' rights. It is disclosed and further discussed, together with the financial risk management objectives, risks and policies in the relevant section of its Notes to Consolidated Financial Statements.

The Codes of Conduct promotes fair dealings with business partners including observance of confidentiality of proprietary non-public information such as contract terms or bids, that might either be harmful to its suppliers, creditors and business partners or of use to their business competitors.

Government
The Corporation 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 taxation, laws and regulations.

Community and Environment

The Corporation 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. Its integrated Environment, Health and Safety (EHS) management system is built on a framework for continuous improvement of performance standards for environmental and social responsibility. All employees are mandated to comply to the Corporation's EHS objectives and policies such as conservation of the environment through reduction in paper use, consumption of electricity and water, waste segregation, among others. The Corporation has established procedures such as containment measures, waste management, clean-up and restoration procedures of affected areas. It implemented a progressive rehabilitation program of the old Unong mine and current Panian mine. The Corporation's commitment to Corporate Social Responsibility is discussed in a separate report of its glossy Annual Report.

WEBSITE

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

UPON THE WRITTEN REQUEST OF ANY STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'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

SEMIRARA MINING CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		3		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	3		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			3
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			3
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			3
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			3
	Amendments to PFRS 1: Government Loans			3
PFRS 2	Share-based Payment	3		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	3		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	3		
PFRS 3 (Revised)	Business Combinations	3		
PFRS 4	Insurance Contracts	3		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	3		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	3		
PFRS 6	Exploration for and Evaluation of Mineral Resources	3		
PFRS 7	Financial Instruments: Disclosures	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	3		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	3		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	3		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	3		
PFRS 9*	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10*	Consolidated Financial Statements	Not Early Adopted		
PFRS 11*	Joint Arrangements	Not Early Adopted		
PFRS 12*	Disclosure of Interests in Other Entities	Not Early Adopted		
PFRS 13*	Fair Value Measurement	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	3		
	Amendment to PAS 1: Capital Disclosures	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	3		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not Early Adopted		
PAS 2	Inventories	3		
PAS 7	Statement of Cash Flows	3		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	3		
PAS 10	Events after the **Reporting Period**	3		
PAS 11	Construction Contracts			3
PAS 12	Income Taxes	3		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	3		
PAS 16	Property, Plant and Equipment	3		
PAS 17	Leases	3		
PAS 18	Revenue	3		
PAS 19	Employee Benefits	3		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	3		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended) *	Employee Benefits	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	3		
PAS 21	The Effects of Changes in Foreign Exchange Rates	3		
	Amendment: Net Investment in a Foreign Operation	3		
PAS 23 (Revised)	Borrowing Costs	3		
PAS 24 (Revised)	Related Party Disclosures	3		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			3
PAS 27	**Consolidated and Separate Financial Statements**	3		
PAS 27 (Amended) *	Separate Financial Statements	Not Early Adopted		
PAS 28	**Investments in Associates**	3		
PAS 28 (Amended) *	Investments in Associates and Joint Ventures	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			3
PAS 31	Interests in Joint Ventures	3		
PAS 32	Financial Instruments: Disclosure and Presentation	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	3		
	Amendment to PAS 32: Classification of Rights Issues	3		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share	3		
PAS 34	Interim Financial Reporting	3		
PAS 36	Impairment of Assets	3		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			
PAS 38	Intangible Assets	3		
PAS 39	Financial Instruments: Recognition and Measurement	3		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	3		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	3		
	Amendments to PAS 39: The Fair Value Option	3		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	3		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	3		
	Amendment to PAS 39: Eligible Hedged Items	3		
PAS 40	Investment Property	3		
PAS 41	Agriculture			3
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	3		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			3
IFRIC 4	Determining Whether an Arrangement Contains a Lease	3		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	3		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	3		
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			3
IFRIC 8	*Scope of PFRS 2*	3		
IFRIC 9	Reassessment of Embedded Derivatives	3		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	3		
IFRIC 10	*Interim Financial Reporting and Impairment*	3		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	3		
IFRIC 12	Service Concession Arrangements			3
IFRIC 13	Customer Loyalty Programmes	3		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	3		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	3		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	3		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	3		
IFRIC 18	Transfers of Assets from Customers	3		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	3		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Early Adopted		
SIC-7	Introduction of the Euro			3
SIC-10	Government Assistance - No Specific Relation to Operating Activities	3		
SIC-12	Consolidation - Special Purpose Entities	3		
	Amendment to SIC - 12: Scope of SIC 12	3		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	3		
SIC-15	Operating Leases - Incentives	3		
~~**SIC-21**~~	~~Income Taxes – Recovery of Revalued Non-Depreciable Assets~~	3		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	3		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	3		
SIC-29	Service Concession Arrangements: Disclosures.			3
SIC-31	Revenue - Barter Transactions Involving Advertising Services	3		
SIC-32	Intangible Assets - Web Site Costs	3		

SEMIRARA MINING CORPORATION

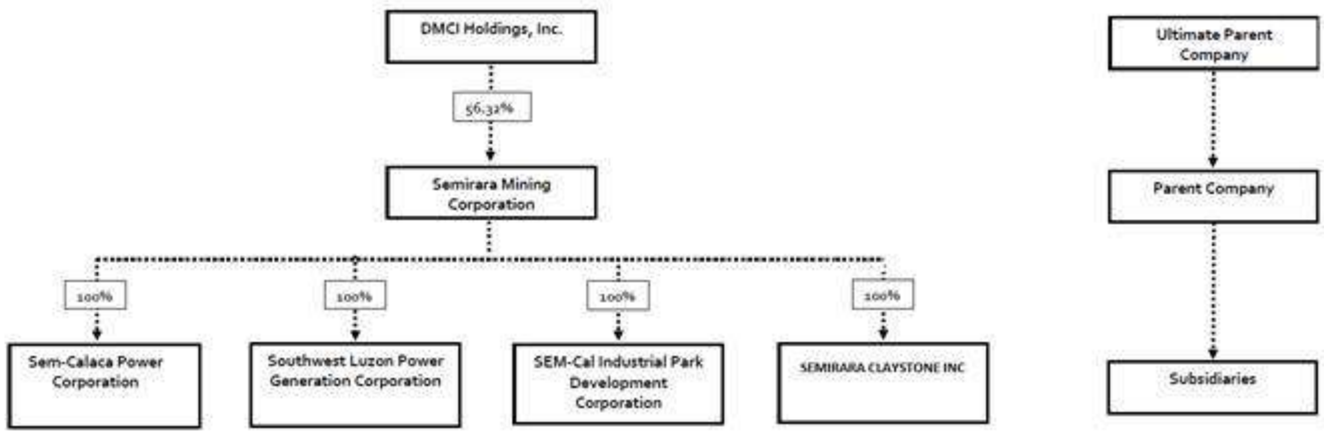
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2012

Unappropriated Retained Earnings, beginning		₱5,004,615,633
Adjustments		352,703,641
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning as at December 31, 2011		₱5,357,319,274
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱5,260,487,082	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	197,824,336	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	6,686,490	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Amortization of prepaid insurance	7,668,728	
Accretion of provision for decommisioning and site rehabilitation	8,364,464	
Net taxable pension cost	4,557,749	
Net income actually earned during the period	5,076,567,197	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	801,567,197
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱6,158,886,471**

SEMIRARA MINING CORPORATION

Map of the relationships of the Companies within the Group
FOR THE YEAR ENDED DECEMBER 31, 2012



**SEMIRARA MINING CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2012 AND 2011**

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Company for the year ended December 31, 2012 and 2011:

Financial ratios		**2012**	2011
Current ratio	Current assets / Current liabilities	**0.96:1**	1.25:1
Quick ratio	Current assets less inventories / Current liabilities	**0.50:1**	0.84:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.49:1**	0.43:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.73:1**	0.91:1
Asset-to-equity ratio	Total assets / Total equity	**2.14:1**	2.41:1
Inventory turnover	Cost of sales / Average inventory	**2.86:1**	4.79:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**7.11:1**	8.54:1
Interest rate coverage	EBIT* / Interest expense	**15.73:1**	15.02:1
Return on assets	Net income / Average total assets	**0.18:1**	0.18:1
Return on equity	Net income / Average total equity	**0.40:1**	0.44:1
Gross Margin ratio	Gross profit / Sales	**0.39:1**	0.35:1
Net profit margin ratio	Net income / Sales	**0.26:1**	0.23:1

**Earnings before interest and taxes (EBIT)*

SEMIRARA MINING CORPORATION

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, 2012 and 2011, 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 12th day of March 2013.

DAVID M. CONSUNJI
Chairman of the Board

ISIDRO A. CONSUNJI
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this MAR 14 2013 day of March 2013, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
David M. Consunji	EB0531746	July 6, 2015/DFA, Manila
Isidro A. Consunji	EB2033364	March 6, 2016/DFA, Manila
Junalina S. Tabor	XX3473561	April 14, 2014 / DFA, 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. 527;
Page No. 106;
Book No. 1;
Series of 2013.

