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

(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   P A S O N G   T A M O   E X T E N S I O N

M A K A T I   C I T Y

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

Atty. John R. Sadullo

(Contact Person)

888-3622

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - A

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

Corporate Finance Dept.

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

SEMIRARA MINING CORPORATION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2008**

2. SEC Identification No.: **91447** 3. BIR Tax ID No.: **000-190-324-000**

4. Exact Name of issuer as specified in its charter: **Semirara Mining Corporation**

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation or organization

6. ______________ (SEC Use Only)
   Industry Classification Code:

7. **2nd Floor, DMCI Plaza Bldg., 2281 Don Chino Roces Avenue, Makati City 1200**
   Address of principal office Postal Code

8. **(02) 888-3555 / (02) 888-3955 (Fax)**
   Issuer's telephone number, including area code

9. ……………………………………………………………………………………
   Former name, Address and fiscal year, if changed since last report

10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of Debt Outstanding
Common	**277,572,800**

11. Are any or all of these securities listed on a Stock Exchange

    Yes (✓) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule17 thereunder or Sec. 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes (✓) No ( )

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ( ) No (✓)

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

Name	No. Of Shares Held	% of Total	Aggregate Market Value
PCD Nominee Corp. (NF)	87,658,033	31.58%	P2,585,911,973.50
Others	33,207,982	11.96%	979,635,469.00
TOTAL	120,866,015	43.54%	P3,565,474,442.50[1]

[1] Computed on the basis of closing price at P29.50.00/share as of December 24, 2008 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING CORPORATION
SEC FORM 17-A

TABLE OF CONTENTS

NON-FINANCIAL DISCLOSURE REQUIREMENTS

PART I- BUSINESS AND GENERAL INFORMATION

A. Description of Business

(1) Business Development

(a) Form and year of organization
The Company was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island.

(b) Any bankruptcy, receivership or similar proceedings.
None.

(c) Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.
None.

(2) Business of Issuer

(a) Description of Registrant

(i) Principal product or services and their markets;
The Company generates 98% of its revenues through the production of sub-bituminous coal and 2% from coal handling services at NAPOCOR's Calaca Power Plants. In 2006, the power generation sector accounted for 72% of the Company's total sales while the cement and other manufacturers contributed 28%.

(ii) Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years;
Not applicable as we are purely dealing with local sales.

(iii) Distribution methods of the products or services;
Marketing policy is to sell directly to ultimate consumers. This is done either on FOB Semirara basis or delivered plant site basis.

(iv) Status of any publicly-announced new product or services;
Not applicable.

(v) Competition.
Competition is insignificant in so far as domestic coal mine is concerned. The company 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 Company 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.

(vi) Sources and availability of raw materials and the name of Principal suppliers; any major existing supply contracts;

The Company has a Coal Operating Contract with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to PD 972. Semirara Island has an estimated coal reserve of 150 million metric tons representing 50% of the country's known coal reserve.

Currently, Semirara Mining Corporation has a long term Supply Contract with National Power Corporation (NPC) for its power plants in Calaca. Potential requirement of the Calaca plants is approximately 1.5 to 2.0 Million MTs. 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 the Sual and Pagbilao plants 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.

(vii) Dependence upon a single customer.

Historically, approximately 98% of the Company's revenue streams are from the NPC Calaca Plants. NPC's consumption of Semirara Coal has steadily increased since the Company worked on improving the quality of its coal. Note that the Company 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% to 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% to 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.

(viii)Transactions with and/or dependence on related parties:
National Power Corporation is the company's principal consumer of Semirara's coal.

(ix) Patents, trademarks, copyrights, licenses, franchises, Concessions and royalty agreements held
Under its Coal Operating Contract, the Company is obligated to pay royalties to the Department of Energy (DOE) – 3% royalty based on FOB sales and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners– P0.50/MT for untitled land and P1.00/MT for titled land.

(x) Need for any government approval of principal products or services.
The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012; b) Mineral Exploration Permit 99-001-VI issued by the DENR renewable every 2 years; c) Environmental Compliance Certificate (ECC) No. 9805-009-302 issued by the DENR effective for the duration of the projected) d) Business Permit issued by Caluya, Antique for 2008; e) Aerodrome Rating Certificate No. 218 issued by the ATO- yearly renewable by site; f) Certificate of Registration of Port Facilities No. 149; Special Land Use Permit No. 03-207 issued by the DENR.

(xi) Effect of existing or probable governmental regulations on the business;
Tariff reduction on coal affects the price of coal.

(xii) Estimate of amount spent on research and development Activities (2 fiscal years)
None.

(xiii) Costs and effects of compliance with environmental laws;
The Corporation has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated fresh water sanctuary. The Company has spent P23.6 Million for these activities from 2001-2006. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of P600,000, determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

(xiv) Total number of employees
The average number of personnel of the Company is 1,649 and 1,522 for the years 2008 and 2007, respectively, inclusive of employees based at the company's head office in Manila. Out of the 1,649 employees for 2008, 204 are employed by Semirara while the rest are employed by DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation.

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

B. Description of Property

(1) Property

The mine site in Semirara Island, Caluya, Antique, is a leased property from the government. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

	No. of Units
Building Offices	
Administration Building	1
Site Office	1
Auxiliary Building	1
Laboratory Building	1
Washing Plant Office	1
Power Plant Shed	1
Product Field Office	1
Service Base/Pit Shop Building	1
Briquetting Building	1
Classrooms for Barangay Semirara	12
Ice Plant	1
Genset Shed at Power Plant	1
Magazine Building	3
Pottery Building	1
Water Refilling Station	1
Classrooms for Divine Word College	6
Housing	
Bachelor's Quarters	6
Ladies Quarters	2
Quadruplex	17
Group Staff house	5
Individual Staff house	3
Laborer's Clusters	36
Food House	2
Molave Heights (Laborer's Unit)	267
Others	
Commissary Building	1
Wet Market	1
Hospital	1
Guardhouse	1
Site Hangar	3
Site Chapel with Convent	1
School Building	1
Smart Cell site	1
Multi-purpose Gym	2

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances except some mining equipments used as collateral for the Company's loans.

The company also invested in conventional and continuous mining equipments and other equipment worth P1.577 Billion and P1.095 Billion for years 2005 and 2006, respectively.

The company has no real estate properties. The only properties it has are those stated above. For further reference, please refer to Note No. 8 of the Notes to Financial Statements in audited report 2008.

(2) Mining and Oil Companies

The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the company indicates a considerate resource of limestone, silica and clay with potential commercial value.

C. Legal Proceedings

The following are the existing legal cases of the Corporation:

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.

   <u>The Caloocan Case</u>:
   On November 17, 2003, HGL filed a complaint against the DENR for specific performance and damages in Branch 121 of the 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 in the said case because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique. Said Motion for Intervention was granted. Subsequently, the Corporation filed a Motion to Dismiss on the ground of lack of cause of action/jurisdiction and forum shopping. This was denied by the court. A motion for reconsideration was filed by the Corporation. After its denial, the Corporation went to the Court of Appeals last November 28, 2005. It is the position of the Corporation that RTC-Caloocan has no jurisdiction over the case.

   On January 16, 2007, the CA promulgated its decision reversing the decision of the RTC Caloocan 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 decision canceling the FLGLA No. 184 of HGL has long been final and executory on account of its failure to properly take the proper remedy of appealing the DENR's decision of cancellation to the Office of the President and then to the CA. HGL filed its Motion for Reconsideration to adverse CA decision. HGL's Motion for Reconsideration was denied by the CA and accordingly dismissed the case.

HGL filed a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) before the Supreme Court (SC) appealing the decision of the CA. On November 14, 2007, the SC denied HGL's petition for failure to sufficiently show any reversible error in 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 filed its motion for reconsideration. On July 2, 2008, HGL's motion was denied by the Supreme Court with finality.

On the other hand, 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' motion for reconsideration was likewise denied on March 25, 2008. Said motion was denied with finality by the SC.

Citing as basis the dismissal of the RTC-Culasi of SMC vs. HGL 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. SMC accordingly file its MR.

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 the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation. HGL also prayed for 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 to the Complaint. It prayed for the outright dismissal of the case for being baseless and unfounded as the order canceling FLGLA No. 184 has 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 of Culasi granted the preliminary mandatory injunction in favor of HGL which order was sustained by the CA's, 19th Division. The Corporation went up to the SC by way of Certiorari, with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA and the RTC-Culasi. The SC in its Order dated March 2, 2005 issued and granted a TRO as prayed for by the Corporation against HGL. Said TRO is effective until further orders by the SC.

On December 06, 2006, the SC promulgated its decision denying 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 its Supplemental Motion for Reconsideration.

On February 14, 2007, the SC denied with finality the Corporation's Motion for Reconsideration and further denied with finality the Corporation's supplement to the aforesaid motion for reconsideration of 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 that in both cases, HGL's cause of action rests on the validity of its FLGLA. HGL filed its Motion for Reconsideration. On November 20, 2007, RTC-Culasi denied HGL's Motion for Reconsideration. 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. The Petition is directed against both the Corporation's responsible officers and the Presiding Judge who denied HGL's Motion for Reconsideration on November 20, 2007. In said Petition, HGL alleges, 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 due to simultaneous filing of another case (Caloocan case) involving the same issues. The Corporation has filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda.

2. **Tax Refund/Credit Case**. The Corporation filed various cases against the Commissioner of Internal Revenue before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales to National Power Corporation (NPC) in the total amount of P190,500,981.23.

3. **Business Tax Case**. On February 26, 2007, SMC filed a complaint (SMC vs. Municipality of Calaca, RTC, Br. 137, Makati City, Civil Case No. 07-180.) to seek the reversal and cancellation of the tax assessment by the Municipality of Calaca for unpaid business tax for the CY 2003, 2004 and 2005 in the amount of P66,685,189.00. The basis of the claim is that since coal is delivered to the port of Calaca and Corporation is doing business there as shown by the existence of an office, the situs of taxation is in Calaca. The Corporation maintains that it is not maintaining an office in the Municipality of Calaca, despite delivery to NPC-Calaca, the proper situs of taxation is not in Calaca but in its principal office. The case is pending Judicial Dispute Resolution (JDR) with the court.

4. **Real Property Tax Case**. On February 19, 2008, the Municipality of Caluya Antique filed a case against the Corporation (Municipality of Caluya, Antique vs. SMC (Civil Case No. C-051, RTC-Culasi, Branch 13) for enforcement of the compromise agreement against Corporation submitted to the RTC on November 17, 2003 involving the balance of P82,979,702.24 in real property taxes for lots located in Semirara Island. The Corporation maintains that the Motion for Execution has no legal basis and is premature due to a clause in the compromise agreement requiring that the parties first determine the correctness of the tax assessments which shall be subject to the verification of the parties. This has not been done. The case is now pending with the Court.

Except for the foregoing cases, the Corporation or its subsidiaries is not a party to any pending 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 Company is listed in the Philippine Stock Exchange. There has been no substantial trading since 1983 or 17 years. However in 2004, DMCI Holdings, Inc. 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 Company's authorized capital stock and the subscription of DMCI Holdings, Inc. of 19,120,581 additional shares in 2004.

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

(b) The Company's security was traded at the Philippine Stock Exchange (PSE) at a price of Php0.40/share on December 23, 2002. There was no trading of the Company'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
2008			
Jan-Mar	60.00	40.00	52.00
Apr-Jun	62.00	46.00	62.00
Jul-Sep	64.00	43.00	45.00
Oct-Dec	43.50	29.50	29.50
2007			
Jan-Mar	27.50	14.75	27.50
Apr-Jun	29.50	25.00	29.00
Jul-Sep	43.00	25.00	34.50
Oct-Dec	49.50	34.50	44.00
2006			
Jan-Mar	29.00	24.50	26.00
Apr-Jun	32.00	25.00	28.50
Jul-Sep	28.50	18.50	20.50
Oct-Dec	22.25	18.25	18.25

(2) Holders

As of December 31, 2008, Semirara Mining Corporation has the following issued shares:

Common shares - 296,875,000[2]

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	156,706,785	56.46
Common	PCD Nominee Corp. (NF)	87,658,033	31.58
Common	PCD Nominee Corp. (F)	15,702,117	05.66
Common	Others	17,505,865	06.31

[2] 19,302,200 are treasury shares as of December 31, 2008.

Names of Top Twenty (20) Stockholders as of December 31, 2008:

Name of Stockholders	No. of Shares	Percentage[3]
1. DMCI Holdings, Inc.	156,706,785	56.46
2. PCD Nominee Corp. (NF)	87,658,033	31.58
3. PCD Nominee Corp. (F)	15,702,117	05.66
4. National Development Corporation	11,364,658	04.09
5. Dacon Corporation	5,253,025	01.89
6. Privatization and Management Office	769,450	00.28
7. Jaime B. Garcia	40,030	00.01
8. Ching Bun Teng	15,000	00.01
9. Isagani S. Amatong	13,900	00.01
10. Raymond A. Yap	5,000	00.00
11. Marana, Miguel De Castro	3,430	00.00
12. Adrian Michael A. Amatong	2,700	00.00
13. Antoinette Marie Amatong	2,700	00.00
14. Marana Jr., Cenon Bienvenido	2,700	00.00
15. Anna Michelle A. Ranillo	2,700	00.00
16. Joseph S. Arica	2,000	00.00
17. Miguel DC Marana	1,200	00.00
18. Exequiel Garcia	1,020	00.00
19. Gregorio Madera	1,000	00.00
20. Rolando I. Pattugalan	760	00.00

(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 December 31, 2008:

Title Of Class	Names	No. Of Shares	% of Total
Common	DMCI Holdings, Inc.	156,706,785	56.46
Common	PCD Nominee Corp. (NF)	87,658,033	31.58
Common	PCD Nominee Corp. (F)	15,702,117	05.66

(ii) each director and nominee

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

[3] Based on Corporation's outstanding shares.

(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	No. Of Shares	% of Total
Common	David M. Consunji	10	00.00
Common	Isidro A. Consunji	10	00.00
Common	Victor A. Consunji	84,210	00.03
Common	Cesar A. Buenaventura	5,010	00.00
Common	Herbert M. Consunji	10	00.00
Common	Jorge A. Consunji	10	00.00
Common	George G. San Pedro	5,030	00.00
Common	Ma. Cristina C. Gotianun	99	00.00
Common	Ma. Edwina C. Laperal	101	00.00
Common	Victor C. Macalincag	190,010	00.07
Common	Federico E. Puno	10	00.00
Common	Jaime B. Garcia	40,030	00.01

(3) Dividends

On February 18, 2008, the Board of Directors declared cash dividend at Php4.00 per outstanding share payable on March 26, 2008 to stockholders as of record date, March 3, 2008. In 2007, the Board likewise declared cash dividend on March 26, 2007 at PhP1.20 per outstanding share payable on April 30, 2007 to stockholders as of record date, April 12, 2007.

(4) Recent Sales of Unregistered Securities

No unregistered securities were sold in 2008, 2007 and 2006.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2005-2008)*

<u>Full Years 2007-2008</u>

I. PRODUCTION AND OPERATIONS

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

Although weather conditions were not favorable, the upgraded capacity generated high Total Material movement of 38,318,623 bank cubic meters (bcm), posting a 20% increase over 2007 material movement of 32,054,236 bcm. Waste material to coal ratio or strip ratio also inched up at 9.55:1 from 7.82:1 since the augmented excavating capacities were used for pit stabilization activities to reinforce the slopes after the occurrence of minor slide in June 2008, caused by continuous heavy rains in the second quarter. As a result, more focus was directed on movement of waste materials over coal release. Correspondingly Run-of-Mine (ROM) coal production dropped slightly by 1% from 3,754,774 metric tons (MTs) in 2007 to 3,733,001 MTs this year. After washing, Net Total Product Coal also recorded a drop by 1% from 3,462,534 MTs last year to 3,436,879 MTs in the current year.

In-house exploration drilling at the eastern side of Panian Mine resulted to the discovery of coal deposit extension beyond the pit limit of the mine. The new discovery is designated as East Panian deposit, which stretches to about 1.5 km x .07 km, with 44 holes drilled. With the guidance of a Japanese consultant, data gathered from the drilled holes were analyzed to come up with an estimated resource. Coal resource based on current estimates from this site is 48 million MTs. Additional activities are programmed to determine mineable reserves in the area.

Rainy season at the island is unusually long this year. Moreover, the downpours were likewise extraordinarily heavy and started as early as second quarter of 2008, recording an average rainfall of 279 millimeters compared to same period last year's rainfall of 145 millimeters. Rainy season extended up to November in the current year. For the 8-month period starting April, the highest recorded rainfall was at 697 millimeters and lowest at 156 millimeters. Incessant heavy rains resulted to a partial caving in of a portion of the pit and disrupted coal production in the second half of the year. This event prompted the Company to declare a force majeure on 2 July 2008 which lasted until almost the end of the year. The force majeure was only lifted on 2 December 2008 when the rainy season finally ended.

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

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

On 13 May 2008, the granting of the Company's request filed before the Department of Energy for a fifteen (15)-year term extension of its Coal Operating Contract turned out as one of the highlights of operations this year. The Company's right to mine in the island is extended up to 14 July 2027.

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

II. MARKET

Growing demand from the local and export markets provided impetus for the Company to beef up capacity to seize the opportunity to further diversify and expand its market base. This is primarily driven by the sharp inflation of oil prices which motivated some industrial power plants to shift from bunker or diesel to coal for fuel. The arrival of new mining equipment at first allowed the Company to match demand. However, when rainy season kicked in earlier in the second quarter of the year, which consequently triggered the declaration of force majeure, the Company lost the opportunity to sell and ship out about 600,000 tons of contracted export volume. Notwithstanding, export sales grew by 24% at 992,749 MTs in 2008 from 798,806 MTs in 2007. Total exports claimed a 30% market share, posting an improvement over 2007 share in the pie of 22%.

Meanwhile, local sales dropped by 16% from 2,775,771 MTs in 2007 to 2,320,287 MTs this year. The slump mainly came from the 41% decline in sales to the National Power Corporation (NPC) at 799,190 MTs in the current year from 1,365,168 MTs last year as the Calaca plants in Batangas continued to experience technical problems. On the other hand, sales to other power plants recorded an 18% improvement at 590,254 MTs from 501,990 MTs in 2007. The increased off-take by Non-NPC power plants tempered the decline in total sales to the power industry at 26% from 1,867,158 MTs in 2007 to 1,389,444 MTs this year. Remarkably, this industry still accounted for the biggest market share at 42%.

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

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

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

III. FINANCE

A. Sales and Profitability

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

Spike in oil prices, coupled with depreciation of the peso from 2007 level, resulted to cost push inflation in 2008. As a consequence, per metric ton fuel and lube, materials and supplies, and ship loading costs registered a 74%, 89%, and 62% increase, respectively. Maintenance costs incurred for industrial facilities and campsite facilities also contributed to the increase in cost per metric ton since these are charged to production cost. These greatly contributed to the 44% increase in Cost of Coal Sold/MT at P2,095.71 this period from P1,453.04 last year. Applied to the volumes sold, Cost of Sales reflected a 34% increase at P6.94 billion from P5.19 billion in 2007. Non-Cash component dropped to 17% since most of the new equipment purchased were covered by operating leases, and are therefore not carried in the books of the Company as depreciable assets.

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

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

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

Net Income Before Tax increased by 8% at P1.03 billion from P960.77 million in 2007. On the other hand, Provision for Current Income Tax fell by 13% at P290.50 million from P333.67 million. After provision for Net Deferred Tax liability of P53.48 million, Net Current Tax provision is at P237.02 million. In September 2008, the Company successfully registered with the Board of Investments as expanding producer of coal, as included in the Investments Priorities Plan of 2007, and in accordance with the provisions of the Omnibus Investments Code of 1997. One of the incentives of a BOI-registered enterprise is an Income Tax Holiday (ITH) for the registered activity. In the case of the Company, registered activity is the expanded capacity with base figure of 2.71 million MTs. Sales volume beyond this base figure is entitled to an ITH for six years from date of registration.

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

B. Financial Condition, Solvency and Liquidity

In 2008, the Company launched a capacity expansion program to meet the demands from the newly developed export markets. Mining equipment amounting to P1.68 billion were ordered and paid using internally-generated cash. Most of the new arrivals were later subjected to sale and leaseback transactions, covered by operating leases. Due to timing difference, not all purchased assets during the year were covered by sale and leaseback arrangements as at the end of the year. Moreover, cash dividends declared and paid during the year amounted to P1.11 billion, 233% higher than dividends of P333.09 million paid last year. These translated to a 39% drop in Cash and Cash Equivalents which closed at P1.01 billion from P1.65 billion beginning balance.

Meanwhile, Net Receivables went up by 50% from P1.25 billion in 2007 to P1.88 billion this year. The increase was due to the 66% surge in Trade Receivables, which accounted for the bulk of the item at P1.77 billion in the current period from P1.07 billion in 2007. Coal shipments in the later part of the year comprised the bulk of trade receivables. Meanwhile, Non-Trade Related Receivables, which included the due from related parties and advances to suppliers dropped by 37%, closing at P124.97 million from P196.76 million beginning balance. This is mainly attributed to the decrease in receivables from related parties.

The improvement in weather conditions in December signaled the end of the force majeure situation. Operations took advantage of the good weather to ramp up production. As a result, Coal Inventory, which ran at low levels throughout the year, closed at a more normal level at 463,802 MTs as at the end of the year. This is 12% higher than beginning inventory of 413,747 MTs. The increase in volume, compounded by higher Cost of Coal Inventory, brought Ending Coal Inventory at P896.73 million, 57% higher than beginning balance of P570.81 million. On the other hand, Materials and Parts Inventory dropped by 45% from P881.86 million beginning balance to P486.49 million as at the end of the year due to higher utilization of materials and parts for operation and for the rehabilitation and maintenance program of industrial and campsite facilities which the company started to implement. As a result, Total Inventories maintained at almost the same level at P1.38 billion, from beginning balance of P1.45 billion because the decrease in parts and materials inventory was offset by the increase in coal inventory cost.

Other Current Assets recorded a 10% increase from beginning balance of P205.99 million to P226.11 billion. The increase is mainly due to the accounting of prepaid rent and insurance of equipment.

The resulting Net Current Assets slightly dropped, but stayed at almost the same level at P4.50 billion as at the end of the period from P4.56 billion beginning balance.

Non-Current Assets decreased by a more significant percentage at 20% from P2.00 billion as at the start of the year to P1.61 billion ending balance. This is mainly caused by the 42% slump in Property, Plant and Equipment which closed at P1.11 billion from P1.90 billion beginning level after booking depreciation cost of old mining equipment and other facilities. Although more mining equipment were purchased in 2008, most of these equipment were not carried in the books of the Company since these are covered by sale and leaseback arrangements with a local leasing company. On the other hand, Investments and Advances rose by 176% from P80.87 million spent in 2007 to P223.23 million ending balance. Additional investments were made to DMCI Mining Corporation (DMCI-MC) and DMCI Power Corporation (DMCI-PC) during the year. Total investments to these companies amounted to P225 million, P100 million to DMCI-MC representing 100 million common shares par value of P1.00, and P125 million to DMCI-PC representing 125 million common shares at par value of P1.00. As at the end of the period, the Company accounted for 50% share in equity losses of these start-up companies amounting to P1.77 million.

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

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

The 74% jump in Trade and Other Payables from P682.43 million to P1.19 billion, which included non-interest bearing liabilities to foreign suppliers for open account purchases of equipment and equipment parts and supplies that are normally settled on 30 to 60-day credit terms, largely explains the increase in Current Liabilities.

Meanwhile, Income Tax Payable increased by 45% at P58.06 million from P40.17 million as at the start of the period. Higher income generation translated to higher Taxable Income.

Customer's Deposits represent customer advances for coal deliveries. Delivery commitments to three customers accounted for the P8.87 million beginning balance. This amount was totally wiped off when deliveries were made during the year. Meanwhile, the closing balance of P1.21 million represented balance of new advances from another local customer.

Debt repayments during the year amounting to P2.13 billion brought down both Current and Long-Term portions to P389.23 million and P137.07 million, respectively, or a total of P526.30 million. This effectively decreased Total Long-Term debts by 53% from total beginning balance of P1.13 billion.

Other Non-current Liabilities accounts also showed significant movements. Deferred Tax Liability dropped by 80% from P67.60 beginning balance to P14.13 as at the end of the year. On the other hand, Provision for Decommissioning and Site Rehabilitation grew by 8% from P12.21 million to P13.20 million. Meanwhile, Pension Liability closed at P9.50 million, registering a 104% increase from P4.66 million at the start of the year.

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

Meanwhile, despite the 233% increase in total Cash Dividends paid out in 2008 amounting to P1.11 billion as against 2007 Cash Dividends of P333.09 million, Stockholders' Equity only registered a minimal drop of 7%, closing at P4.30 billion from beginning balance of P4.61 billion after accounting for Net Income generation of P796.4 million. Debt-to-Equity ratio continued to demonstrate the stability of the Company at a low level of 0.43:1, a minimal slide from 0.42:1 in 2007.