REDENCIO C. VILLARIVERA
Roll of Attorney's No. 45335
Appointment No. M-410
Notary Public for Makati City
Until December 31, 2013
4th Floor, Dacon Building, 2281
Pasong Tamo Extension, Makati City
IBP No. 887140/Jan. 19 2012/Makati City
PTR No. 3202168/Jan. 20, 2012/Makati City
MCLE Compliance No. III-001773

COVER SHEET

9 1 4 4 7

SEC Registration Number

S E M I R A R A M I N I N G C O R P O R A T I O N A N D S
U B S I D I A R I E S

(Company's Full Name)

2 2 8 1 D o n C h i n o R o c e s A v e n u e , M a k a
t i C i t y

(Business Address: No. Street City/Town/Province)

Ms. Junalina S. Tabor	816-7301
(Contact Person)	(Company Telephone Number)

1 2	3 1	A A F S	0 5	0 6
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

663		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation
2281 Don Chino Roces Avenue
Makati City

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, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, 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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Davee M. Zuñiga
Partner
CPA Certificate No. 88990
SEC Accreditation No. 0665-AR-1 (Group A),
February 18, 2011, valid until February 17, 2014
Tax Identification No. 160-302-953
BIR Accreditation No. 08-001998-77-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670042, January 2, 2013, Makati City

March 12, 2013

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28 and 29)	**₱534,390,774**	₱5,005,240,275
Receivables (Notes 5, 17, 28 and 29)	**3,581,843,715**	3,215,781,247
Inventories (Notes 6, 8 and 33)	**5,659,589,353**	4,592,835,539
Other current assets (Note 7)	**1,935,930,078**	1,310,428,666
Total Current Assets	**11,711,753,920**	14,124,285,727
Noncurrent Assets		
Property, plant and equipment (Notes 8 and 33)	**22,724,754,817**	20,737,333,275
Investment in sinking fund (Notes 9 and 12)	**508,041,189**	490,789,157
Pension assets (Note 18)	**–**	1,021,507
Deferred tax assets (Note 24)	**1,538,038**	17,409,006
Other noncurrent assets (Notes 10 and 30)	**1,240,033,021**	257,380,474
Total Noncurrent Assets	**24,474,367,065**	21,503,933,419
	₱36,186,120,985	₱35,628,219,146
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 13, 17, 28 and 29)	**₱6,813,145,215**	₱7,299,028,784
Short-term loans (Notes 11, 28 and 29)	**175,646,271**	1,010,692,002
Current portion of long-term debt (Notes 12, 28, 29 and 33)	**5,182,961,376**	2,992,660,795
Total Current Liabilities	**12,171,752,862**	11,302,381,581
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 28, 29 and 33)	**6,996,312,300**	9,469,150,099
Deferred tax liabilities (Note 24)	**–**	565,481
Provision for decommissioning and site rehabilitation (Note 14)	**62,448,101**	47,582,228
Pension liability (Note 18)	**5,847,126**	–
Other noncurrent liabilities (Note 17)	**57,938,954**	–
Total Noncurrent Liabilities	**7,122,546,481**	9,517,297,808
Total Liabilities	**19,294,299,343**	20,819,679,389
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	**9,160,044,231**	7,076,762,346
Appropriated	**700,000,000**	700,000,000
Total Equity	**16,891,821,642**	14,808,539,757
	₱36,186,120,985	₱35,628,219,146

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUE (Note 32)			
Coal	**₱14,450,155,334**	₱16,201,880,411	₱14,242,224,629
Power	**9,700,092,214**	9,611,704,378	8,655,623,846
	24,150,247,548	25,813,584,789	22,897,848,475
COST OF SALES (Notes 17, 19 and 32)			
Coal	**9,825,154,753**	11,101,153,958	11,102,692,811
Power	**4,818,786,103**	5,559,465,504	4,887,341,402
	14,643,940,856	16,660,619,462	15,990,034,213
GROSS PROFIT	**9,506,306,692**	9,152,965,327	6,907,814,262
OPERATING EXPENSES (Notes 20 and 32)	**(3,398,886,905)**	(2,857,174,114)	(2,721,234,918)
INCOME FROM OPERATIONS	**6,107,419,787**	6,295,791,213	4,186,579,344
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net (Note 32)	**391,000,330**	(38,318,119)	199,487,633
Finance income (Notes 22 and 32)	**82,144,318**	134,876,680	57,667,764
Finance costs (Notes 17, 21 and 32)	**(501,280,033)**	(483,287,781)	(668,440,816)
Equity in net earnings of associates (Notes 23 and 32)	**–**	–	76,825,789
Other income (Notes 23 and 32)	**318,448,268**	99,905,297	65,427,012
	290,312,883	(286,823,923)	(269,032,618)
INCOME BEFORE INCOME TAX	**6,397,732,670**	6,008,967,290	3,917,546,726
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 24 and 32)			
Current	**24,145,298**	22,761,546	8,808,092
Deferred	**15,305,487**	(44,930,831)	(43,969,623)
	39,450,785	(22,169,285)	(35,161,531)
NET INCOME	**6,358,281,885**	6,031,136,575	3,952,708,257
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱6,358,281,885**	₱6,031,136,575	₱3,952,708,257
Basic/Diluted Earnings per Share (Note 25)	**₱17.85**	₱16.93	₱12.10

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, 2012				
At beginning 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**
Total comprehensive income	**–**	**–**	**–**	**6,358,281,885**	**–**	**6,358,281,885**	**–**	**6,358,281,885**
Dividends declared	**–**	**–**	**–**	**(4,275,000,000)**	**–**	**(4,275,000,000)**	**–**	**(4,275,000,000)**
At end of the year	**₱356,250,000**	**₱6,675,527,411**	**₱–**	**₱9,160,044,231**	**₱700,000,000**	**₱16,891,821,642**	**₱–**	**₱16,891,821,642**
				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

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱6,397,732,670**	₱6,008,967,290	₱3,917,546,726
Adjustments for:			
Depreciation and amortization (Notes 8, 10, 19 and 20)	**3,053,462,879**	2,909,610,888	2,566,427,137
Finance costs (Note 21)	**501,280,034**	483,287,781	668,440,816
Loss on property, plant and equipment writedown	**341,146,346**	–	–
Provision for impairment loss	**47,150,717**	–	–
Finance income (Note 22)	**(82,144,317)**	(134,876,680)	(57,667,764)
Gain on sale of equipment (Notes 8 and 23)	**(127,491,090)**	(53,547,507)	(6,088,124)
Net unrealized foreign exchange losses (gains)	**(222,718,412)**	37,939,453	(67,308,294)
Equity in net earnings of associates (Note 23)	**–**	–	(76,825,789)
Gain on sale of investment (Note 23)	**–**	–	(41,378,255)
Operating income before changes in operating assets and liabilities	**9,908,418,827**	9,251,381,225	6,903,146,453
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(366,581,785)**	(73,153,058)	(1,893,653,901)
Inventories	**(1,066,753,814)**	(3,704,727,490)	73,701,971
Other current assets	**(623,482,054)**	(697,662,177)	(337,872,065)
Increase (decrease) in:			
Trade and other payables	**(289,445,209)**	2,205,941,337	2,740,870,039
Pension liability (Note 18)	**6,868,633**	(21,018,255)	7,532,422
Cash generated from operations	**7,127,251,775**	6,960,761,582	7,493,724,919
Interest received	**84,635,850**	134,757,554	91,726,741
Interest paid	**(464,570,176)**	(457,767,190)	(852,363,965)
Income taxes paid	**(24,145,298)**	(22,761,547)	(8,071,333)
Net cash provided by operating activities	**6,723,172,151**	6,614,990,399	6,725,016,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Notes 8 and 31)	**(5,154,104,137)**	(2,454,376,480)	(3,007,368,967)
Proceeds from sale of investment (Note 9)	**–**	–	327,086,632
Additions to investments and advances (Note 9)	**(17,252,032)**	(180,559,599)	(310,229,558)
Decrease (increase) in other noncurrent assets (Note 10)	**(1,038,721,412)**	49,709,618	13,203,852
Proceeds from sale of equipment	**127,491,090**	56,175,636	53,000,798
Acquisition of a business (Note 33)	–	–	(10,021,631,926)
Net cash used in investing activities	**(₱6,082,586,491)**	(₱2,529,050,825)	(₱12,945,939,169)

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of:			
Long-term debt	**₱2,653,486,966**	₱2,884,618,498	₱11,554,776,302
Short-term loans	**1,813,036,650**	2,011,193,260	3,270,643,589
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)	**(4,275,000,000)**	(3,562,500,000)	(1,781,250,000)
Long-term debt	**(2,704,663,999)**	(2,789,633,990)	(113,195,951)
Short-term loans	**(2,593,159,379)**	(1,445,313,429)	(3,665,439,966)
Increase in other noncurrent liabilities	**57,938,954**	**–**	**–**
Deposit on future stock subscriptions (Note 15)	**–**	–	(5,402,125,985)
Net cash (used in) provided by financing activities	**(5,048,360,808)**	(2,901,635,661)	9,550,405,389
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(63,074,353)**	7,652,845	1,880,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,470,849,501)**	1,191,956,758	3,331,362,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,005,240,275**	3,813,283,517	481,920,935
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱534,390,774**	₱5,005,240,275	₱3,813,283,517

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 (COC) within the purview of Presidential Decree No. 972, "*The Coal Development Act of 1976*", and any amendments thereto.

The Parent Company has four (4) wholly-owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SIPDI) and Semirara Claystone, Inc. (SCI).

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 the nearest peso, except where 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, 2012 and 2011 and for each of the three years in the period ended December 31, 2012. 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	
	2012	2011
Semirara Claystone, Inc. (SCI)*	**100.00%**	100.00%
Southwest Luzon Power Generation Corporation(SLPGC)*	**100.00**	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)*	**100.00**	100.00
Sem-Calaca Power Corporation (SCPC)	**100.00**	100.00

**Has not yet started commercial operations.*

SCI
On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

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.

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 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).

<u>Changes in Accounting Policies</u>
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 Financial Reporting Standards (PFRS) which were adopted as of January 1, 2012. 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

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

New Standards Issued but not yet Effective

The Group will adopt the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the financial statements.

Effective 2012

- PAS 1, Presentation of Financial Statements - *Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

Effective 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  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 statement of financial position;
  c) The net amounts presented in the statement 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 and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that 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.

Based on the preliminary analysis performed, PFRS 10 is not expected to have any impact on the investments currently held by the Group. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The 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 related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  The adoption of PFRS 12 will have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs 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 should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 19, *Employee Benefits* (Revised)
  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 revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 1 January 2012
	(In thousands)	
Increase (decrease) in:		
Statements of Financial Position		
Net defined benefit liability	₱30,700	₱7,794
Other comprehensive income	23,418	2,961
Retained earnings	21,991	2,045

	2012
	(In thousands)
Profit or Loss	
Net benefit income	₱512
Profit for the year	512
Attributable to the owners of the Group	512

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance 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 the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. The Parent Company will move its activities to the North Panian area in 2013, and assess the impact of this new area in its stripping operations. This may have an impact on the application of this Interpretation.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments 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 affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- Philippine Interpretation IFRIC 15, *Agreements 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 Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. Except as otherwise indicated, the Group does not expect the adoption of these amended PFRS to have significant impact on the financial statements.