C. Performance Indicators

1. **Average Selling Price** – Now that the Company has a diverse market base, pricing for its coal is not anymore dictated by its dependence on a few customers. Since it started exporting, pricing mechanism became more dynamic and updated with the international prices for the commodity. This is an important milestone as the Company further seeks to develop its export capabilities. FOB price of Semirara coal for the year moved with the rising world prices towards the end of the period.
2. **Debt to Equity Ratio** – The aggressive expansion and investment strategies of the Company is carefully hinged on its financial capabilities as reflected in the strength of its balance sheet. The DE Ratio is maintained at a low level for a few years now, such that when a good opportunity presents itself, the Company can afford to further leverage. This clearly underscores its growth potential.
3. **Capital Expenditures** – The Company's high Capex in 2008 indicates an optimistic view of its future. The expansion and modernization program is in response to the growing demand for Semirara Coal, especially from the export markets. It is important that the Company can prove supply dependability to the newly penetrated markets to ensure long-term success in marketing the product. To achieve this, investments in new mining equipment were made during the year.
4. **Expanded Market** – In its second year of venturing to the global markets, the Company is still looking for opportunities to further strengthen its brand in the industry. In 2008, market share of export sales increased to 30% from 22% in 2007. Of the 922,749 MTs exported, 58% went to China, 36% to India, and 6% to Hong Kong.
5. **Improved Coal Quality** – The success of the Company's diligent efforts at quality improvement is clearly indicated in its successful attempt at market diversification. Taking an extra mile, the Company further endeavors to enhance the holistic development of its business, such that in 2007, works on having the Company ISO certified were started. Finally, in 2008, the Company obtained ISO certifications 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). Compliance to international standards as attested by these ISO

certifications will advance the Company's goal of lifting product standard and will consequently enable it to secure a niche in and gain respect from both the domestic and international coal markets.

Full Years 2006-2007

I. PRODUCTION

Market conditions shaped the pace of operations in 2007. Increased demand from domestic buyers and the breakthrough in the export market drove operations in the current year to maximize coal production. As a result, waste material to coal ratio or strip ratio has gone down to the standard level of 7.82:1 in 2007 from 14.13:1 in 2006.

The high strip ratio in 2006 resulted to advance overburden stripping exposing a million metric tons of coal thereby allowing increased coal production despite lower strip ratio in 2007. Consequently, Total Materials moved in 2007 is 17% lower at 32,054,237 bank cubic meters (bcm) than Total Materials movement in 2006 of 38,423,124 bcm. On the other hand, Run-of-mine (ROM) coal posted a 45% increase from 2,587,569 metric tons (MTs) in 2006 to a historical high of 3,754,774 MTs this year. Net of waste after washing, the resulting Total Product Coal (TPC) likewise recorded a historical high of 3,462,534 MTs in 2007, posting a growth of 53% from 2,269,959 MTs in the previous year.

Meanwhile, increased coal production necessitated a corresponding improvement in logistic support to maintain efficiency in product handling. The successful diversification to export markets required the upgrading of pier facilities to accommodate 50,000-tonne vessels. Currently, dredging activities at the pier are ongoing to enable these huge vessels to dock for safe berthing and to load coal faster using the conveyor and ship loader line. As a result, export vessels and smaller barges for local deliveries can now be loaded simultaneously, as the new barge loading facility with a rated capacity of 750 MTs/hr which was set up last year is now fully operational to load the smaller vessels.

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

As a consequence of a healthier market demand, current year ended with coal inventory lower by 30% at 423,934 MTs as compared to 2006 end inventory of 606,030.

The increasing coal demand also incited management to plan another expansion program to be able to serve its expanding markets. Towards the end of the current year, the Company negotiated to purchase two units 16 cubic meter excavators, 16 units 100-tonner dumptrucks, and other support mining equipment for delivery in 2008.

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

II. MARKET

Learning from the costly experience of dependence in local markets, management intensified its efforts to break through the barriers and penetrate the export markets. Demand for

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

On the local front, the shortage of coal in the region also augured well for the Company as more plants decided to try using Semirara coal. As a result, total local sales posted a 34% increase from 2006 sales volume of 2.076 million MTs to 2.776 million in the current year. With export sales amounting to 798.8 thousand MTs, total sales volume in 2007 registered at 3.575 million MTs, or 72% higher than 2006 volume.

Notably, despite recording a 5% growth over the previous year's volume of 1.3 million MTs, 2007 sales to the National Power Corporation (NPC) of 1.365 million MTs reflected a decrease in market share from 63% in 2006 to 38% this year. Added to improving volumes from other power plants, augmented by two new markets, namely Asia Pacific Energy Corp. and Steag State Power Energy, Inc., total sales to power plants reached a record high of 1.867 million MTs in 2007, which posted a 25% growth from the sales to this industry in 2006 of 1.496 million MTs.

Demand from the cement industry also recovered in 2007, with sales volume showing a 42% improvement at 754.9 thousand MTs from the previous year's sales of 531.3 thousand MTs.

Similarly, sales to industrial users also skyrocketed by 214% from last year's volume of 48.9 thousand MTs to 153.7 thousand MTs, as more small industrial plants were converting from bunker or diesel – fired to coal plants.

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

On the downside, the steep devaluation of the dollar, which is the currency used to trade coal in the international market, impacted negatively to the Composite Selling Price of Semirara coal. FOB price averaged at P1,784/MT in 2007, which is 19% less than 2006 selling price of 2,212/MT.

Looking forward, however, the continuous upsurge in global demand for coal spells well for Semirara coal, in terms of sales volume and prices. Currently, demand and coal prices are continuously inching upward.

III. FINANCE

A. Sales and Profitability

Robust market demand translated to higher Coal Revenues in the current year registering a historic level of P6.38 billion, and recording a 39% growth from 2006 Coal Revenues of P4.59 billion. Meanwhile, another P90.7 million was generated from coal handling activities at the Calaca coal yard this year, posting a slight 6% decrease from 2006 Coal Handling Revenues of P96.34 million. Reduced dependence on the NPC - Calaca plants also translated to decreased Coal Handling Revenues, which is a function of Coal deliveries to Calaca, to 1% from 2% share in the Revenue pie last year.

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

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

Operating Expenses showed a significant growth of 144% from P133.12 million in 2006 to P324.38 million in the current year. Although government share was maintained to the minimum of 3% of Coal Sales, because of higher Revenues, the absolute amount posted a 38% growth to P191.29 million from P138.27 million in 2006. Meanwhile, General and Administrative Expenses in 2006 recorded a negative figure as a result of the reversal of the Provision of Real Property Taxes amounting to P71.53 million, in accordance with Presidential Decree (PD) 972 exempting the Company from all taxes except income tax. Hence, this mainly contributed to the substantial difference in Operating Expenses between the two comparative periods. General and Administrative Expenses amounting to P133.09 million in the current period consisted of Salaries and Wages of Makati personnel (with noted increase due to formalization of top executive positions which are now properly charged to this account), Office Expenses, Professional Fees, Transportation and Travel Expenses, Representation Costs, and Taxes and Licenses. The cost of transportation and travel as well as representation and other expenses likewise posted an increase in relation to marketing and selling transactions.

On the other hand, Finance Cost recorded a 34% reduction due to lower interest rates applied to decreasing balance on interest-bearing loans which totaled to P1.69 billion as at the end of 2006 to P1.13 billion at yearend 2007. Finance Cost registered at P140.25 million this year compared to the P213.04 million incurred last year.

Meanwhile, Finance Revenue is 26% lower during the current year at P40.30 million from P54.53 million in 2006. This is explained by the lower beginning Cash balance this year used for investments. Cash only started to build up during the second half of the year when export sales stepped up and excess cash were placed in short-term investments

The continued depreciation of the US Dollar against the Peso afforded the Company to continue to book Foreign Exchange Gains amounting to P102.96 million in 2007 from P49.03: USD1 at beginning of the year to P41.28: USD1 at end of the year. This amount is 14% lower than Foreign Exchange Gains of P119.96 million earned in 2006 as dollar-denominated liabilities declined with the regular principal amortization.

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

The resulting Net Income Before Tax showed a modest growth of 6% from P910.47 million in 2006 to P960.77 million in the current period. Provision for Income Tax in the current year correspondingly increased by 6% at P327.97 million from P309.23 in 2006. Net Income After Tax also posted a slight increase of 5% from P601.24 million in 2006 to P633 million this year.

Earnings per Share is 6% higher at P2.28 in 2007 from P2.161 in the previous year.

B. Financial Condition, Solvency and Liquidity

The shipment of more export sales towards the end of the year significantly boosted yearend cash. Export deliveries were covered by sight Letters of Credits. Hence payment collections were done right after the shipment of coal, unlike for local deliveries wherein collection period ranges between 45 to 60 days. Moreover, the Company recouped its Temporary Investments made in 2006 amounting to P300 million in the current period. The resulting 2007 Cash end of P1.65 billion reflected a 223% increase from end 2006 Cash level of P510.44 million.

Meanwhile, net Receivables almost doubled to P1.12 billion from P566.88 million mainly as a consequence of the corresponding surge in Trade Receivables with the increased sales in 2007. Of the amount, 96% were Trade Receivables for both local and export sales. Sales Volume in December reached a historic high of 465,392 MTs, thus explaining the huge accounting of Receivables.

The increase in demand also resulted to decrease in Inventories in 2007. Cost of Coal Inventory went down by 44% from P1.02 billion as at yearend 2006 to P570.81 million at the close of the fiscal year 2007. On the other hand, Cost of Materials and Parts Inventory slightly rose by 7% from P823.38 in 2006 to P881.86 in the current year, apart from increase requirements for rehabilitation activities, importation in transit intended for projects as of end of the year recorded at P104 million. The reduced coal ending inventory contributed to the Total Inventories declined by 21% from P1.84 billion in 2006 to P1.45 billion this year.

Other Current Assets account is mainly comprised of the 5% Input Value Added Tax (VAT) withheld by NPC which amounted to P199.76 million as of end of the current year and P175.34 million last year. However, the Company is reclaiming the amount in accordance with its VAT-exempt status. On 7 March 2007, the Company obtained a ruling from the Bureau of Internal Revenue which reiterated that the sale of coal remains exempt from VAT. While the refund is being processed, this account temporarily boosted Other Current Assets to P187.98 million and P215.24 million in 2006 and 2007, respectively.

Total Current Assets aggregated to P4.43 billion as at the end of 2007, reflecting a 30% growth from 2006 yearend level of P3.41 billion.

On the other hand, Non-Current Assets dropped by 36% from P3.11 billion in 2006 to P1.99 billion in the current period. This is mainly caused by the decrease in net book value of Property, Plant and Equipment by 37% due to depreciation, with very minimal capital expenditures incurred during the year. As mentioned earlier, the Company employs an accelerated depreciation policy. Conversely, towards the end of 2007, the Company made P80.87 million advances for equity interest in power and nickel mining businesses. Meanwhile, Marginal Deposits on equipment and parts purchases amounting to P5.64 million booked in 2006 were wiped out with the arrival of these materials and subsequent reclassification to proper accounts.

The huge decline in Non-Current Assets offset the growth in Current Assets resulting to a slight 1% drop in Total Assets from P6.51 billion in 2006 to P6.42 billion as at the end of the current year.

Similarly, Total Liabilities plunged by a more significant percentage of 18% from P2.20 billion in the previous year to P1.81 billion in 2007. Current Liabilities recorded a minor dip of 1% when increase in Trade and Other Payables from P320.46 million in 2006 to P546.60 million this period due to booking of more Trade Payables on parts under consignment, booked payables to various project contractors and high provision for the last quarter government share offset the reduction of Current Portion of Long-Term Debt.

Non-Current Liabilities on the other hand, recorded a more hefty slump by 43% from P850.66 million last year to P482.05 in the current year. This is mainly attributed to the continuous amortization of loans, which consequently resulted to a decrease in Non-Current portion of Long-Term debt by 44% from P713.06 million to P397.58 million as at the end of 2007. The funding of Pension Liability which caused the reduction of the account from P52.67 million in 2006 to P4.66 million in the current year likewise contributed to the decrease in Non-Current Liabilities.

The improvement in Current Assets, augmented by the decrease in Current Liabilities, resulted to a remarkable increase in Current Ratio by 32% from 2.53:1 in 2006 to 3.34:1 in the current year.

Meanwhile, despite the declaration of Cash Dividends amounting to P333.09 million, similar to the amount of dividends declared in 2006, Stockholders' Equity further strengthened with the recognition of Net Income of P633 million in the current year. The positive bottom line boosted Retained Earnings by 10% from P2.97 billion in 2006 to P3.27 billion as at the end of 2007. Furthermore, Total Stockholders' Equity also posted an increase at P4.61 billion from P4.31 billion at yearend 2006, or a growth by 7%. As a consequence, the Company's Debt-to-Equity ratio further strengthened from 0.51:1 to 0.39:1, showing a 23% improvement.

C. **Performance Indicators**

1. **Average Selling Price** – This performance indicator demonstrates the effect of movement in global coal prices on the pricing of Semirara coal. However, this year, the Company set out to penetrate the export market. With the inherent quality limitations of its coal, there was no guarantee that the venture will be fruitful. Hence, in order to provide motivation to new export markets to at least try burning Semirara coal, the Company sold trial shipments at almost break even price. With the success of the diversification strategy however, the Company was able to parallel the upward movement of global coal prices toward the end of the year. On the local front however, the depreciation of the Peso against the US dollar put a dent on the Composite Average Selling Price per MT.
2. **Debt to Equity Ratio** – As an effective gauge of the Company's financial strength, the continuous improvement of this figure boosts the confidence of financial institutions to offer more aggressive financing packages and investors to put more money into the Company. A healthy solvency condition also afforded the Company to consider investment opportunities to further add to its value. Considering its core competencies, the Company is investing in a nickel mine. Also, as a forward

integration strategy, it is putting in money to the power industry to augment and guarantee market for Semirara coal.

3. **Capital Expenditures** – After the completion of the capacity expansion program in 2006, Capital Expenditures in 2007 were minimal. However, with the increasing demand from the local markets and new export demands, the Company is planning another capacity expansion activity. Towards the end of the year, orders for one 16-cubic meter excavator and 12 units 100-tonner dump trucks were placed for delivery during the first half of 2008.
4. **Expanded Market** - 2007 is an exciting year for the Company. From a slow market in 2006, the scenario has completely turned around in the current year. Regional demand for coal has suddenly skyrocketed, thus giving Semirara an opportunity to penetrate the international market. This is a huge milestone for the Company since the event finally ended its over-dependence on local markets. Breaching the export market opens a vast and totally new avenue for growth for the Company. The Company has finally elevated its business to a new and higher platform, and it is gearing up for new challenges.
5. **Improved Coal Quality** – The new market opportunities of the Company brings forth more challenges to improve the quality of its products to achieve sustainable growth. More importantly, the Company must manage the stability of the quality parameters of its deliveries in order to successfully establish a brand. It is then imperative for management to invest in more quality-enhancing processes to achieve this. Currently, it is finalizing the specifications of a new washing plant to address the ash issue of the product.

Full Years 2005-2006

I. PRODUCTION

The last fleet of equipment that completed the modernization and expansion program of Semirara Mining Corporation (SMC), which commenced in 2004 to address the growing demand for Semirara coal, arrived in the first half of the current year. Consequently, the completed expansion program has ramped up the capacity of the Company to move materials up to 40 million bank cubic meters (bcm), translating to an annual capacity of 4 million to 4.5 million run-of-mine (ROM) coal. The "economies of scale" at this level is expected to bring down cost of production that will make the company more competitive against imports, at the same time, bring up the company's level of business to the vast potentials of the export market in the region which management looks forward to initiate in 2007.

Consequently, 2006 registered the highest material movement in the history of the Company's operations at 38.42 million bcm, registering a 38% increase over the previous year's material movement of 27.88 million bcm. Coupled with the increased capacity, this growth was also spurred by the fact that coal demand was slower in 2006, such that mining activities were largely focused on material movement instead of coal extraction. Management opted to use available capacity removing material burden to fully utilize its production equipment but left stripped coal at the pit for future deliveries. Pre-stripped coal is estimated to amount to 1.3 million MTs with a market value of at least P2.3 billion as of yearend. This inventory is not recognized in the Company's balance sheet in accordance with the Generally Accepted Accounting Principles. The coal can be easily extracted at minimum cost in the succeeding year. As a result, waste material to coal ratio (or strip ratio) correspondingly demonstrated a significant increase of 76% at 14.13:1, compared to last year's ratio of 8.02:1. This translated to a lower ROM coal production of 2.59 million metric tons (MTs), 19% short compared to 2005 production of 3.19 million MTs. The resulting net total product coal was correspondingly lower at 2.27 million MTs, registering a 21% slump from 2005 net production of 2.89 million MTs. Coal stockpile inventory amounted to 606 thousand MTs with a book value of P1.02 billion as of yearend 2006.

Firming up on Quality Improvement, expansion of the coal washing plant was also achieved during the year, while drying facilities were installed to cater to the needs of the cement industry.

To further address Cost Reduction, it is worth mentioning that a second Crusher and Conveyor System was laid down to minimize the use of trucks for hauling material handling to reduce fuel cost which is the single biggest cost item. Installed capacity is now up to 30% of total material handling capacity. To run the systems efficiently, the company's 2 x 7.5 MW coal-fired power plants underwent rehabilitation.

II. MARKET

Demand for Semirara coal slumped in 2006. Competition from the natural gas-fired plants as well as entry of cheaper imports limited coal deliveries to power plants. For the year, coal sales volume registered at 2.076 million MTs, 16% lower than last year's 2.479 million MTs.

The Calaca Plants of the National Power Corporation (NPC) accounted for 62% of the total coal delivered, translating to 1.294 million MTs. This reflected a 6% increase over the previous year's NPC Calaca sales of 1.225 million MTs. NPC Calaca Plant Number 2 had limited operations in 2005 due to a series of technical problems encountered during the course of its maintenance shutdown. Meanwhile, sales to other NPC plants, like Sual and Pagbilao, significantly dropped from 207.14 thousand MTs in 2005 to 5.96 thousand MTs in the current year. Apart from import commitments, the Sual plants encountered problems in the second half of the year, resulting to plant shutdown. On the other hand, Pagbilao was awash with inventory as imported coal intended for Masinloc and Sual were diverted to Pagbilao. Sale to Non-NPC power plants likewise fell from 348.79 thousand MTs to 195.74 thousand MTs this year, thus greatly contributing to the considerable reduction of total consumption of power plants from 1.78 million in 2005 to 1.50 million in 2006.

The drop in the demand for cement likewise resulted to the decrease in the off-take of Semirara coal by cement plants to 531.29 thousand MTs in the current period, from 666.97 thousand MTs in the previous year. The cement market accounted for 26% of the total sales of the Company.

Nevertheless, despite the bleak picture of the power and cement markets, sales to industrial users of Semirara coal increased by 56% to 48.94 thousand MTs in the current period from 31.46 thousand MTs in the previous year. Although the total volume may not be impressive, it is worthy to note that towards the end of the year, the Company started to deliver to small industrial and manufacturing plants that were shifting to coal from more expensive fuels like bunker and diesel. This is a welcome development for the Company since it has been the thrust of management to reduce dependence on a few major customers and to penetrate more non-traditional users of Semirara coal.

Interestingly, during the current year, the Company received several inquiries on the feasibility of exporting coal to China. Towards the end of the period, the Company was finalizing a deal for a test shipment to South China.

Composite price for Semirara coal is almost at the same level as last year, registering a slight increase at P2,211.76/MT compared to the previous year's price of P2,204.67.

III. FINANCE

A. Sales and Profitability

The 16% drop in sales volume correspondingly registered a decrease in Coal Sales from P5.47 billion in 2005 to P4.59 billion in the current period. Meanwhile, with more volume delivered to Calaca this year, Coal Handling Revenues consequently rose by 11% to P96.34 million from P86.51 million last year. The resulting Gross Revenues is P4.69 billion, 16% lower than the previous year's Revenue level of P5.55 billion. Revenue distribution remained at 98% Coal Sales and 2% Coal Handling Revenues.

On the other hand, higher strip ratio resulted to a 12% rise in Cost of Sales from P3.31 billion, which includes Coal Handling Cost of P113.38 million, in 2005 to P3.71 billion this year, inclusive of Coal Handling Cost of P70.36 million. On a per metric ton basis, the impact of advanced stripping is significantly reflected in the 36% increase in Cost of Coal Sold at P1,754.82/MT in 2006 as against last year's reported figure of P1,287.39/MT. Cash costs in the current period comprised 68% of total cost/MT, while depreciation, depletion and amortization comprised 32%. The previous period's cost is composed of 61% cash costs and 39% non-cash costs. More depreciable equipment were acquired related to capacity expansion causing a rise in depreciation cost.

The resulting Gross Profit ratio is considerably lower at 21% this year as against 2005 profitability ratio of 40%. In absolute amounts, the current period's Gross Profit registered a 57% decrease from P2.25 billion in 2005 to P974.53 million this year.

Operating Expenses recorded a substantial reduction of 51% at P133.13 million as at yearend 2006, as compared to the previous period's figure of P271.64 million. Reduced Coal Sales brought down Government Share by 13% at P138.27 million in 2006 from P158.78 million in 2005. General and Administrative Expenses posted a reduction of 105%, largely as a result of the reversal of the Provision of Real Property Taxes amounting to P73.5 million, in accordance with Presidential Decree (PD) 972 exempting the Company from all taxes except income tax.

Meanwhile, the 80% increase in Financing Cost is attributed to the increased number and value of Letter of Credits opened for the purchase of various parts used for the maintenance program of machineries and equipment, construction of second line in-pit crushing and overburden conveying system, and rehabilitation of the power plants. Moreover, base rates for foreign-denominated loans, which comprised 49% of total loans, increased with the rise in 180-day LIBOR from 3.7650% in 2005 to 5.2963% in 2006, and 90-day SIBOR from 3.5619 % in 2005 to 5.2326% in 2006. Hence, the resulting Financing cost was recorded at P213.04 million in 2006, as against 2005 figure of P118.52 million. It should be noted however that there was a reversal in Accrued Interest Expenses on past due royalty payments for prior years in 2005 amounting to P86.7 million as settlement was reached with the Department of Energy.

Finance Revenue, which reflected interest income on savings accounts and short-term placements and investments, is lower by 1% from P55.11 million in 2005 to P54.53 million in the current year, despite the sizeable reduction in the cash level from P1.33 billion in 2005 to P510.44 million as at yearend 2006.

Meanwhile, the continued strengthening of the Philippine Peso as against the US dollar, which is the currency of all foreign-denominated loans, afforded the Company to recognize Foreign Exchange Gains of P119.96 million from its foreign loans, recording a 22% increase over the previous year's gains of P98.09 million. Of the amount, P34.29 million were Realized and P85.70 million is Unrealized.

Collection of insurance claims amounting to P70.21 million and gains on sale of phased-out mining support equipment amounting to P20.07 million spurred the increase of Other Income account by 24.2x to P107.61 million in 2006 from P4.44 million in the previous year.

The resulting Net Income Before Tax fell by 55% at P910.47 million, which is 19% of Revenues in 2006, from P2.01 billion in 2005 or 36% of Revenues. Provision for Income Tax in the current year amounted to P309.23 million, of which P297.26 million is due and payable in the current year while P11.97 million represents provision for deferred tax liability; total provision is effectively 33.97% of taxable income. On the other hand, 2005 Provision for Income Tax was recorded at P422.61 million, which is only 20.97% of the year's pre-tax income. The effective tax rate in the current period is higher compared to the previous year since 2005 provision included the application of the remaining Net Operating Loss Carry Over (NOLCO) amounting to P455.13 million and Minimum Corporate Income Tax (MCIT) of P67.42 million. Consequently, Net Income After Tax in the current year amounted to P601.24 million, registering a 62% drop from 2005 After-Tax Income of P1.59 billion.

B. Financial Condition, Solvency and Liquidity

Due to adverse market developments, the company failed to meet sales targets in the current year. Consequently, not only did Revenues drop, but cost of coal sold also soared as operations accounted for full costs of pre-stripping activities, in accordance with the consensus of the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) set forth in EITF Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. Management opted to fully utilize available capacity by stripping waste, instead of controlling operations to balance stripping activities with coal extraction. As a result, the Company's financial condition has experienced a slight setback in terms of liquidity. However, despite the sluggish market, which is the root cause of reduced profitability, the Company was still able to maintain a healthy cash position and report a sound balance sheet.

Despite the huge drop in profitability, Net Cash Provided by Operating Activities only showed a slight decrease of 8.29% from P1.30 billion in 2005 to P1.19 billion in 2006. This is primarily due to the decrease in Receivables by P608.23 million in the current year compared to an increase in the account by P366.99 million reflected in the previous period and the tempered increase in Inventories by P474.28 million this year as against last year's figure of P811.31 million. Moreover, 2005 reflected a decrease in Accounts and Other Payables of P581.37 million versus the current period's decrease by a smaller amount of P80.31 million as last year's statement recorded complete settlement of some old accounts. These included payment of DOE past due accounts amounting to P193.3 million and payment of Due to Related Parties amounting to P152.7 million incurred in 2004.

As the expansion and modernization program reached its final phase in 2006, P1.5 billion worth of machineries and equipment were purchased during the period. Purchases of new mining equipment worth P1.21 billion and other Capital Expenditures (CAPEX) amounting to P291.19 million was recorded in 2006. The amount, however, is lower than total CAPEX of P1.78 billion in 2005, comprised of various mining equipment amounting to P1.58 billion and P207.71 million other CAPEX. This decline in cash outflow was partly offset when the Company placed P300 million in Temporary Investments with an Affiliate. As a consequence, Net Cash Used in Investing Activities exhibited a drop from P1.18 billion in 2005 to P574.17 million in the current year.

Meanwhile, the Company's Financing Activities recorded a Net Cash Used amounting to P1.44 billion, compared to the previous period's Net Cash Inflow From Financing Activities amounting to P1.18 billion. The previous year recorded cash inflows from proceeds of shares offering amounting to P1.62 billion which shored up cash resources. Although loans repayment amounted to P1.28 billion, higher amounts of loans amounting to P1.2 billion were also availed. On the other hand, the current year's cash flows reflect Repayment of Long-Term Debt of P1.28 billion, but was offset by lower loan borrowings. Furthermore, in 2006 for the first time in its history, the Company paid cash dividends amounting to P333.09 million, thus putting more dent to its cash position.