Effective 2012

- PFRS 1, *First time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

<u>Financial Assets and Financial Liabilities</u>

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statements 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
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or available-for-sale (AFS) financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

Financial instruments are classified as liability 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.

As of December 31, 2012 and 2011, the Group's financial assets and financial liabilities 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 statements 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 statements 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 statements of financial position accounts “Cash and cash equivalents”, “Receivables”, “Investment in sinking fund” and certain other noncurrent 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 statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements 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 statements 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 statements 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 statements of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statements 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. Inventories transferred to property, plant and equipment are used as a component of self constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Exploration and Evaluation Costs
Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statements 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 require 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 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 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 of assets commence once the assets are put into operational use.

Depreciation 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 method are reviewed periodically to ensure that the period and method of depreciation 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 statements of comprehensive income in the year the item is derecognized.

Computer Software

Computer software, included under “Other noncurrent assets”, is measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Computer software is 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 impairment in value. Computer software is recognized under the “Operating expenses” in the consolidated statements of comprehensive income.

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

Business Combination and Goodwill

Business combinations on January 1, 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 the consolidated statements of comprehensive income.

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 and computer software 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 statements 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 statements 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.

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 Peso and US Dollar, respectively.

Contract energy sales
Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales
Revenue from spot electricity sales 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 electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE).

Finance income
Finance income is recognized as it accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Cost of Sales
Cost of coal
Cost of coal includes directly related production costs such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs. These costs are recognized when incurred.

Cost of power
Cost of power includes costs 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 power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group 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 decrease or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statements 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 statements 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 statements of comprehensive income in the period they are incurred.

Borrowing costs relating to the power plants currently under development, which have been capitalized in ”Construction in progress” account under the “Property, plant and equipment” in the consolidated statement of financial position during the period amounted to ₱17.53 million with an average capitalization interest rate of 2.5% in 2012. The capitalizable interest in prior years is not material.

Pension Expense
The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group is actuarially 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 statements 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 statements 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 statements 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 statements 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 statements 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 statements 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 peso, 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 statements 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 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 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 statements 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 32 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.

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

The amounts of revenue from coal sales are disclosed in Note 32.

b. *Estimating allowance for doubtful accounts on loans and receivables*
The Group maintains an allowance for doubtful accounts 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 doubtful accounts would increase the recorded operating expenses and decrease the current assets.

The allowance for doubtful accounts for Receivables is disclosed in Notes 5.

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. The amount of coal pile inventory is disclosed in 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.

The carrying amount of spare parts and supplies is disclosed in 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 (DENR) 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 estimated provision for decommissioning and site rehabilitation is disclosed in 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 computer software 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 computer software based on factors that include asset utilization, internal technical evaluation, and 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.

As of December 31, 2012 and 2011, the carrying value for Property, plant and equipment amounted to ₱22,724 million and ₱20,737 million.

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 assets fair value 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.

There has been no existing indicator of impairment as of December 31, 2012 and 2011.

The net book values of the investments, property, plant and equipment and software cost are disclosed in Notes 8, 9, and 10, respectively.

See notes 8, 9 and 10 for the related balances.

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 2012 and 2011, the Group has various deductible temporary differences from which no deferred tax assets have been recognized as the Group 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.

The balances of the Group's defined benefit obligation and unrecognized actuarial losses are disclosed in Note 18.

4. Cash and Cash Equivalents

	2012	2011
Cash on hand and in banks	**₱520,098,757**	₱1,108,525,449
Cash equivalents	**14,292,017**	3,896,714,826
	₱534,390,774	₱5,005,240,275

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 1.25% to 4.62% and 1.80% to 4.62% in 2012 and 2011, respectively.

In 2012, 2011 and 2010, total interest income earned from cash and cash equivalents amounted to ₱63.71 million, ₱114.82 million and ₱35.78 million, respectively (see Note 22).

5. **Receivables**

	2012	2011
Trade receivables:		
Electricity sales	**₱2,257,847,485**	₱1,993,374,929
Local coal sales	**944,561,537**	950,455,290
Export coal sales	**304,352,920**	108,413,708
Related parties (Note 17)	**90,003,952**	199,110,601
Others	**103,777,943**	33,318,009
	3,700,543,837	3,284,672,537
Less allowance for doubtful accounts	**118,700,122**	68,891,290
	₱3,581,843,715	₱3,215,781,247

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.

Related parties
Receivables from related parties are noninterest-bearing and collectible over a period of one year.

Others include advances to officers, employees and receivable from sale of fly ashes. These are generally noninterest-bearing and are collectible over a period of one year.

Movements in the allowance for doubtful accounts are as follows:

	2012			
	Local Coal Sales	**Electricity Sales**	**Other Receivables**	**Total**
At January 1	**₱–**	**₱53,523,802**	**₱15,367,488**	**₱68,891,290**
Provision (Note 20)	**–**	**59,360,961**		**59,360,961**
Reversals (Note 23)	**–**	**–**	**(9,552,129)**	**(9,552,129)**
At December 31	**₱–**	**₱112,884,763**	**₱5,815,359**	**₱118,700,122**
Individual impairment	**₱–**	**₱112,884,763**	**₱5,815,359**	**₱118,700,122**
Gross amounts of individually impaired receivables	**₱–**	**₱112,884,763**	**₱5,815,359**	**₱118,700,122**

	2011			
	Local Coal Sales	Electricity Sales	Other Receivables	Total
At January 1	₱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	₱–	₱53,523,802	₱15,367,488	₱68,891,290

(Forward)

	2011			
	Local Coal Sales	Electricity Sales	Other Receivables	Total
Individual impairment	₱–	₱53,523,802	₱15,367,488	₱68,891,290
Gross amounts of individually impaired receivables	₱–	₱53,523,802	₱15,367,488	₱68,891,290

During the year, the Group recorded a provision for doubtful accounts amounting to ₱59.36 million for receivables from electricity sales which may no longer be recovered. Reversals of allowance for doubtful accounts amounting ₱9.55 million pertains to receivables collected in 2012.

6. Inventories

	2012	2011
Coal pile inventory at cost	**₱2,404,009,092**	₱2,470,381,662
Spare parts and supplies at NRV	**3,255,580,261**	2,122,453,877
	₱5,659,589,353	₱4,592,835,539

Spare parts and supplies with original cost of ₱580.93 million as of December 31, 2012 and 2011, were provided with allowance for inventory obsolescence amounting to ₱53.29 million.

The cost of coal inventories recognized as expense in the consolidated statements of comprehensive income amounted to ₱9.03 billion, ₱10.26 billion and ₱10.22 billion for the years ended December 31, 2012, 2011 and 2010, respectively (see Note 19).

7. Other Current Assets

	2012	2011
Prepaid rent (Note 30)	**₱4,510,890**	₱5,172,401
Advances to suppliers	**1,378,306,258**	797,353,268
Creditable withholding tax	**495,459,369**	418,916,623
Others	**57,653,561**	88,986,374
	₱1,935,930,078	₱1,310,428,666

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

Creditable withholding tax
Creditable withholding tax is applied against income tax payable.

Others
Others include prepayments on insurance and taxes.

8. Property, Plant and Equipment

The rollforward of this account follow:

	2012					
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost						
At January 1	₱376,605,100	₱14,741,953,648	₱18,454,308,321	₱365,683,504	₱2,140,165,382	₱36,078,715,955
Additions	–	1,153,680,202	14,217,004	–	3,986,206,931	5,154,104,137
Transfers	–	353,719,808	237,538,046	–	(591,257,854)	–
Transfers from inventory (Note 31)	–	–	–	–	223,519,372	223,519,372
Writedown	–	–	(420,699,160)	–	–	(420,699,160)
Disposals (Note 23)	–	(1,219,504,375)	–	–	–	(1,219,504,375)
At December 31	376,605,100	15,029,849,283	18,285,364,211	365,683,504	5,758,633,831	39,816,135,929
Accumulated Depreciation						
At January 1	–	11,907,508,407	3,151,492,494	282,381,779	–	15,341,382,680
Depreciation (Notes 19 and 20)	–	2,092,772,215	947,621,314	8,662,092	–	3,049,055,621
Writedown	–	–	(79,552,814)	–	–	(79,552,814)
Disposals (Note 23)	–	(1,219,504,375)	–	–	–	(1,219,504,375)
At December 31	–	12,780,776,247	4,019,560,994	291,043,871	–	17,091,381,112
Net Book Value	₱376,605,100	₱2,249,073,036	₱14,265,803,217	₱74,639,633	₱5,758,633,831	₱22,724,754,817

	2011					
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
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						
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

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, 2012 and 2011. In 2012 and 2011, construction in progress includes costs incurred for the rehabilitation and construction of SCPC's Unit 1 coal-fired power plant and SLPGC's 2x150MW fluidized thermal power plant. The construction of SLPGC's power plant is estimated to be completed by early 2015.

The discount rate used by the Company to compute for the present value of liability for decommissioning and site rehabilitation was changed. The addition to the liability was included as part of "Property, Plant and Equipment" in the consolidated statement of financial position (see Note 14).

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.

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 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).

In 2012, 2011 and 2010, the Group sold various equipments at a gain amounting to ₱127.49 million, ₱53.55 million and ₱6.09 million, respectively (see Note 23). The cost of fully depreciated assets that are still in use as of December 31, 2012 and 2011 amounted to ₱5,835 million and ₱5,017 million.

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

	2012	2011	2010
Included under:			
Cost of coal sales (Note 19):			
Depreciation and amortization	**₱1,730,576,658**	₱1,792,534,859	₱1,661,071,376
Hauling and shiploading costs	**348,994,202**	302,255,715	82,713,420
Cost of power sales (Note 19):			
Depreciation and amortization	**928,981,130**	776,589,421	794,013,317
Operating expenses (Note 20)	**44,910,889**	38,230,893	28,629,024
	₱3,053,462,879	₱2,909,610,888	₱2,566,427,137

	2012	2011	2010
Depreciation and amortization of:			
Property, plant and equipment	**₱3,049,055,621**	₱2,904,285,532	₱2,562,266,327
Software costs (Note 10)	**4,407,258**	5,325,356	4,160,810
	₱3,053,462,879	₱2,909,610,888	₱2,566,427,137

The construction of coal-fired power plant commenced on the early part of the year. As of December 31, 2012, the Company expects to spend ₱17.70 billion to complete the power plant in the early part of 2015.

9. 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 ₱508.04 million and ₱490.79 million as of December 31, 2012 and 2011, respectively.

Interest from sinking fund amounted to ₱17.21 million, ₱14.06 million and ₱5.52 million in 2012, 2011 and 2010, respectively (see Note 22).

10. **Other Noncurrent Assets**

	2012	2011
Prepaid rent (Note 30)	**₱98,930,629**	₱104,103,570
Advances to contractors (Note 17)	**826,341,454**	–
5% input VAT withheld - net of allowance for impairment losses of ₱87.52 million in 2012 and ₱40.37 million in 2011	**102,976,730**	150,127,447
Input VAT	**180,511,524**	–
Software cost – net	**2,377,767**	5,732,959
Environmental guarantee fund	**1,500,000**	1,500,000
Others	**31,905,807**	1,088,899
	1,244,543,911	262,552,875
Less current portion of prepaid rent (Note 7)	**4,510,890**	5,172,401
	₱1,240,033,021	₱257,380,474

Advances to contractors
Advances to contractors account represent payments made in advance for the construction. The advances shall be settled through recoupment against the contractors' billings.

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 Parent Company filed its comment thereon. On August 10, 2010, the CTA issued a Writ of Execution on its decision date October 13, 2009 and was served to BIR on August 13, 2010.

In 2011, 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 Commissioner of BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. The Commissioner of BIR filed for a Petition for Review with the CTA En Banc.

During the year, CTA En Banc rendered a decision dismissing the petition for review for the lack of merit on ₱163.36 million. Decision on petition for review filed by Commissioner of BIR on ₱15.29 million TCC remains pending to date.

Management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment amounting to ₱40.37 million in 2009 and ₱47.15 million in 2012.

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2012	2011
At January 1	**₱40,373,534**	₱40,373,534
Provision	**47,150,717**	–
At December 31	**₱87,524,251**	₱40,373,534

Input Value-added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. The Input VAT is applied against value-added output tax. The balance is recoverable in future periods.

Software Cost
Movements in software cost account follow:

	2012	2011
At Cost		
At January 1	**₱23,795,671**	₱19,083,211
Additions	**1,052,066**	4,712,460
At December 31	**24,847,737**	23,795,671
Accumulated Amortization		
At January 1	**18,062,712**	12,737,356
Amortization (Note 19)	**4,407,258**	5,325,356
At December 31	**22,469,970**	18,062,712
Net Book Value	**₱2,377,767**	₱5,732,959

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 prepaid taxes 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 and other assets. The Group is accountable for these trusteed assets or the assets sales proceeds. The carrying amount of these assets as of December 31, 2012 and 2011 amounted to ₱0.18 billion and ₱1.01 billion, respectively.

These are payable within one year.

The interest expense recognized under "Finance Cost" amounted to ₱30.14 million, ₱30.48 million and ₱10.31 million in 2012, 2011 and 2010, respectively.

12. **Long-term Debt**

This account consists of long-term bank loans availed by the Parent Company as follows:

	2012	2011
Mortgage payable	**₱7,404,190,124**	₱8,365,572,777
Bank loans	**4,775,083,552**	4,096,238,117
	12,179,273,676	12,461,810,894
Less current portion of:		
Mortgage payable	**1,514,248,417**	1,530,694,871
Bank loans	**3,668,712,959**	1,461,965,924
	5,182,961,376	2,992,660,795
	₱6,996,312,300	₱9,469,150,099

Mortgage Payable
SLPGC
On February 4, 2012, SLPGC entered into a ₱11,500 million Omnibus Agreement with Bunco de Oro, Unibank (BDO), Bank of the Philippine Island (BPI) and China Banking Corporation (CBC) as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan will be used for the engineering, procurement and construction of 2x150 mega watt coal-fired thermal power plant.

Breakdown of the syndicated loan is as follows:

	Amount
BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

Details of the loan follow:

a. Interest: Payment of interest on the unpaid principal amount of each Advance on each Interest Payment Date for the Interest Period then ending at the Applicable Interest Rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each Interest Period up to the last day of such Interest Period. The Facility Agent shall notify all the Lenders of any adjustment in an Interest Payment Date at least three Banking Days prior to the adjusted Interest Payment Date.
b. Repayment: The principal amount shall be paid in 27 equal consecutive quarterly installments.

The first drawdown was made on May 24, 2012 amounting to ₱550 million. Capitalized debt issuance cost related on the first drawdown amounted to ₱2.75 million and is amortized using the EIR method over the loan's term. As of December 31, 2012, amortization of debt issuance cost recognized as part of "Property, plant and equipment" account in the consolidated statements of financial position amounted to ₱0.24 million.

SCPC
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 statements of comprehensive income amounted to ₱27.12 million and ₱22.15 million for the years 2012 and 2011, respectively (see Note 21).

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 ₱508.04 million and ₱490.79 million as of December 31, 2012 and 2011, respectively (see Note 9).

Rollforward of the capitalized debt issuance cost follows:

	2012	2011
Beginning at January 1	**₱82,427,224**	₱104,842,714
Additions	**2,750,000**	–
Amortization (Note 21)	**(27,367,348)**	(22,415,490)
Ending at December 31	**₱57,809,876**	₱82,427,224

The maturities of long-term debt at nominal values as of December 31 follow:

	2012	2011
	(In Thousands)	
Due in:		
2012	**₱–**	₱2,970,843
2013	**5,182,555**	4,148,520
2014	**2,625,603**	1,519,639
2015	**1,545,013**	1,525,049
2016	**1,611,596**	1,611,596
2017	**848,459**	848,459
2018	**81,238**	–
2019	**81,299**	–
2020	**81,359**	–
2021	**81,420**	–
2022	**40,732**	–
	₱12,179,274	₱12,624,106

Mortgage payable by SCPC 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.

Mortgage payable by SLPGC provide for certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC.

Bank loans

Loan Type	Date of Availment	Outstanding Balance 2012	2011	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Local bank loans							
Loan 1	October 2010	**₱–**	₱140.29	Various maturities in 2012	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	**947.54**	1,313.59	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 2012	2011	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Local bank loans							
Loan 3	Various availments in 2010 & 2011	**₱230.40**	₱688.45	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	**2,556.86**	1,028.25	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	**1,040.28**	925.66	August 2013	1.03% - 1.10% p.a. for the first 90 days. Thereafter, interest will be re-priced 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.
		₱4,775.08	₱4,096.24				

13. Trade and Other Payables

This account consists of:

	2012	2011
Trade:		
Payable to suppliers and contractors	**₱4,417,579,065**	₱5,011,159,358
Related parties (Note 17)	**709,496,525**	237,892,719
Payable to DOE and local government units (LGU) (Note 26)	**1,007,849,324**	905,008,728
Output VAT Payable	**489,766,685**	965,446,171
Accrued expenses and other payables	**188,453,616**	179,521,808
	₱6,813,145,215	₱7,299,028,784

Trade payables to suppliers, contractors and others include liabilities amounting to ₱317.93 million (US$7.75million) and ₱468.08 million (US$10.68 million) as of December 31, 2012 and 2011, 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 COC between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981(see Note 26).

Output VAT pertains to the VAT due on the sale of electricity.

Details of the accrued expenses and other payables account follow:

	2012	2011
Withholding and other taxes	**₱57,750,472**	₱37,024,671
Salaries and wages	**11,641,106**	12,476,527
Real property tax	**12,745,030**	18,828,610
Professional fees	**8,538,640**	6,050,000
Rental (Note 17)	**15,259,799**	15,264,799
Financial benefit payable	**13,590,642**	8,265,879
Interest	**47,372,794**	76,887,268
Others	**21,555,133**	4,724,054
	₱188,453,616	₱179,521,808

Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30 to 60-day terms.

As mandated by the R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by Department of Energy (DOE), the BOD authorized the Company on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

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

14. Provision for Decommissioning and Site Rehabilitation

	2012	2011
At January 1	**₱47,582,228**	₱14,732,350
Additions (Note 8)	**5,265,925**	31,091,791
Accretion of interest (Note 21)	**9,599,948**	1,758,087
At December 31	**₱62,448,101**	₱47,582,228

Discount rates used by the Company to compute for the present value of liability for decommissioning and site rehabilitation cost are from 2.50% to 7.49% in 2010 to 5.79% to 8.77% in 2012.

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 in 2011.

In accordance with the provisions of IFRIC 1, the additions and adjustments were included in the consolidated statements of financial position for the years 2012 and 2011.

15. **Capital Stock**

The details of the Parent Company's capital stock as of December 31, 2012 and 2011 are as follows:

	Shares	Amount
Common stock - ₱1 par value		
Authorized	1,000,000,000	₱1,000,000,000
Issued and outstanding		
Balance at beginning and end of year	356,250,000	356,250,000

On November 28, 1983, the SEC approved the issuance and public offering of 55.00 billion common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

As of December 31, 2012, the Parent Company has 356.25 million common shares issued and outstanding which were owned by 663 shareholders.

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 Corporation (Dacon) advanced deposits on future stock 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 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.