While 2005 recorded a net cash generation of P1.30 billion, the current year exhibited a Net Decrease in Cash amounting to P821.20 million. As a result, 2006 Cash End is lower at P510.44 compared to 2005 cash level of P1.33 billion.

Correspondingly, Current Assets fell to P3.41 billion as at end 2006 from the P3.95 billion level in the previous year. The Temporary Investment mentioned above is an investment to the parent Company, which has a tenor of 180 days, earning a very attractive rate of 11%. The drop in Trade Receivables from P1.09 billion in 2005 to P505.73 million in the current year mainly accounted for the decrease in Net Receivables from P1.17 billion last year to P566.88 million this year, reflective of the lower sales. Meanwhile, low market demand resulted to an increase in Coal Inventory to P1.02 billion this year accounting for 606 thousand MTs of coal from P552.62 million in the previous year. As a result, Net Inventories rose to P1.84 billion from P1.37 billion as at end 2005. The increase in Other Current Assets is primarily caused by the rise in the amount of Creditable Withholding Taxes on Coal Sales withheld by customers to P175.34 million in the current year from P83.06 million in 2005. This increase is largely due to the government-mandated withholding of 5% VAT by the National Power Corporation which the Company is reclaiming in accordance with its VAT exemptions.

On the other hand, the completion of the last leg of the expansion program brought up Property, Plant and Equipment to P3.10 billion, with additions amounting to P1.50 billion, partially offset by Depreciation, Depletion and Amortization totaling to P1.34 billion. Consequently, Non-Current Assets registered a 4.4% increase from P2.97 billion in 2005 to P3.11 billion as at end of the current year. The decrease in Other Non-Current Assets was mainly driven by the decrease in Marginal Deposits on equipment and parts purchases from P42.82 million in 2005 to P5.64 in the current year. The resulting Total Assets reflected a 6% drop from P6.93 billion as at end 2005 to P6.51 billion in 2006.

Notwithstanding the modest profitability reported during the current year, the Company was able to significantly trim down its Total Liabilities by 20% from P2.74 billion as at end 2005 to P2.19 billion as at end of the current year. The reclassification of Long-Term Portion of Long-Term Debt to Current Portion posted an increase in the Current account. Also, most loan availments during the year have short-term tenors to take advantage of cheaper financing charges compared to long-term loans, giving due consideration to the Company's overall liquidity. Combined, these resulted to a 15% growth in Total Current Liabilities from P1.17 billion in 2005 to P1.34 billion this year. On the other hand, the payment of Accounts and Other Payables, the settlement of last year's Income Taxes Payable, and the delivery of coal to customers with advance payments tempered the net increase in Total Current Liabilities of P180.3 million.

Total Non-Current Liabilities meanwhile showed a 46% fall from P1.57 billion in 2005 to P850.66 million this year, mainly as a result of the pre-payment of Marubeni loan amounting to $7.42 million before its maturity and reclassification of Long-Term Debts. Moreover, in accordance with the Philippine Accounting Standards (PAS) 19, the Company continued to acknowledge its liability to fund the retirement benefits of the employees, which resulted to an increase in Pension Liability by 27% from P42.33 million in the previous year to P52.67 million this year.

The adoption of the New IFRS/IAS in the previous year caused changes in accounting standards which compelled the Company to restate prior years' financial statements and recognize certain deferred tax liabilities. Net Deferred Tax Liabilities rose by 19% from P61.83 million in 2005 to P73.79 million as at end 2006.

Although in terms of absolute amounts, the decrease in Total Liabilities recorded at P539.63 million is higher than the reduction in Total Assets by P416.73 million, the reclassification from long-term to current portion of Long-Term Debts and availments of short-term financing resulted to a dip in the Current Ratio from 3.39:1 in 2005 to 2.53:1 this year.

The recognition of net profits in 2006, tempered by the distribution of Stock Dividends of P333.09 million, further boosted the strong equity position of the Company. Meanwhile, a continuation of the shares buyback program which commenced in 2005 increased Cost of Treasury Shares by 38% from P383.63 million in the previous period to P528.89 million as at yearend with the acquisition of additional 5,499,500 common shares costing P145.26 million in 2006. The resulting Total Stockholders' Equity was impressive at P4.31 billion as at end 2006 from P4.19 billion in the previous year, recording a 3% growth. As a consequence, Debt-to-Equity ratio further improved to 0.51 in the current period, compared to last year's ratio of 0.65.

C. Performance Indicators

1. **Production & Sales Volume** – These two indicators are main drivers of profitability, with direct impact on cost and revenues. In terms of capacity, the Company can already easily serve an increasing demand of up to 4.5 million MTs. Economies of scale should also work in the Company's favor in reducing cost of production. However, production level should be correspondingly matched with demand to achieve optimum cost efficiency. During the current year, low market demand pushed management to continue stripping operation, which in turn adversely affected profitability level. However, it proved to be a wise decision for management, since towards the latter part of the year, several interested buyers were already knocking at the Company's door wanting to explore possibilities of exporting Semirara coal. Subsequently, the Company had a maiden voyage exporting its coal to South China in the first quarter of 2007. As of this writing, it has received more supply proposals from foreign buyers.
2. **Average Selling Price** – This is another profitability driver. Semirara being the single largest coal producer in the country, producing more than 92% of total local output practically comprise the whole coal industry in the country. Hence, it benchmarks its selling price to global coal prices. Notably, it has inherent advantage over landed cost of imported coal, which includes freight cost and 12% Value Added Tax (VAT). By virtue of PD 972, the Company is VAT-exempt. On the other hand, pricing of Semirara coal to local customers is vulnerable to foreign exchange movements.
3. **Capital Expenditures** – The Company's growth potential depends on its ability to timely increase its capacity to meet growing demand. There is an increased global demand for mining equipment as the mining industry has become more active in the recent years. As a result, delivery lead time of mining equipment is at least 6

months. More often, delivery period is 18 months. Hence, Capital Expenditures should be a major factor in planning and strategizing to balance financial strength and growth.

4. **<u>Debt to Equity (D/E) Ratio</u>** – The mining industry is capital intensive. The ability of the company to raise funds to finance its operations and acquisition requirements largely depends on its financial strength. The D/E Ratio is a good indicator of the Company's financial condition. Over the years, the company has remarkably improved its D/E Ratio, such that the current year set a new record of 0.51, a further improvement of the previous year's already sound D/E ratio of 0.65.
5. **<u>Improved Coal Quality</u>** – The Company's thrust to improve and expand its market should be complimented with efforts to improve acceptability of its product by continuously enhancing coal quality. This need is further underscored by the opening of the export market to Semirara Coal. In this light, the Company has continuously exerted efforts to enhance the value of its product. The inherent characteristics of Semirara coal may only limit its potential, but other quality parameters can still be improved by incorporating additional processes, such as coal washing/drying to improve ash content and lower moisture.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Company is the accounting firm Sycip, Gorres, Velayo and Co. (SGV & Co.). 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 & Co. as external auditor of the Company and Ms Jessica D. Cabaluna is the Partner-In-Charge for less than five years or starting 2006 only.

(1) External Audit Fees and Services

(a) Audit & Audit Related Fees- The Company paid its external auditors the following fees in the past two (2) years:

In Millions Pesos with VAT	
2008	1.3
2007	1.16
Total	**2.46**[4]

(b) Tax Fees- There are no fees billed in each of the last fiscal years for professional services rendered by the SGV & Co. 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 & Co. other than services reported under item a. above.

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

2. The Corporation's Audit Committee makes recommendation on the appointment, reappointment or replacement of external auditor to the Board. It is charge with the evaluation the audit work engagements, its scope, fees and terms for approval of the Board of Directors. The Audit Committee also reviews non-audit services and taxation advice by the external auditor. At the conclusion

[4] Audit Fees only, no fees for other assurance and related services were paid.

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 ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise.

PART IV – MANAGEMENT and CERTAIN SECURITY HOLDERS

A. Directors and Executive Officers of the Issuer

(1) The following are the names, citizenship, educational attainment, positions, offices and business experiences of all incumbent Directors and Executive Officers of the Corporation:

NAMES/ BUSINESS EXPERIENCES /CITIZENSHIP/ EDUCATIONAL ATTAINMENT

1. **DAVID M. CONSUNJI,** 87, Filipino, is a Director and Chairman of the Board of the Corporation. In 2008, he has attended all meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is currently the Chairman of the Board of D.M. Consunji, Inc., Dacon Corporation and DMCI Holdings, Inc. He is also a director of Atlantic Gulf & Pacific Co., Inc., and Semirara Cement Corporation. 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,** 60, Filipino, is a Director, Vice-Chairman and Chief Executive Officer of the Corporation. He is the Chairman of the Nomination and Election Committee of the Corporation. In 2008, he has attended all meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is currently the Chairman and CEO of DMCI Mining Corporation, Vice-Chairman of DMCI Masbate Power Corporation and DMCI Concepcion Power Corporation and President of DMCI Holdings, Inc. He is a director of Dacon Corporation, M&S Company Inc., DMC-Urban Property Developers, Inc., Crown Equities, Inc., Beta Electric Corporation, Semirara Cement Corporation, and Universal Rightfield Property Holdings, Inc. He is also a Director of the Maynilad Water Services. He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc.
3. **VICTOR A. CONSUNJI,** 58, Filipino, is the President and Chief Operating Officer of the Corporation. In 2008, he has attended all meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is the Chairman of the Board of Trustees of Divine Word School of Semirara Island, Inc. and Chairman, President and CEO of Semirara Training Center, Inc. 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 Power Corporation, DMCI Mining Corporation, DMCI Masbate

Power Corporation and DMCI Concepcion Power Corporation. He is the Chairman and CEO of DMCI Power Corporation, Chairman of DMCI Concepcion Power Corporation. He is also the President of Sirawai Plywood & Lumber and DMCI Masbate Power Corporation.

4. **JORGE A. CONSUNJI,** 57, Filipino, is a Director of the Corporation. In 2008, he has attended 6 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is currently the President/COO of D.M. Consunji, Inc. and Director of DMCI Holdings, Inc., Dacon Corporation, DMCI Project Developers, Inc., Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power Corporation, DMCI Masbate Power Corporation, DMCI Concepcion Power Corporation, Director of Eco-Process & Equipment Phils. Inc., Maynilad Water Services, Inc. He is the Chairman of DMCI Masbate Power Corporation and President of Royal Star Aviation, Inc. He is also the 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. He is a member of Baguio Country Club, Manila Golf Club, Metropolitan Club, Inc., and Wack Wack Golf & Country Club.
5. **CESAR A. BUENAVENTURA,** 79, Filipino, is a Director of the Corporation. In 2008, he has attended 4 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He finished his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Pennsylvania. He is currently the President of Atlantic Gulf & Pacific Company of Manila (AG&P) and Vice-Chairman of DMCI Holdings, Inc. He is a director of Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, PetroEnergy Resources Corporation, iPeople, Inc., Paysetter Holdings Limited and Paysetter International, Inc., and Semirara Cement Corporation. He is the founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation; and Member, Board of Trustees, Asian Institute of Management. He was the Chief Executive Officer of Shell Group of Companies in 1975 and appointed member of the Monetary Board of the central Bank of the Philippines. He was also a member of the Board of Directors of the Philippine International Convention Center in 1981, Regents of the University of the Philippines and a Senior Adviser of Jardine Davies. He was a director of the Philippine National Bank, Asian Bank, AB Capital Investment Corporation, Ayala Corporation, Benguet Corporation, First Philippine Holdings Corporation, Ma. Cristina Chemical Industries and Philippine Airlines, Inc.
6. **HERBERT M. CONSUNJI**, 56 years old, Filipino, is a Director and Treasurer of the Corporation. In 2008, he has attended 4 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the Corporation. In the past five years, he has held and currently holds the following positions: (a) Chairman of Subic Water & Sewerage Corporation, (b) Director & Vice President & Chief Financial Officer of DMCI Holdings, Inc., (d) Director of DMCI Project Developers, Inc., (e) Director & Chief Operating Officer of Maynilad Water Services, Inc., (f) Director of DMCI Power Corporation, and (g) Director of DMCI Mining Corporation. He is also President of Village Parks, Inc. and Partner, H.F. Consunji & Associates.
7. **VICTOR C. MACALINCAG**, 73, Filipino, is an Independent Director of the Corporation. He is the Chairman of the Audit Committee of the Corporation. In 2008, he has attended all meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. He is presently the Chairman of AZ