Capital Stock
The Company's track record of capital stock are as follows:

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of year - end
Beginning	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common stock from capital restructuring	(1,625,852,920)			
Stock dividends	225,000,000	₱1/share	July 2, 2004	
December 31, 2010	296,875,000			632
Add: Stock rights offering	59,375,000	₱74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Deduct: Movement	−			24
December 31, 2012	356,250,000			663

16. **Retained Earnings**

Retained earnings amounting to ₱2.54 billion and ₱2.07 billion as of December 31, 2012 and 2011, respectively, include the accumulated equity in undistributed net earnings of 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, 2012 amounted to ₱6.16 billion.

Cash Dividends
On April 30, 2012, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 29, 2012. The said cash dividends were paid on June 25, 2012.

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.

Restrictions
On March 12, 2013, the Board ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Group's mine operation for the years 2013 to 2015.

17. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, 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, the parties are subject to common control or the party is an associate or a joint venture.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Affiliates are entities that are owned and controlled by DMCI-HI. These affiliates are effectively sister companies of the Group.

The significant transactions with related parties follow:

Parent Company

		Amount			Outstanding Balance	
Company	**Category**	**2012**	2011	2010	**2012**	2011
DMCI-HI	Guarantee fees	**₱–**	₱–	**₱0.30**	**₱–**	₱–

Continuing Indemnity Agreement dated September 3, 1998 with DMCI-HI and certain related parties whereby the Parent Company, 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 Parent Company 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 nil, nil, and ₱0.30 million in 2012, 2011 and 2010, respectively. These are included under "Finance costs" in the statements of comprehensive income (see Note 21).

Co-subsidiaries

		Amount			Outstanding Balance	
Company	**Category**	**2012**	2011	2010	**2012**	2011
Wire Rope Corporation	Materials and supplies	**(₱17.54)**	₱–	(₱10.40)	**(₱0.44)**	₱–
D.M. Consunji, Inc.	Outside services / rental expenses	**(214.44)**	(220.49)	(67.38)	**(110.38)**	(52.16)
	Advances to supplier/contractor	**826.34**	–	–	**843.61**	–
	Construction in Progress	**2,724.91**	172.34	–	**(512.15)**	(166.94)

a. Wire Rope Corporation of the Philippines had transactions with the Parent Company representing supply of cable wires. The related expenses are included in cost of sales under "Materials and supplies" in the parent company statements of comprehensive income (see Note 19). Outstanding balances of Wire Rope Corporation are fully paid as of 2012 and 2011. These are noninterest-bearing and are to be settled within one year.

b. D.M. Consunji, Inc. (DMCI) had transactions with the Group representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in the "Outside services" under cost of sales and in the "Operating expense" under the "General and administrative expenses" in the statements of comprehensive income.

   The Parent Company also engaged the service 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 are included in cost of sales "Outside services" in the statements of comprehensive income.

   DMCI was engaged by Parent Company and SLPGC in the construction of respective power plants. DMCI was also engaged by SCPC in the ongoing rehabilitation of its power plant. Billings of DMCI was charged to "Construction in progress" account. In 2012, advances to contractors amounting to ₱826.34 million is classified under "Other noncurrent assets" and retention payable amounting to ₱57.94 million is classified under "Other noncurrent liabilities" in the statements for financial position

   Retention payable represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

   Except, otherwise indicated, all outstanding balances to DMCI are included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

Entities under common control

		Amount			**Outstanding Balance**	
Company	**Category**	**2012**	2011	2010	**2012**	2011
				(In Millions)		
DMC Construction Equipment Resources, Inc.	Outside services, direct labor, and other expenses	**(₱55.63)**	(₱52.90)	(₱59.17)	**(₱1.03)**	(₱0.96)
	Hauling and shiploading costs	**(383.10)**	(498.42)	(507.86)	**(51.89)**	(52.61)
M&S Company, Inc.	Purchases	**(30.34)**	(52.83)	(48.07)	**(2.39)**	3.82
DMCI-PC/ DMCI-MC/ DMCI-MPC	Due to related parties	**(7.12)**	(129.08)	(121.29)	**72.73**	66.04
	Management fees	**(432.98)**	(497.40)	(216.46)	**(87.22)**	128.27
Dacon Corporation	Office and other expenses	**(0.17)**	(0.32)	–	**(0.49)**	(0.32)
DMC Urban Property Developers, Inc.	Office rentals	**(7.51)**	(6.49)	(6.97)	**(1.78)**	(5.07)
Royal Star Aviation, Inc.	Aircraft utilization cost	**(2.63)**	(2.75)	(0.73)	**(0.45)**	(0.47)
Asia Industries, Inc.	Rentals	**(0.38)**	(0.29)	(0.32)	**(0.30)**	–

a. DMC-Construction Equipment Resources, Inc. (DMC-CERI) had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and 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 are included in cost of sales under “Outside services” in the parent company statements of comprehensive income 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 for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under “Hauling and shiploading costs” in the statements of comprehensive income

Furthermore, DMC-CERI provides to the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under “Direct labor” in the statements of comprehensive income.

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by 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.

All outstanding balances of DMC-CERI are included in trade and other payables under “Trade-due to related parties” in the parent statements of financial position. These are noninterest-bearing and are to be settled within one year.

b. M&S Company, Inc. (M&S) supplies various supplies and materials to the Parent Company. Outstanding balance is included in trade and other payables in the parent company statements of financial position. These are noninterest-bearing and are to be settled within one year.

c. DMCI-PC, DMCI-MC, and DMCI Masbate Power Corporation (DMCI-MPC) assigned some of its employees through an agreement with the Parent Company to render services on the specific projects of the said affiliates. All outstanding balances of DMCI-PC, DMCI-MC and DMCI-MPC are included in trade and other payables under “Trade - due to related parties” in the statements of financial position.

   DMCI-PC was engaged by SCPC for management, operation and maintenance services. DMCI-PC charges SCPC management fees for the services rendered. The said Operations and Maintenance fees is accounted in the “Management fees” account under “Operating expenses”. The turnover and effective date of the agreement commenced on January 2011 up to ten years thereafter and maybe renewed for another ten years.

   The key management personnel of SCPC are employees of DMCI-PC. The necessary disclosures required by PAS 24, *Related Party Disclosures*, are included in DMCI-PC’s financial statements.

   Outstanding balances are included in trade and other payables under “Trade-due to related parties” in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

d. Dacon, the principal shareholder 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 are included in the “Office and other expenses” under operating expenses in the statements of comprehensive income (see Note 20). These are noninterest-bearing and are to be settled within one year.

e. DMC Urban Property Developers, Inc. 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 expenses are included in the "Outside services" under cost of sales in the parent company statements of comprehensive income (see Note 19). Outstanding balance of DMC-UPDI is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

f. Royal Star Aviation Inc. 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 are included in the "Production overhead" under cost of sales in the statements of comprehensive income (see Note 19). Outstanding balance of Royal Star Aviation, Inc. is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

g. Asia Industries Inc. had transactions with the Parent Company for the rental of parking space to which related expenses are included in the "Office and other expenses" under operating expenses in the statements of comprehensive income (see Note 20). Outstanding balance of Asia Industries, Inc. is included in trade and other payables under "Trade-due to related parties" in the statements of financial position. These are noninterest-bearing and are to be settled within one year.

Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2012 and 2011, there were no impairment losses recognized on related party receivables.

Compensation of key management personnel of the Group by benefit type follows:

	2012	2011	2010
Short-term employee benefits	**₱97,820,396**	₱93,866,643	₱101,960,815
Post employment benefits	**3,434,897**	2,346,104	2,738,299
	₱101,255,293	₱96,212,747	₱104,699,114

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 Group has a funded, noncontributory defined benefit plan covering substantially all of its employees. The date of the latest actuarial valuation is December 31, 2012.

As of December 31, 2012, 2011 and 2010, the assumptions used to determine pension benefits follow:

	2012	2011	2010
Discount rate	**4.69%**	6.75%	8.10%
Salary increase rate	**3.00%**	3.00%	3.00%
Expected rate of return on plan assets	**6.00%**	6.00%	6.00%

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

	2012	2011	2010
Current service cost	**₱7,778,179**	₱5,597,830	₱4,762,273
Interest cost on benefit obligation	**4,371,758**	4,405,686	4,405,532
Expected return on plan asset	**(3,434,506)**	(2,572,704)	(1,635,383)
Actuarial loss recognized	**82,309**	15,459	–
	₱8,797,740	₱7,446,271	₱7,532,422

The above pension expense is included under in operating expenses under "Personnel costs" in the consolidated statements of comprehensive income (see Note 20).