Development Managers, Inc. He is an Independent Director of Crown Equities, Inc. and Merchants' Bank. He is a consultant of First Metro Securities Brokerage Corporation. He is a Director of Finman General Insurance Corp., Universal LRT-7 and Republic Glass Holdings, Inc. He was an Independent Director of Merchants' Bank. 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 (TIDCORP) 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 and the Regent of Manila Hotel from 1984 to 1986. 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**, 69, Filipino, is a Director, Vice-President for Operation and Resident Manager of the Corporation. In 2008, he has attended all meetings of the Board including the Annual Stockholders' Meeting of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He used to work for D.M. Consunji, Inc., Dacon Wood Based Companies, DMC-CERI, and CONBROS Shipping Corporation. Currently, he is the President of Divine Word School of Semirara Island, Inc. and Vice-President of Semirara Training Center, Inc.
9. **FEDERICO E. PUNO,** 62, Filipino, is an Independent Director of the Corporation. In 2008, he has attended 5 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the 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 Camegie Mellon University, Pittsburgh, U.S.A. He is President and Chief Executive Officer of TeaM Energy Corporation. He was the President/CEO of San Roque Power Corporation. He was also the Director of Forum Pacific, Inc., Independent Director of Republic Glass Holdings, Corp. and Director of Pampanga Sugar Dev. Corp. He was a Director of the Manila Electric Company. He was the President of Anchor Steel Industries; President of National Power Corporation; President of Asahi Glass Corp.; President of Republic Glass Holdings, Corp.; Head of the Chief Financial and Management Services of the Ministry of Energy; Assistant Treasurer of the Bureau of Treasury and (Ministry of Finance); Vice-President-Finance of the Phil. National Oil Company; and Vice-President-Finance/Senior Vice-President-Finance and Administration of the National Power Corp.
10. **MA. CRISTINA C. GOTIANUN,** 53, Filipino, is a Director of the Corporation. She is the Chairman of the Remuneration and Compensation Committee of the Corporation. In 2008, she has attended 5 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the Corporation. She is a graduate of B.S. Business Economics at the University of the Philippines. She 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., Director of DMCI Power Corporation, DMCI Masbate Power Corporation and DMCI Concepcion Power Corporation. She is also the Treasurer & CFO of DMCI Power Corporation, Treasurer of DMCI Masbate Power Corporation and DMCI Concepcion Power Corporation. She is the Assistant Treasurer of DMCI Holdings, Inc.
11. **MA. EDWINA C. LAPERAL**, 47, Filipino, is a Director of the Corporation. In 2008, she has attended 5 out of 7 meetings of the Board including the Annual Stockholders' Meeting of the Corporation. She is a graduate of B.S. Architecture at the University of the Philippines. She also took her Master's Degree in Business Administration in the same University. She is currently the Director and Treasurer of DMCI Holdings, Inc.,

and DMCI Project Developers, Inc.; Treasurer of Dacon Corporation and DMC Urban Property Developers, Inc.; and D.M. Consunji, Inc.

12. **GEORGE B. BAQUIRAN**, 64, Filipino, is the Vice-President for Special Projects and has held said position for the past five years. He is a graduate of B.S. Geology and also a holder of a Masters Decree 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. He is the Project Director of DMCI Concepcion Power Corporation.
13. **NESTOR D. DADIVAS,** 56, Filipino, is the Chief Finance Officer. He is a graduate of B.S. in Commerce at the University of San Agustin, Iloilo City, Summa cum Laude, majoring all major subjects: Accounting, Banking and Finance and Business. He is also a holder of a Master's Degree in Business Management at the Asian Institute of Management, Majored in Finance. He is currently a Director DMCI Power Corporation, DMCI Masbate Power Corporation, and DMCI Concepcion Power Corporation. He is also the President of DMCI Power Corporation. He was the Vice-President for Finance of Phelps Dodge Philippines, Inc. and a member of its Executive Committee, and Senior Vice-President for Atlas Fertilizer Corp. He was Head of Corporate Planning for the Elizalde and Company in 1976.
14. **JAIME B. GARCIA**, 53 years old, Filipino, is the Vice-President for Procurement and Logistics. He is a graduate of B.S. Management and Industrial Engineering at Mapua Institute of Technology. He took also his Master's in Business Administration at De La Salle University in 1994 and Master's in Business Economic at the University of Asia & the Pacific in 1998. He is currently holding the position as Director of Royal Star Aviation, Inc., and Semirara Cement Corporation, Senior Manager-Purchasing of M&S Company, Inc., and DMC Construction Equipment Resources, Inc. He is an Industrial Engineer by profession.
15. **JUNALINA S. TABOR**, 45 years old, Filipino, is the OIC-Chief Finance Officer. She is a graduate of Bachelor in Science in Commerce, major in Accounting at Saint Joseph College. She took her Master's 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.
16. **JOHN R. SADULLO**, 38, Filipino, is the Corporate Secretary. He is a graduate of A.B. Major in Political Science at the University of the Santo Tomas. He is a holder of a Bachelor of Laws Degree at the San Beda College of Law. He took the bar exams in 1996 and was admitted in 1997. He currently holds position as Legal Counsel and Corporate Secretary of Semirara Mining Corporation; and Corporate Secretary of the following corporations: (a) DMCI Masbate Power Corporation; (b) DMCI Concepcion Power Corporation; and (c) Divine Word School of Semirara Island, Inc. He is currently the Assistant Corporate Secretary of Semirara Training Center, Inc. He was previously the Corporate Secretary of DMCI Mining Corporation.

The nominees for election or re-election of the directors have been indicated in the Company's Definitive Information Statement (SEC Form 20-IS) sent to stockholders of record. The officers of the corporation will be known in the organizational meeting of the Board of Directors which will follow immediately after the annual stockholders' meeting.

Term of Office. The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 6, 2008.

Independent Directors. DMCI Holdings, Inc. shall nominate and elect at least two (2) Directors in the Board of Directors' Registrant pursuant to Section 38 of the Securities Regulation Code.

Other Directorship Held in Reporting Companies:

David M. Consunji	▪ Chairman, DMCI Holdings, Inc.
Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	▪ President & CEO, DMCI Holdings, Inc. ▪ Chairman, Universal Rightfield Property Holdings, Inc. ▪ Director, Crown Equities, Inc.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Ma. Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Victor C. Macalincag	▪ Director, Crown Equities, Inc. ▪ Director, Republic Glass Holdings, Inc.

(2) The following are the Significant Employees/Executive Officers of the Issuer

Names	Citizenship	Position	Age
David M. Consunji	Filipino	Chairman	87
Isidro A. Consunji	Filipino	Vice-Chairman/CEO	60
Victor A. Consunji	Filipino	President/COO	58
George G. San Pedro	Filipino	VP-Operations/Resident Manager	69
George B. Baquiran	Filipino	VP-Special Projects	64
Ma. Cristina C. Gotianun	Filipino	VP-Administration	54
Nestor D. Dadivas	Filipino	Chief Finance Officer	57
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	53
Junalina S. Tabor	Filipino	OIC-Chief Finance Officer	45
John R. Sadullo	Filipino	Corporate Secretary	38

(3) Family Relationship

The family relationship up to the fourth civil degree either by consanguinity or affinity among directors or executive officers is as stated below.

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 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.

(4) Involvement in Certain Legal Proceedings

None of the directors and officers was involved in the past five 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 action by any court or administrative body to have violated a securities or commodities law.

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

(a) A complaint for violation of Article 315 (2) (a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 is pending preliminary investigation with the Department of Justice against the directors and officers of Universal Leisure Club (ULC) and its parent company, Universal Rightfield Property Holdings, Inc., including Mr. Consunji as incumbent Chairman, Mr. Cesar Buenaventura and 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."

B. EXECUTIVE COMPENSATION

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 four (4) 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 Nestor D. Dadivas Chief Finance Officer Jaime G. Garcia VP-Procurement and Logistics George G. San Pedro VP & Resident Manager				
	2007	9,692,204.88		3,647,559.24
	2008	10,431,980.00		2,862,802.19
	2009	10,431,980.00*		2,862,802.19*
	Total	**P30,556,164.88**	- 0 -	**P9,373,163.62**
	2007	5,945,293.72		1,718,400.22
	2008	5,423,600.83		1,434,766.57
All other officers and directors as a group unnamed	2009	5,423,600.83*		1,434,766.57*
	Total	**P15,047,828.50**	**- 0 -**	**P4,196,800.44**

**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.

Board of Directors' compensation is on a per diem basis in the amount of PhP20,000.00. Said compensation is dependent on the number of meetings held on said year. There are no other arrangements such as consulting contracts.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election 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 pension plan.

There are no warrants and options outstanding held by the registrant's CEO.

C. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2008, the record or beneficial owners of more than 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 and Relationship with Record Owner	Citizenship	Amount/ Nature of Record/ Beneficial Ownership	Percent of Class
Common	DMCI Holdings, Inc. 3/F DACON Building, 2281 Pasong Tamo Extension, Makati City, Stockholder of record	1.PCD Nominee Corporation, stockholder of 949,590,216 shares or 35.76% 2.Dacon Corporation, stockholder of 1,367,756,488 shares or 51.51%	Filipino	156,706,785 (R)	56.46
Common	PCD Nominee Corp (NF), stockholder of record	Hongkong and Shangkai Banking Corp. Ltd. holds 69,587,233 shares or 25.07%	Other Alien	87,658,033	31.58
Common	PCD Nominee Corp., stockholder of record	N/A	Filipino	15,702,117	05.66

(2) Security Ownership Management

The table sets forth as of December 31, 2008 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	10	Filipino	0.00
Common	Isidro A. Consunji	10	Filipino	0.00
Common	Cesar A. Buenaventura	5,010[5]	Filipino	0.00
Common	Victor A. Consunji	84,210[6]	Filipino	0.03

[5] 5,000 shares under PCD Nominee Corporation.

Common	Jorge A. Consunji	10	Filipino	0.00
Common	Herbert M. Consunji	10	Filipino	0.00
Common	Victor C. Macalincag	190,010	Filipino	0.07
Common	George G. San Pedro	5,030	Filipino	0.00
Common	Federico E. Puno	10	Filipino	0.00
Common	Ma. Cristina C. Gotianun	99	Filipino	0.00
Common	Ma. Edwina C. Laperal	101	Filipino	0.00
Common	Jaime B. Garcia	40,030	Filipino	0.01
Aggregate Ownership of all directors and officers as a group		324,540	Filipino	0.12

The percentages of ownership of the above officers and directors are very minimal. There are no arrangements, which may result in a change in control of the registrant.

D. Certain Relationship and Related Transactions

There has been no transaction or proposal for the last two (2) years, to which the Registrant was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest.

PART V – 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 Company's business, and enhance shareholder value. To date, there has been no deviation from the company's Manual on Corporate Governance. The Corporation has substantially complied with the principles and leading practices of good governance. The Corporation constantly reviews its corporate governance policies with the end in view of improving the same.

THE BOARD

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

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

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

BOARD PERFORMANCE

The Board had six (6) meetings including its organizational meeting, and one (1) shareholders' meeting in 2008. Board meetings are open and candid with independent views given due

[6] 84,200 shares under PCD Nominee Corporation.

consideration. The Independent Directors bring an objective mindset during Board deliberations. Board meeting attendance of the Directors met the Securities and Exchange Commission (SEC) requirement of more than 50% attendance.

BOARD COMMITTEES

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

Matrix presentation of the Board and Committee memberships is herein set forth.

SEMIRARA MINING CORPORATION - BOARD OF DIRECTORS 2008				
		Committee Membership		
Directors	Board Membership	Nomination and Election Committee	Audit Committee	Compensation and Remuneration Committee
David M. Consunji	Chairman			
Isidro A. Consunji	Vice Chairman,CEO	Chairman		
Victor A. Consunji	President, COO		Member	
George G. San Pedro	VP-Operations			
Ma. Cristina C. Gotianun	VP-Administration			Chairman
Jorge A. Consunji	Director			
Herbert M. Consunji	Director			Member
Cesar A. Buenaventura	Director			
Ma. Edwina C. Laperal	Director			
Victor C. Macalincag	Independent Director	Member	Chairman	Member
Federico E. Puno	Independent Director	Member	Member	

Nomination and Election Committee

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

In 2008, the Committee had one (1) meeting attended by all Members. It reviewed the qualifications of Board nominees for directorship ensuring they meet the requisite qualifications and endorsed the final list of nominees for election. It developed an Executive Succession Plan Policy and Board performance evaluation system involving full board self-assessment and individual director peer evaluation which were subsequently approved by the Board.

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

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is comprised of three (3) Members of the Board, one of whom is an Independent Director. The Committee's main function is to establish a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees consistent with the Company's culture, strategy and control environment. It also requires Directors and Officers to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

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

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

Audit Committee

The Audit Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. The Committee's main function is to assist the Board in fulfilling its oversight responsibilities of financial reporting, external audit performance, internal audit performance, internal control and risk management processes as well as compliance in reporting, legal and regulatory requirements.

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

Committee Meetings were scheduled at appropriate points to address matters on a timely basis. Written agenda and materials were distributed in advance to allow for meaningful review and full discussion during meetings. Management of the finance and legal functional units are regularly invited to Committee meetings to discuss updates in financial performance, regulatory developments and compliance matters. Minutes of the Committee meetings are circulated to all Board Directors.

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

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

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

COMPLIANCE

George G. San Pedro, the Company's Vice President and Resident Manager, is appointed by the Board as Compliance Officer designated to ensure adherence to corporate governance principles and best practices, as well as compliance to the Company's Amended Manual on Corporate Governance.

The Compliance Committee, a sub-committee shares in the responsibility of ensuring compliance with the Company's regulatory requirements. It is headed by the Compliance Officer and is comprised of two (2) Members who are executive officers tasked with compliance covering SEC, PSE, accounting and reporting standards, environmental, health and safety matters aligned to their functional scope of work responsibilities. The Compliance Members regularly report to the Audit Committee for assurance reporting. Continuous monitoring of regulatory developments and of compliance matters, including environmental, safety and governance issues assure the Board of effective management and strategic sustainability of these concerns.

SEC and PSE

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

Environment

Environmental stewardship and social responsibility are core values of the Company. The Philippine coal industry is subject to stringent regulations of the Philippine government's Department of Environment and Natural Resources (DENR). The Company is compliant with all the conditionalities of its Environmental Compliance Certificate issued by the DENR relative to the development and opening of the Panian coal mine, and the closing and rehabilitation of its old mine. A Multi-Partite Monitoring Team (MMT) comprised of various government sector representatives and surrounding stakeholders, oversees the Company's compliance with the ECC conditions and all other applicable laws, rules and regulations. Consequently, the MMT issues a Compliance Monitoring and Verification Report on a quarterly basis.

Safety

Safety is a core value of the Company. It defines the Company's culture as a responsible energy company. The Company adopts the Australian standards and best practices in open-pit coal mining operation. It strictly adheres to safety procedures, health and safety standards and worker education and training which have resulted to reduced accidents, injury events and zero fatality. The Company is compliant with the regulatory and reporting requirements of various Philippine government agencies tasked to oversee health and safety, among others.

ENTERPRISE RISK MANAGEMENT

The Board sets the tone and establishes the risk appetite level for the Company's enterprise risk management system which provides reasonable assurance that risks are identified, assessed, managed and monitored in a timely manner. It reviews the risk strategies and agrees on policies for managing these risks.

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

GOOD GOVERNANCE PROGRAM

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

Board Performance Review

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

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

Good Governance Guidelines for Board Directors

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

Code of Conduct

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

Fraud and Ethics Response Policy

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

Insider Trading Policy

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

Governance Training and Continuing Education

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

RECOGNITION

The Company ranked among the Top 15 Publicly-Listed Companies in the 2008 "Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines", a partnership project between the Institute of Corporate Directors, SEC, Philippine Stock Exchange and Ateneo Law School. The Scorecard project adopts the East Asian Template as part of a regional effort to improve corporate governance in East Asia and already used in Thailand, Hongkong, China and Indonesia. The Company scored highly with 92% as compared to the Philippine aggregate score for all participating companies of 72%. Likewise, the Company was among the Top 20 Philippine Listed Companies given due recognition in the same project in 2007. These achievements affirm the Company's significant and continuing progress in its overall corporate governance framework through the adoption of global best practices promoting higher standards of performance, transparency and accountability to all stakeholders.

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

SHAREHOLDER RIGHTS AND RELATIONS

Semirara Mining Corporation promotes a good governance culture of transparency and equal respect of shareholders rights embodied in its Amended Manual on Corporate Governance. It maintains a share structure that gives all shares equal voting rights.

To sustain investor confidence, the Company maintains a policy of open and constant communication and disclosure of its activities, subject to insider information guidelines. It engages in conference calls and/or meets with institutional and prospective investors, analysts and the financial community, as appropriate. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC and Philippine Stock Exchange.

WEBSITE

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

PART VI – EXHIBITS AND SCHEDULES

A. Exhibits and reports on SEC Form 17-C

(1) Exhibits

See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Corporation's Independent Public Accountant, SGV& Co.

(2) Reports on SEC Form 17-C

There are SEC Forms 17-C filed during the last six-month period covered by this report, to wit:

No.	Subject	Date Reported
1.	Certification on Board attendance for year the 2008.	January 7, 2009
2.	Certification on the extent of compliance with the Manual on Corporate Governance for the year 2008.	January 7, 2009
3.	Disclosure on the Corporation's certification as conforming to ISO 9001:2000, ISO 14001:2004, and OHSAS 18001:2007 issued on December 11, 2008.	January 23, 2009
4.	Filing of a case docketed as *"Semirara Mining Corporation vs. Commissioner of Internal Revenue, CTA Case No. 7867,"* involving tax refund/credit for the amount of P15,292,054.93 representing final withholding value added tax erroneously withheld by NPC on coal sales covering the period of January 2007.	February 6, 2009
5.	Clarification of news article entitled *"Semirara to export 2.5-tons of coal this yr"* published in the February 16, 2009 issue of the Philippine Star.	February 16, 2009
6.	Disclosure on results of Nomination and Election Committee meeting.	February 16, 2009
7.	Clarification of news article entitled *"Semirara island*	February 24, 2009

	residents urge stop to pollution by coal mining firm" published in the February 24, 2009 issue of the Philippine Daily Inquirer.	
8.	Disclosure on results of Board of Directors meeting: (i) approval of the Audited Financial Statements for the year ended December 31, 2008; (ii) Fixing of the date of Annual Stockholders' Meeting, Record Date, and venue; and (iii) amendment of Art. 10 of its Articles of Incorporation.	March 12, 2009
9.	Disclosure on the results of Special Board of Directors meeting: declaration of cash dividend, and fixing of Record and Payment Dates.	March 30, 2009

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 14th day of April 2009.

By:

VICTOR A. CONSUNJI
Principal Executive Officer/COO

JUNALINA S. TABOR
OIC-Chief Finance Officer
For: **NESTOR D. DADIVAS**
Principal Financial Officer/CFO

JUNALINA S. TABOR
Principal Accounting Officer

JOHN R. SADULLO
Corporate Secretary

APR 14 2009

SUBSCRIBED AND SWORN, to before me on this ____ day of April 2009, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
Victor A. Consunji	XX0792809	March 25, 2013/Manila
Nestor D. Dadivas	PP0395518	November 17, 2009/Manila
Junalina S. Tabor	PP0359045	November 9, 2009/Manila
John R. Sadullo	WW0173800	September 8, 2012/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 Annual Report (SEC Form 17-A) and acknowledged that they executed the same.

Doc. No. 53;
Page No. 11;
Book No. XXX;
Series of 2009.

ATTY. BASILIO D. GASCON, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2009
NOTARY PUBLIC APPOINTMENT NO. M-34
ROLL OF ATTORNEY NO 51633
MCLE COMPLIANCE NO. II-000027-APRIL 23 2008
IBP NO. 767783 / JAN. 05, 2009 /ZAMBALES CHAPTER
PTR NO. 1567745/JANUARY 05, 2009
2/F DMCI HOMES CORPORATE CENTRE
1321 APOLINARIO STREET, BANGKAL
MAKATI CITY, METRO MANILA

SEMIRARA MINING CORPORATION

SEMIRARA MINING CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SEMIRARA MINING CORPORATION** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008 and 2007. The financial statements have been prepared in conformity with the generally accepted accounting principles in the Philippines and reflected amounts are based on the best estimates and informed judgment of the management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor:

1. All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data.
2. Material weaknesses in the internal control; and
3. Any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SYCIP GORRES VELAYO & CO., the Independent Auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with the generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Stockholders.

Singed under oath by the following:

DAVID M. CONSUNJI
Chairman of the Board

VICTOR A. CONSUNJI
President

JUNALINA S. TABOR
OIC-Chief Finance Officer
For: **NESTOR D. DADIVAS**
Chief Finance Officer

MAR 1 8 2009

SUBSCRIBED AND SWORN, to before me on this 18 day of March 2009, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
David M. Consunji	OO0648666	January 30, 2010/Manila
Victor A. Consunji	XX0792809	March 25, 2013/Manila
Junalina S. Tabor	PP0359045	November 9, 2009/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. 94
Page No. 19;
Book No. XXXVII
Series of 2009.

ATTY. BASILIO D. GASCON, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2009
NOTARY PUBLIC APPOINTMENT NO. M-34
ROLL OF ATTORNEY NO 51633
MCLE COMPLIANCE NO. II-009027-APRIL 23 2008
IBP NO. 767783 / JAN 05, 2009 / ZAMBALES CHAPTER
PTR NO. 1587745 / JANUARY 05, 2009
2/F DMCI HOMES CORPORATE CENTRE
1321 APOLINARIO STREET, BANGKAL
MAKATI CITY, METRO MANILA

SGV&Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

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 financial statements of Semirara Mining Corporation, which comprise the balance sheets as at December 31, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Semirara Mining Corporation as of December 31, 2008 and 2007, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 1566411, January 5, 2009, Makati City

March 12, 2009

SEMIRARA MINING CORPORATION
BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 28)	**₱1,012,409,162**	₱1,650,806,337
Receivables - net (Notes 3, 5, 12, 17, and 28)	**1,876,671,658**	1,251,641,294
Inventories - net (Notes 3 and 6)	**1,383,220,166**	1,452,670,221
Other current assets (Note 7)	**226,110,605**	205,987,360
Total Current Assets	**4,498,411,591**	4,561,105,212
Noncurrent Assets		
Property, plant and equipment - net (Notes 3, 8 and 13)	**1,106,064,258**	1,904,372,202
Investments and advances (Note 9)	**223,231,759**	80,871,207
Other noncurrent assets - net (Notes 3 and 10)	**283,749,310**	12,123,245
Total Noncurrent Assets	**1,613,045,327**	1,997,366,654
	₱6,111,456,918	₱6,558,471,866
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 17 and 28)	**₱1,188,163,322**	₱682,426,784
Current portion of long-term debt (Notes 8, 13 and 28)	**389,233,320**	730,171,195
Income tax payable	**58,060,461**	40,166,543
Customers' deposits (Note 12)	**1,206,858**	8,867,023
Total Current Liabilities	**1,636,663,961**	1,461,631,545
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 8, 13 and 28)	**137,065,242**	397,581,035
Deferred tax liabilities - net (Notes 3 and 24)	**14,125,154**	67,603,209
Provision for decommissioning and site rehabilitation (Notes 3 and 14)	**13,204,317**	12,205,198
Pension liability (Notes 3 and 18)	**9,498,998**	4,659,224
Total Noncurrent Liabilities	**173,893,711**	482,048,666
Total Liabilities	**1,810,557,672**	1,943,680,211
Equity		
Capital stock (Note 15)	**296,875,000**	296,875,000
Additional paid-in capital	**1,576,796,271**	1,576,796,271
Retained earnings (Note 16)	**2,956,119,235**	3,270,011,644
	4,829,790,506	5,143,682,915
Cost of shares held in treasury (Notes 15 and 16)	**(528,891,260)**	(528,891,260)
Total Equity	**4,300,899,246**	4,614,791,655
	₱6,111,456,918	₱6,558,471,866

See accompanying Notes to Financial Statements.

SEMIRARA MINING CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
SALES AND SERVICES (Note 12)	**₱8,490,045,380**	₱6,466,700,620	₱4,687,694,870
COST OF SALES AND SERVICES (Notes 17 and 19)	**6,943,585,844**	5,193,989,609	3,713,161,109
GROSS PROFIT	**1,546,459,536**	1,272,711,011	974,533,761
OPERATING EXPENSES (Notes 17, 18, 20 and 26)	**(458,925,813)**	(324,382,373)	(133,125,734)
FINANCE COSTS (Notes 17 and 21)	**(101,240,084)**	(140,251,461)	(213,038,456)
FINANCE REVENUE (Notes 17 and 22)	**77,234,983**	40,301,348	54,526,586
FOREIGN EXCHANGE GAINS (LOSSES) - net (Note 28)	**(82,781,003)**	102,964,270	119,964,722
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	**(1,768,241)**	–	–
OTHER INCOME (Note 23)	**54,442,772**	9,423,888	107,607,836
	(513,037,386)	(311,944,328)	(64,065,046)
INCOME BEFORE INCOME TAX	**1,033,422,150**	960,766,683	910,468,715
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**290,501,414**	333,672,822	297,259,609
Deferred	**(53,478,055)**	(6,191,133)	11,966,248
	237,023,359	327,481,689	309,225,857
NET INCOME	**₱796,398,791**	₱633,284,994	₱601,242,858
Basic / Diluted Earnings Per Share (Note 25)	**₱2.87**	₱2.28	₱2.16

See accompanying Notes to Financial Statements.