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

	2012	2011
Present value of defined benefit obligation	**₱100,699,245**	₱64,766,789
Fair value of plan assets	**64,151,789**	57,994,669
Excess of present value of defined benefit obligation over fair value of plan assets	**36,547,456**	6,772,120
Unrecognized actuarial loss	**30,700,330**	(7,793,627)
	₱5,847,126	(₱1,021,507)

Movements in the present value of defined benefit obligation follow:

	2012	2011
Balance at the beginning of year	**₱64,766,789**	₱54,391,181
Current service cost	**7,778,179**	5,597,830
Interest cost on benefit obligation	**4,371,758**	4,405,686
Actuarial loss	**27,217,416**	372,092
Benefits paid - from plan assets	**(1,505,790)**	–
Benefits paid - direct payments	**(1,929,107)**	–
Balance at end of year	**₱100,699,245**	₱64,766,789

Movements in the fair value of plan assets follow:

	2012	2011
Balance at beginning of the year	**₱57,994,669**	₱28,646,138
Contributions during the period	–	28,464,526
Expected return on plan assets	**3,434,506**	2,572,704
Actuarial gain (loss) from plan assets	**4,228,404**	(1,688,699)
Benefits paid	**(1,505,790)**	–
Balance at end of year	**₱64,151,789**	₱57,994,669
Actual return	**₱7,662,910**	₱884,005

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:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**₱100,699,245**	₱64,766,789	₱54,391,181	₱40,981,694	₱39,107,208
Fair value of plan assets	**64,151,789**	57,994,669	28,646,138	28,423,387	25,008,190
Deficit	**36,547,456**	6,772,120	25,745,043	12,558,307	14,099,018
Experience adjustments on plan liabilities	**(23,625,363)**	(2,339,743)	4,250,163	(5,651,794)	(12,320,619)
Experience adjustments on plan assets	**4,228,404**	(1,688,699)	921,368	(31,911,761)	1,545,486

Movements in the unrecognized actuarial loss follow:

	2012	2011
Balance at the beginning of year	**(₱7,793,627)**	(₱5,748,295)
Actuarial loss on defined benefit obligation	**(27,217,416)**	(372,092)
Actuarial gain (loss) on the fair value of plan assets	**4,228,404**	(1,688,699)
Actuarial loss recognized	**82,309**	15,459
	(₱30,700,330)	(₱7,793,627)

As of December 31, 2012 and 2011, the major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2012	2011
Investment in debt/equity securities	**97.08%**	96.25%
Deposits in banks	**1.32**	2.10
Miscellaneous receivables	**1.60**	1.65
	100.00%	100.00%

As of December 31, 2012 and 2011, the funds include investment in securities to its related parties. Details of the investment per type of security are as follows:

	2012		
	Carrying Value	**Fair Value**	**Unrealized Gains/ (Losses)**
		(In Thousands)	
Investments in debt securities	**₱57,236**	**₱63,491**	**₱6,255**
Investments in equity securities	**1,500**	**1,553**	**53**
	₱58,736	**₱65,044**	**₱6,308**

	2011		
	Carrying Value	Fair Value	Unrealized Gains/ (Losses)
		(In Thousands)	
Investments in debt securities	₱54,741	₱57,855	₱3,114
Investments in equity securities	1,500	1,575	75
	₱56,241	₱59,430	₱3,189

The Group gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Group amounting to ₱63.49 million and ₱57.86 as of December 31, 2012 and 2011, respectively. In 2012 and 2011, the gains arising from investments in debt and equity securities of the Company amounted to ₱0.90 million and nil, respectively.

19. **Cost of Sales**

Cost of coal sales consists of:

	2012	2011	2010
Fuel and lubricants	**₱2,715,886,709**	₱2,812,308,480	₱2,192,053,459
Materials and supplies (Note 17)	**2,632,369,703**	3,539,708,005	3,648,419,107
Depreciation and amortization	**1,730,576,658**	1,792,534,859	1,661,071,376
Outside services (Note 17)	**934,521,505**	583,512,807	1,392,956,840
Hauling and shiploading costs (Note 17)	**616,162,523**	859,891,741	605,250,315
Production overhead (Note 17)	**436,230,044**	320,585,320	311,575,215
Direct labor	**415,887,259**	354,994,588	411,300,417
	₱9,481,634,401	₱10,263,535,800	₱10,222,626,729

Cost of power sales consists of:

	2012	2011	2010
Coal	**₱4,139,969,362**	₱3,720,772,855	₱2,956,897,728
Depreciation and amortization	**928,981,130**	776,589,421	794,013,317
Bunker	**238,254,696**	234,071,851	67,731,908
Spot purchases	**130,367,456**	1,500,978,204	1,773,351,388
Diesel	**115,632,253**	113,440,407	99,855,348
Lube	**25,721,138**	22,661,500	37,938,217
Market fees	**24,796,252**	22,015,982	24,022,888
Coal handling expense	**864,921**	2,107,676	13,596,690
Others	**4,838,133**	4,445,766	–
	₱5,609,425,341	₱6,397,083,662	₱5,767,407,484

In 2012, 2011 and 2010, SCPC purchased power from the spot market in the amount of ₱0.13 billion, ₱1.50 billion and ₱1.77 billion, respectively.

20. **Operating Expenses**

	2012	2011	2010
Government share (Note 26)	**₱1,557,950,322**	₱1,479,972,809	₱1,310,029,153
Management fees (Note 17)	**437,180,259**	500,743,201	216,458,717
Loss on property, plant and equipment writedown	**341,161,830**	–	–
Taxes and licenses	**237,515,006**	334,393,508	31,705,447
Repairs and maintenance	**148,671,287**	52,485,703	49,501,640
Personnel costs (Notes 17 and 18)	**133,733,998**	194,509,438	335,103,976
Provision for doubtful accounts	**59,360,961**	5,004,512	53,744,668
Insurance and bonds	**56,282,680**	61,394,404	57,083,139
Provision for impairment losses	**47,150,717**	–	–
Professional fees	**46,893,228**	29,987,831	65,796,354
Depreciation	**44,910,889**	38,230,893	28,629,004
Entertainment, amusement and recreation	**35,484,183**	16,542,752	18,855,526
Transportation and travel	**15,885,235**	34,221,417	33,561,854
Office expenses and others (Note 17)	**236,706,310**	109,687,646	137,471,519
	₱3,398,886,905	₱2,857,174,114	₱2,721,234,918

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

21. **Finance Costs**

	2012	2011	2010
Interest on:			
Long-term debt	**₱434,421,267**	₱428,635,398	₱652,152,869
Amortization of debt issuance cost	**27,123,187**	22,415,490	5,199,543
Short-term loans	**30,135,631**	30,478,806	10,314,050
Accretion of ARO	**9,599,948**	1,758,087	774,354
	₱501,280,033	₱483,287,781	₱668,440,816

22. **Finance Income**

	2012	2011	2010
Interest on:			
Cash in banks	**₱31,826,130**	₱20,485,464	₱25,628,932
Cash equivalents and temporary investments	**49,090,080**	108,389,881	15,668,969
Accretion on security deposits	**–**	168,856	12,787,515
Others	**1,228,108**	5,832,479	3,582,348
	₱82,144,318	₱134,876,680	₱57,667,764

23. **Other Income**

	2012	2011	2010
Gain on sale of equipment	**₱127,491,090**	₱53,547,507	₱6,088,124
Recoveries from insurance claims	**41,545,855**	35,179,622	5,069,284
Reversal of allowance for doubtful accounts	**9,552,129**	7,892,343	5,677,104
Gain on sale of investments	**–**	–	41,378,255
Miscellaneous	**139,859,194**	3,285,825	7,214,245
	₱318,448,268	₱99,905,297	₱65,427,012

Miscellaneous income includes revenue derived from sale of fly ashes, by-product of coal combustion.

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 statements of comprehensive income.

24. Income Tax

The provision for income tax consists of:

	2012	2011	2010
Current	**₱8,733,128**	₱1,749,744	₱736,760
Final	**15,412,170**	21,013,472	8,071,332
Deferred	**15,305,487**	(44,930,831)	(43,969,623)
Effective income tax rate	**₱39,450,785**	(₱22,167,615)	(₱35,161,531)

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

	2012	2011	2010
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.03**	0.16	0.25
Nondeductible interest expense	**0.08**	0.19	0.11
Unrecognized deferred tax assets	**0.56**	0.26	0.30
Interest income already subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.14)**	(0.29)	(0.11)
Unrecognized deferred tax liabilities	**(1.04)**		
Tax-exempt income	**(28.87)**	(30.68)	(31.14)
Equity in net losses (earnings)	–	–	(0.59)
Gain on divestment	–	–	(0.32)
Derecognized deferred tax assets	–	–	0.60
Effective income tax rate	**0.62%**	(0.37%)	(0.90%)

The components of deferred tax assets and liabilities as of December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets on:		
SCPC		
Amortization of loan discount	**₱–**	₱6,724,647
Unrealized foreign exchange loss	**–**	3,439,317
Provision for decommissioning and site rehabilitation	**1,518,675**	1,177,374
	1,518,675	11,341,338

(Forward)

	2012	2011
SLPGC		
Organizational costs	₱–	₱6,060,168
NOLCO	–	7,500
	–	6,067,668
SCI		
NOLCO	**19,363**	–
	₱1,538,038	₱–

Deferred tax liabilities on:		
Parent Company		
Incremental cost of property, plant and equipment	₱–	₱565,481
Net unrealized foreign exchange gains	–	–
Unamortized prepaid rent	–	–
	₱–	₱565,481

In 2012 and 2011, 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:

	2012	2011
Allowance for doubtful accounts (Note 5)	**₱118,700,123**	₱68,891,290
Provision for impairment loss (Note 10)	**87,525,053**	40,374,335
Allowance for inventory write down (Note 6)	**53,286,925**	53,286,925
Provision for decommissioning and site rehabilitation (Note 14)	**51,738,030**	39,788,796
Unrealized foreign exchange loss	–	26,475,064
NOLCO	**44,116,530**	30,000
Pension costs	**24,891,523**	25,156,349
Organizational costs	–	20,170
	₱380,258,184	₱254,022,929

The future taxable difference arising from unrealized foreign exchange gain amounted to ₱222,718,411.

Unrecognized NOLCO for 2012 and 2011 will expire on 2015 and 2014, respectively.

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 ₱1.47 billion, ₱1.35 billion and ₱1.37 billion in 2012, 2011 and 2010, 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. Other incentive s with no specific number of years of entitlement maybe enjoyed for a maximum period of ten (10) years from the start of commercial operation and/or 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 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 ₱2.56 billion and ₱1.87 billion in 2012 and 2011, respectively.

SLPGC
On June 21, 2012, the application for registration of the Company as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved.

25. Basic/Diluted Earnings Per Share

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

	2012	2011	2010
Net income	**₱6,358,281,885**	₱6,031,136,575	₱3,952,708,257
Divided by the weighted average number of common shares outstanding	**356,250,000**	356,250,000	326,684,867
Basic/diluted earnings per share	**₱17.85**	₱16.93	₱12.10

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these financial statements.

26. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year 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 ₱1.56 billion, ₱1.48 billion and ₱1.31 billion in 2012, 2011 and 2010, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 20). The liabilities, amounting to ₱1.01 billion and ₱0.91 billion as of December 31, 2012 and 2011 are included under the "Trade and other payables" account in the consolidated statements 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 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 performace 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 Group is contingently liable with respect to certain other lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37, Provision, Contingent Liabilities and Contingent Assets is not disclosed as it will prejudice the outcome of the lawsuits and claims.

28. Financial Risk Management Objectives and Policies

The Group has various financial assets such as 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, 2012 and 2011.

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 Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group 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 Group'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 Group 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 Group's profits.

To mitigate this risk, the Group 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 Group'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 Group's coal sales to the domestic market (excluding those to the power-generating companies) and to the export market:

	2012	2011
Domestic market	**35.07%**	41.14%
Export market	**44.17**	37.27
as a percentage of total coal sales volume		

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 Group as of December 31, 2012 and 2011 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

Based on ending coal inventory	**Effect on income before income tax**	
Change in coal price	**2012**	2011
Increase by 30%	**₱1,053,008,837**	₱915,762,074
Decrease by 30%	**(1,053,008,837)**	(915,762,074)

Based on coal sales volume	Effect on income before income tax	
Change in coal price	**2012**	2011
Increase by 30%	**₱4,335,046,600**	₱6,019,117,161
Decrease by 30%	**(4,335,046,600)**	(6,019,117,161)

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.

	2012						
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash equivalents	**1.80% to 4.62%**	**₱14,292**	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,292**
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**	–	–	–	–	–	–
$23.08 million loan (USD)	**1.32-1.95% p.a. payable semi-annually, to be repriced every 3 months**	**631,604**	**315,938**	–	–	–	**947,542**
$5.62 million loan (USD)	**1.80% p.a. for 92 days, to be repriced every 30 to 180 days**	–	**230,404**	–	–	–	**230,404**
$62.29 million loan (USD)	**1.16-1.61% p.a., to be repriced every 3 months**	**1,996,833**	**560,028**	–	–	–	**2,556,861**
$25.34 million loan (USD)	**1.03%-1.10% payable in 3-4 months, principal to be paid at maturity**	**1,040,276**	–	–	–	–	**1,040,276**
Mortgage payable at floating rate	**PDST-F benchmark yield for three-month treasury securities + 1.00%**	–	–	**20,229**	**81,118**	**446,147**	**547,494**
	PDST-F benchmark yield for 3-month treasury securities +1.75%	**1,514,248**	**1,519,639**	**1,525,049**	**1,530,478**	**767,281**	**6,856,695**
		₱5,182,961	**₱2,626,009**	**₱1,545,278**	**₱1,611,596**	**₱1,213,428**	**₱12,179,272**

		2011					
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(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, 2012 and 2011, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Profit Before Tax			
Basis points (in hundred thousands)	**2012**		2011	
+100	**(₱121,793)**	**(₱1,163)**	(₱124,681)	(US$2,844)
-100	**121,793**	**1,163**	124,681	2,844

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, 2012 and 2011 based on undiscounted contractual payments.

	2012					
	Less than 6 months	**6-12months**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Assets						
Cash in bank and cash equivalents	**₱520,353,153**	**₱–**	**₱–**	**₱–**	**₱–**	**₱520,353,153**
Receivables:						
Trade:						
Electricity sales	**1,958,879,846**	**298,967,639**	–	–	–	**2,257,847,485**
Local coal sales	**304,352,920**	–	–	–	–	**304,352,920**
Export coal sales	**944,561,537**	–	–	–	–	**944,561,537**
Due from related parties	**72,730,273**	–	–	–	–	**72,730,273**
Others*	**111,690,100**	–	–	–	–	**111,690,100**
Environmental guarantee fund	**1,500,000**	–	–	–	–	**1,500,000**
Investment in sinking fund	–	–	–	–	**508,041,189**	**508,041,189**
	3,914,067,829	**298,967,639**	–	–	**508,041,189**	**4,721,076,657**
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	**4,411,883,553**	–	–	–	–	**4,411,883,553**
Due to related parties	**715,151,106**	–	–	–	–	**715,151,106**
Accrued expenses and other payables**	**140,908,039**	–	–	–	–	**140,908,039**
Short-term loans	**175,646,271**	–	–	–	–	**175,646,271**
Long-term debt at floating rate						
$3.20 million loan (USD) with interest payable in arrears	–	–	–	–	–	–
$23.08 million loan (USD) with interest payable in arrears	**631,603,880**	–	**315,938,087**	–	–	**947,541,967**
$5.62 million loan (USD) with interest payable in arrears	–	–	**230,404,414**	–	–	**230,404,414**
$62.29 million loan (USD) with interest payable in arrears	**1,996,832,617**	–	**560,028,093**	–	–	**2,556,860,710**
$25.34 million loan (USD) with interest payable in arrears	**625,073,340**	**415,203,122**	–	–	–	**1,040,276,462**
PDST-F benchmark yield for three-month treasury securities + 1.00%	–	–	–	**20,229,040**	**527,265,121**	**547,494,161**
PDST-F benchmark yield for three-month treasury securities + 1.75%	**758,866,928**	**755,381,489**	**1,519,639,144**	**1,525,049,062**	**2,297,759,339**	**6,856,695,962**
	9,455,965,734	**1,170,584,611**	**2,626,009,738**	**1,545,278,102**	**2,825,024,460**	**17,622,862,645**
	(₱5,541,897,905)	**(₱871,616,972)**	**(₱2,626,009,738)**	**(₱1,545,278,102)**	**(₱2,316,983,271)**	**(₱13,409,827,177)**

**excludes advances for liquidation*
***excludes statutory liabilities*

	2011					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
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
Investment in sinking fund					490,789,157	490,789,157
	7,080,049,764	1,122,772,294	–	–	492,289,157	8,695,111,215
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)	(₱3,464,845,511)	(₱10,465,208,365)

**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 2012 and 2011, respectively, were denominated in US$ whereas approximately 24.65% and 20.38% of debts as of December 31, 2012 and 2011, 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, 2012			December 31, 2011	
	Yen	**U.S. Dollar**	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	**¥–**	**$129,885**	**₱5,331,773**	$27,878,828	₱1,222,207,823
Trade receivables	**–**	**23,010,025**	**944,561,537**	2,472,940	108,413,708
Liabilities					
Trade payables	**44,264,786**	**7,745,053**	**339,123,980**	(1,023,013)	(44,848,885)
Short-term loans	**–**			(23,054,106)	(1,010,692,002)
Long-term debt (including current portion)	**–**	**116,323,594**	**4,775,083,553**	(93,436,089)	(4,096,238,127)
Net foreign currency denominated liabilities	**(¥44,264,786)**	**(100,928,737)**	**(4,164,314,223)**	($87,161,440)	(₱3,821,157,483)

The spot exchange rates used were ₱41.05 to $1 and ₱0.48 to ¥1 in 2012 and ₱43.84 to $1 in 2011, respectively.

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, 2012 and 2011.

Reasonably possible change in the Philippine peso-US dollar exchange rate	**Increase (decrease) in profit before tax**	
	2012	2011
₱2	**(₱187,146,034)**	(₱174,322,880)
(₱2)	**187,146,034**	174,322,880

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 ₱391.00 million net foreign exchange gain and ₱38.32 million net foreign exchange loss for the years ended December 31, 2012 and 2011, 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 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. The Company's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, security deposits and environmental guarantee fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2012	2011
Trade receivables:		
Electricity sales	**61.37%**	62.48%
Local sales	**8.50**	30.61
Due from related parties	**2.03**	6.41
Others	**28.10**	0.50
	100.00%	100.00%

As of December 31, 2012 and 2011, the credit quality per class of financial assets is as follows:

	2012				
	Neither Past Due nor Impaired		**Substandard**	**Past due or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash and cash equivalents	**₱520,353,153**	**₱–**	**₱–**	**₱–**	**₱520,353,153**
Receivables:					
Trade:					
Electricity sales	**1,156,945,465**	**988,017,257**	**–**	**112,884,763**	**2,257,847,485**
Local coal sales	**132,618,106**	**–**	**–**	**171,734,814**	**304,352,920**
Export coal sales	**620,710,340**	**323,851,197**	**–**	**–**	**944,561,537**
Due from related parties		**72,730,273**	**–**	**–**	**72,730,273**
Others	**92,997,785**	**–**	**–**	**28,053,837**	**121,051,622**
Environmental guarantee fund	**1,500,000**	**–**	**–**	**–**	**1,500,000**
Investment in sinking fund	**508,041,189**				**508,041,189**
Total	**₱3,033,166,038**	**₱1,384,598,727**	**₱–**	**₱312,673,414**	**₱4,730,438,179**

	2011				
	Neither Past Due nor Impaired		Substandard	Past due or Individually	
	Grade A	Grade B	Grade	Impaired	Total
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
Investment in sinking fund	490,789,157				490,789,157
Total	₱8,199,363,977	₱472,147,983	₱–	₱88,373,341	₱8,759,885,301

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 credit rating 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 show 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 Group.

As of December 31, 2012 and 2011, the aging analysis of the Group's receivables presented per class is as follows:

	2012			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade:				
Electricity sales	**₱–**	**₱–**	**₱112,884,763**	**₱112,884,763**
Local coal sales	**133,576,041**	**38,158,773**	**–**	**171,734,814**
Export coal sales	**–**	**–**	**–**	**–**
Others	**2,470,667**	**19,767,811**	**5,815,359**	**28,053,837**
Total	**₱136,046,708**	**₱57,926,584**	**₱118,700,122**	**₱312,673,414**

	2011			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
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

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.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2012 and 2011.

	2012	2011
Interest-bearing loans	**₱12,179,273,676**	₱12,461,810,894
Total equity	**16,891,821,642**	14,808,539,757
Debt-to-Equity ratio	**72%**	84.15%
EPS	**₱17.85**	₱16.93

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratio in 2012 and 2011. The Debt-to-Equity 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, 2012 and 2011:

	2012	2011
Total paid-up capital	**₱7,031,777,411**	₱7,031,777,411
Retained earnings - unappropriated	**9,160,044,231**	7,076,762,346
Retained earnings - appropriated	**700,000,000**	700,000,000
	₱16,891,821,642	₱14,808,539,757

29. **Fair Values**

Fair Value Information
Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short term loans carrying amounts approximate fair value due to the relatively 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. mothly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2012 and 2011, interest rate ranges from 1.03% to 4.00% 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, 2012 and 2011, 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 Group 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.

LLA
As discussed in Notes 8, 27 and 33, SCPC entered into a LLA 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 Group 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:

	2012	2011	2010
Transfers from inventory	**₱223,519,372**	₱1,607,455,720	₱529,047,775
Adjustments to provision for decommissioning and site rehabilitation	**5,265,923**	–	–
Payable to suppliers and contractors	**275,903,977**	226,731,248	
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)	**–**	–	759,899,010

As of December 31, 2012 and 2011, total cost incurred in the rehabilitation of the power plant and other facilities under construction amounted to ₱0.22 billion and ₱1.61 billion, 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;
- The power generation segment involved in generation of energy available for sale thru electricity markets and trading; and
- The other segments include acquisition and maintenance of an economic zone and manufacturing of stone wares and bricks.

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.

	2012 (In thousands)				
	Mining	**Power**	**Others**	**Adjustments and Eliminations**	**Consolidated**
Revenue					
Sales to external customers	**₱14,897,274**	**₱9,700,092**	**₱–**	**₱–**	**₱24,597,366**
Inter-segment sales	**2,729,356**	**–**	**–**	**(2,729,356)**	**–**
	17,626,630	**9,700,092**	**–**	**(2,729,356)**	**24,597,366**
Cost of sales	**(11,994,991)**	**(5,553,685)**	**–**	**2,792,089**	**(14,756,587)**
Depreciation	**(334,473)**	**–**	**–**	**–**	**(334,473)**
Gross profit	**5,297,166**	**4,146,407**	**–**	**62,733**	**9,506,306**
Operating expenses	**(2,000,917)**	**(1,399,829)**	**(102)**	**1,961**	**(3,398,887)**
Operating profit	**3,296,249**	**2,746,578**	**(102)**	**64,694**	**6,107,419**
Other income	**1,687,185**	**131,264**	**–**	**(1,500,000)**	**318,449**
Finance income	**13,115**	**68,948**	**82**	**–**	**82,145**
Foreign exchange gain	**387,832**	**3,168**	**–**	**–**	**391,000**
Finance costs	**(122,607)**	**(378,673)**	**–**	**–**	**(501,280)**
Provision for income tax	**(1,287)**	**(28,003)**	**3**	**(10,164)**	**(39,451)**
Net income	**₱5,260,487**	**₱2,543,282**	**(₱17)**	**(₱1,445,470)**	**₱6,358,282**
Operating assets	**₱12,196,117**	**₱24,348,495**	**₱5,085**	**(₱873,134)**	**₱35,676,563**
Deferred tax assets	**–**	**1,519**	**19**	**–**	**1,538**
Investments and advances	**–**	**508,041**	**–**	**–**	**508,041**
	₱12,196,117	**₱24,858,055**	**₱5,085**	**(₱873,134)**	**₱36,186,142**
Operating liabilities	**₱5,012,467**	**₱2,909,635**	**₱152**	**(₱807,230)**	**₱7,115,024**
Long-term debt	**4,775,084**	**7,404,190**	**–**	**–**	**12,179,274**
Deferred tax liability			**–**	**–**	**–**
	₱9,787,551	**₱10,313,825**	**₱152**	**(₱807,230)**	**₱19,294,298**
Cash flows arising from:					
Operating activities	**₱3,204,429**	**₱3,731,637**	**₱65**	**₱7,223**	**6,943,354**
Investing activities	**(2,685,167)**	**(4,567,013)**	**–**	**949,411**	**(6,302,769)**
Financing activities	**(₱3,798,041)**	**(₱296,185)**	**₱2,500**	**(₱956,635)**	**(₱5,048,361)**
Other disclosures					
Capital expenditures	**₱1,845,625**	**₱517,892**	**₱2,791,688**	**₱–**	**₱–**

	2011 (In thousands)				
	Mining	Power	Others	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 sales	(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)	(1,019,222)	(50)	–	(2,857,174)
Operating profit	4,218,916	2,195,399	(50)	(118,474)	6,295,791
Other income	1,299,905	–	–	(1,200,000)	99,905
Finance income	79,448	55,429	–	–	134,877

(Forward)

	2011 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Operating assets	₱22,193,762	22,660,459	₱2,500	(₱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	₱2,500	(₱9,736,701)	₱35,628,219
Operating liabilities	₱5,316,671	₱3,826,400	₱50	(₱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
Cash flow arising from:					
Operating activities	₱4,762,685	₱1,918,600	₱–	(₱37,831)	₱6,643,455
Investing activities	(1,702,250)	(465,796)		(389,469)	(2,557,515)
Financing activities	(₱2,125,406)	(₱1,206,029)	₱2,500	₱427,299	(₱2,901,636)
Other disclosures					
Capital expenditures	₱2,130,050	₱324,326	₱–	₱–	₱2,454,376

	2010 (In thousands)				
	Mining	Power	Other	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	8,645,604	–	(2,514,052)	22,974,674
Cost of sales	(11,060,316)	(4,975,609)	–	45,891	(15,990,034)
Depreciation	(1,672,139)	(794,128)	–	2,466,267	0
Gross profit	4,110,667	2,875,867	–	(1,894)	6,984,640
Operating expenses	(1,739,144)	(982,091)	–		(2,721,235)
Operating profit	2,371,523	1,893,776	–	(1,894)	4,263,405
Other income	65,427.01	–	–	–	65,427
Finance income	30,021	27,647	–	–	57,668
Foreign exchange gain	235,801	(36,313)	–	–	199,488
Finance costs	(177,807)	(490,634)	–	–	(668,441)
Provision for income tax	4,691	30,471	–	–	35,162
Net income	₱2,529,656	₱1,424,946	₱–	₱–	₱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
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
Cash flows arising from:					
Operating activities	₱5,684,235	₱995,583	₱–	₱45,199	₱6,725,016
Investing activities	(3,405,529)	(10,338,626)	–	798,215	(12,945,939)
Financing activities	₱67,573	₱10,330,006	₱–	(₱847,174)	₱9,550,405
Other disclosures					
Capital expenditures	₱3,291,597	₱16,152	₱–	₱–	₱3,307,749

1. Inter-segment revenues, other income, cost and expenses are eliminated in the consolidation.
2. Cost of sales does not include depreciation and amortization expense charged during production.
3. Segment assets exclude deferred tax assets amounting to ₱1.54 million, ₱17.41 million and nil in 2012, 2011 and 2010, respectively.
4. Segment liabilities exclude deferred tax liabilities amounting to nil, ₱0.57 million and ₱28.09 million in 2012, 2011 and 2010, respectively. Long term bank loans are no longer included as these are managed on a group basis.

5. Capital expenditures consist of additions of property, plant and equipment including assets from the acquisition of business.
6. Power sales made to a significant customer amounted to ₱6.14 billion, ₱5.18 billion, and ₱4.57 billion in 2012, 2011 and 2010, respectively.
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, 2012, 2011 and 2010 reviewed by the management follows:

	2012	2011	2010
Revenue:			
Local coal sales	**₱7,440,134,295**	₱9,041,167,716	₱5,315,636,853
Export coal sales	**7,010,021,039**	7,160,712,695	8,926,587,776
	₱14,450,155,334	₱16,201,880,411	₱14,242,224,629

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.

Coal sales to SCPC amounted to ₱3.18 billion, ₱3.86 billion and ₱2.51 billion for the years ended December 31, 2012, 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 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 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:

a. ₱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

b. ₱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 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, 2012.

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, 2012.

e. 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 Manila Electric Company (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. 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.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which is still pending with ERC.

As of December 31, 2012, decision of ERC regarding the case is still pending resolution.

f. Power Supply Agreement with MERALCO
On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on 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.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 201-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving with modification of the ERC Case No. 201-037 RC.

Subsequently, on February 13, 2013, ERC amends the previously approved resolution, due to the approved rates included two (2) Variable O&M Fee components and was changed accordingly into one Variable O&M fee.

On February 25, 2013, SCPC filed its Formal Offer for Exhibits- Motion for Partial Reconsideration which is still pending with ERC as of the opinion date.

35. **Events after Reporting Period**

Panian Mine Pit Rockslide Incident

On February 13, 2013, a section of Panian pit west wall, where the Parent Company's coal production is presently concentrated, gave way. The Parent Company has temporarily stopped its mining activities in said area immediately after the incident. Despite the temporary halt in its mining operations at the Panian site, the Parent Company continues to service its supply contracts to its customers using its coal stockpile. Review of the Parent Company's mine safety plan is on-going, with the assistance of a third party consultant to avoid similar case in the future.

On March 4, 2013, after review of the mine work program for the North Panian area and the additional safety and operational measures incorporated in the preparatory activities by the Parent Company, the Department of Energy (DOE) granted the Parent Company's request to proceed with the preparatory activities for the North area, the next coal mine area after the Western side of the Panian mine, consistent with the original mine plan. Preparatory activities in this area actually started on February 1, 2013 but were suspended after the incident. The DOE will review the safety and operational measures being implemented by the Parent Company before actual coal mining activities commence.

The permit to start preparatory activities granted by DOE for the North Panian area is without prejudice to possible sanctions that may be imposed depending on the results of the ongoing investigation on the west wall rockslide incident.

36. **Approval of Financial Statements**

The consolidated financial statements of Semirara Mining Corporation and its subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were endorsed for approval by the Audit Committee on March 5, 2013 and were authorized for issue by the Executive Committee of the BOD on March 12, 2013.