SEMIRARA MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Paid-up Capital			Unappropriated	Appropriated		Cost of	
	Common Stock (Note 15)	Additional Paid-in Capital	Total Paid-up Capital	Retained Earnings (Note 16)	Retained Earnings (Note 16)	Total	Shares Held in Treasury (Notes 15 and 16)	Grand Total
				For the Year Ended December 31, 2008				
At January 1, 2008	**₱296,875,000**	**₱1,576,796,271**	**₱1,873,671,271**	**₱2,270,011,644**	**₱1,000,000,000**	**₱3,270,011,644**	**(₱528,891,260)**	**₱4,614,791,655**
Net income for the year	–	–	–	**796,398,791**	–	**796,398,791**	–	**796,398,791**
Additional appropriations	–	–	–	**(500,000,000)**	**500,000,000**	–	–	–
Reversal of appropriations				**800,000,000**	**(800,000,000)**	–	–	–
Dividends	–	–	–	**(1,110,291,200)**	–	**(1,110,291,200)**	–	**(1,110,291,200)**
At December 31, 2008	**₱296,875,000**	**₱1,576,796,271**	**₱1,873,671,271**	**₱2,256,119,235**	**₱700,000,000**	**₱2,956,119,235**	**(₱528,891,260)**	**₱4,300,899,246**
				For the Year Ended December 31, 2007				
At January 1, 2007	₱296,875,000	₱1,576,796,271	₱1,873,671,271	₱1,969,814,010	₱1,000,000,000	₱2,969,814,010	(₱528,891,260)	₱4,314,594,021
Net income for the year	–	–	–	633,284,994	–	633,284,994	–	633,284,994
Dividends	–	–	–	(333,087,360)	–	(333,087,360)	–	(333,087,360)
At December 31, 2007	₱296,875,000	₱1,576,796,271	₱1,873,671,271	₱2,270,011,644	₱1,000,000,000	₱3,270,011,644	(₱528,891,260)	₱4,614,791,655
				For the Year Ended December 31, 2006				
At January 1, 2006	₱296,875,000	₱1,576,796,271	₱1,873,671,271	₱1,701,658,512	₱1,000,000,000	₱2,701,658,512	(₱383,633,460)	₱4,191,696,323
Net income for the year	–	–	–	601,242,858	–	601,242,858	–	601,242,858
Dividends	–	–	–	(333,087,360)	–	(333,087,360)	–	(333,087,360)
Acquisition of treasury shares	–	–	–	–	–	–	(145,257,800)	(145,257,800)
At December 31, 2006	₱296,875,000	₱1,576,796,271	₱1,873,671,271	₱1,969,814,010	₱1,000,000,000	₱2,969,814,010	(₱528,891,260)	₱4,314,594,021

See accompanying Notes to Financial Statements.

SEMIRARA MINING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,033,422,150**	₱960,766,683	₱910,468,715
Adjustments for:			
Depreciation and amortization (Notes 8, 10 and 19)	**1,154,232,140**	1,651,861,176	1,169,414,380
Finance costs (Note 21)	**101,240,084**	140,251,461	213,038,456
Finance revenue (Note 22)	**(77,234,983)**	(40,301,348)	(54,526,586)
Net unrealized foreign exchange loss (gains)	**71,788,836**	(41,555,757)	(85,679,563)
Gain on sale of equipment (Notes 8 and 23)	**(44,713,500)**	(5,173,911)	(20,066,758)
Pension expense (Note 18)	**4,839,774**	8,861,276	10,337,567
Equity in net losses of associates (Note 9)	**1,768,241**	–	–
Donation of school campus (Note 31)	**–**	18,164,254	–
Reversal of provision for real property tax (Notes 20 and 24)	**–**	–	(71,530,122)
Operating income before changes in working capital	**2,245,342,742**	2,692,873,834	2,071,456,089
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(625,030,364)**	(543,458,037)	608,232,450
Inventories	**(7,161,948)**	263,719,356	(307,493,089)
Other current assets	**(21,002,963)**	(27,266,378)	(245,539,448)
Increase (decrease) in:			
Trade and other payables	**433,379,001**	203,050,742	(8,784,115)
Customers' deposits	**(7,660,165)**	(10,028,962)	(31,156,482)
Cash generated from operations	**2,017,866,303**	2,578,890,555	2,086,715,405
Interest received	**78,114,701**	34,820,344	51,271,791
Interest paid	**(88,561,504)**	(116,098,795)	(199,858,017)
Income taxes paid	**(272,607,496)**	(324,074,439)	(448,669,703)
Net cash provided by operating activities	**1,734,812,004**	2,173,537,665	1,489,459,476
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Notes 8 and 31)	**(1,643,851,630)**	(214,754,775)	(633,924,797)
Proceeds from sale of equipment	**1,471,780,374**	5,380,800	20,115,000
Decrease (increase) in other noncurrent assets (Note 10)	**(273,475,426)**	5,684,483	39,195,667
Additions to investments	**(144,128,793)**	(80,871,207)	–
Proceeds from (placement of) short-term cash investment (Note 17)	**–**	300,000,000	(300,000,000)
Contribution to the pension plan	**–**	(56,871,980)	–
Net cash used in investing activities	**(589,675,475)**	(41,432,679)	(874,614,130)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of debt	**1,454,216,653**	446,857,219	320,460,732
Payment of dividends (Note 16)	**(1,110,291,200)**	(333,087,360)	(333,087,360)
Repayment of debt	**(2,127,459,157)**	(1,105,507,731)	(1,278,163,549)
Payment on acquisition of shares held in treasury (Note 15)	**–**	–	(145,257,800)
Net cash used in financing activities	**(1,783,533,704)**	(991,737,872)	(1,436,047,977)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(638,397,175)**	1,140,367,114	(821,202,631)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,650,806,337**	510,439,223	1,331,641,854
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,012,409,162**	₱1,650,806,337	₱510,439,223

See accompanying Notes to Financial Statements.

SEMIRARA MINING CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining Corporation (the Company) was incorporated and domiciled in the Philippines. The Company's registered office address is at 2281 Don Chino Roces Avenue, Makati City. The Company is a majority-owned (56.46%) subsidiary of DMCI Holdings, Inc. (DMCI-HI), a company incorporated in the Philippines.

The Company's primary purpose is to search for, prospect, explore, dig and drill for mine, exploit, extract, produce, mill, purchase or otherwise, 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 therefrom within the purview of Presidential Decree No. 972, *"The Coal Development Act of 1976"*, and any amendments thereto.

As discussed in Note 26, the Company has a Coal Operating Contract with the Department of Energy (DOE) in 1977 (amended in 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to PD No. 972.

The financial statements of Semirara Mining Corporation as of December 31, 2008 and 2007 and for each of the three years ended December 31, 2008 were authorized for issue by the Audit Committee on March 4, 2009 and by the Board of Directors (BOD) on March 12, 2009.

2. Summary of Significant Accounting policies

<u>Basis of Preparation</u>
The financial statements have been prepared using the historical cost basis. The Company's functional and presentation currency is the Philippine Peso.

<u>Statement of Compliance</u>
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Changes in Accounting Policies</u>
The following are the new and amended PFRS and Philippine Interpretations standards that became effective January 1, 2008 but were not applicable to the Company.

Amendment to Philippine Accounting Standards effective 2008
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments: Disclosures* - Reclassification of Financial Assets

Interpretations effective 2008

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Future Changes in Accounting Policies

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2008:

Standards and interpretations effective for calendar year 2009

- PFRS 8, *Operating Segments*
  This amendment was issued as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting,* and adopts a management approach to segment reporting as required in the US Standard SFAS 131 - *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and statement of income and entities will need to provide explanations and reconciliations of the differences. The adoption of this standard will not result in additional disclosures as the Company has no reportable segments.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted, and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation will not have an impact on the Company's financial statements as no such schemes currently exist.

- IFRIC 15, *Agreement for the Construction of Real Estate*
  The interpretation, which is to be applied retrospectively, clarifies when or how revenue and related expenses from a sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before a construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11or PAS 18. IFRIC 15 will not have an impact on the financial statements because the Company does not conduct such activity.

- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  The interpretation, which is to be applied prospectively, provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an

entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation will not have an impact on the Company's financial statements as the Company does not have an investment in a foreign operation.

Improvements to existing standards effective for calendar year 2009

- PFRS 2, *Share-based Payment (Revised)*
  The amendment to PFRS 2 clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled.

- PFRS 3, *Business Combination* (Revised)
  The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
  The amendment provides that when a subsidiary is held for sale, all of its assets and liabilities shall be classified as held for sale under PFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale.

- *PAS 1, Presentation of Financial Statements (Revised)*
  The revised standard requires that the statement of changes in stockholders' equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

  In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Company is still evaluating whether it will have one or two statements.

- PAS 16, *Property, Plant and Equipment*
  The standard replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*. Also, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue.

  PAS 7, *Statement of Cash Flows*, is also revised to require cash payments to manufacture or acquire such items to be classified as cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*
  The standard revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. It also revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. The standard revises the definition of 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled.

  Further, the standard deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. PAS 37 does not allow for the recognition of contingent liabilities.

- PAS 20, *Accounting for Government Grants Assistance*
  The standard provides that loans granted with no or low interest rates will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates, thereby being consistent with PAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant.

- PAS 23, *Borrowing Costs*
  The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.

- PAS 27, *Consolidated and Separate Financial Statements*
  The standard provides that when a parent entity accounts for a subsidiary at fair value in accordance with PAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- PAS 28, *Investments in Associates*
  The standard provides that if an associate is accounted for at fair value in accordance with PAS 39 (as it is exempt from the requirements of PAS 28), only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

  Further, an investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases.

- PAS 31, *Interests in Joint Ventures*
  The standard provides that if a joint venture is accounted for at fair value, in accordance with IAS 39 (as it is exempt from the requirements of PAS 31), only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.

- PAS 32, *Financial Instruments: Presentation and PAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
  The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Company as it has not issued such instruments.

- PAS 36, *Impairment of Assets*
  The amendment addresses the disclosure of estimates used to determine recoverable amount. When discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'.

- PAS 38, *Intangible Assets*
  The amendment addresses the issue on advertising and promotional activities. Expenditure on advertising and promotional activities is recognized as an expense when the entity either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

  The amendment also addresses the issue on the unit of production method of amortization. The standard has been amended to delete references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
  The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company as it has not entered into such hedges.

- PAS 40, *Investment Property*
  The amendment revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*
  The standard was amended to remove the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. It also removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Rather, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability on the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

As of December 31, 2008 and 2007, the Company's financial instruments are of the nature of loans and receivables and other financial liabilities.

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

Determination of fair value
The fair value for financial instruments traded in active markets at the balance sheet 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 profit
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 Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of 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 statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

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 or financial assets at FVPL. These are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets. This accounting policy relates to the balance sheet caption "Short-term cash investments" and "Receivables".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate and transaction costs. The amortization is included in "Interest income" in the statement of income. The Company's loans and receivables consist mainly of receivable from customers and related parties.

Other financial liabilities
Other financial liabilities include interest bearing loans and borrowings. 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 effective interest method.

Gains and losses are recognized under the "Other income" and "Other expense" accounts in the statement of income when the liabilities are derecognized or impaired, as well as through the amortization process under the "Interest expense" account.

Impairment of Financial Assets
The Company assesses at each balance sheet 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.

Loans and receivables
For loans and receivables carried at amortized cost, the Company 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 Company 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 assesses 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.

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 Company 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 effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate 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.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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 Company to reduce any differences between loss estimates and actual loss experience.

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 Company 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 Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company'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 Company could be required to repay.

Financial Liabilities

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

Where 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 statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and the Company 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 or 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.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price, 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.

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 other direct costs. Equipment in transit includes the acquisition cost of equipment and other direct costs.

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

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

Mining equipment	2 to 13 years
Power plant and buildings	10 to 17 years
Roads and bridges	17 years

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

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. 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 statement of income in the year the item is derecognized.

Mine Exploration and Development Costs
Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized under "Mining equipment".

Mine development costs are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. 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 assets) is included in the statement of income in the year the item is derecognized.

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

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

The Company discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Company will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

Intangible Assets
Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the balance sheet. The useful lives of intangible assets with finite lives are assessed at the individual asset level. An intangible asset with finite life is amortized over its useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Software Cost
Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use are capitalized as part of intangible assets. These costs are amortized over their estimated useful lives ranging from 3 to 5 years. Costs directly associated with the

development of identifiable computer software that generate expected future benefits to the Company are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense as incurred.

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

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

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

Interest income
Interest income is recognized as interest 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 asset).

Impairment of Non-financial Assets
The Company assesses at each reporting date whether there is an indication that an asset 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.

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 that 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of building to the extent incurred during the period of construction is capitalized as part of the cost of building. The capitalization of these borrowing costs as part of the cost of building: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the building for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the property for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

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

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

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 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 Company and are charged against current operations.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, and less the fair value of the plan assets out of which the obligations are to be settled directly. 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.

Income Tax

Current Tax

Current income 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 balance sheet date.

Deferred Income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet 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, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences 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 profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that are 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 substantively enacted at the balance sheet date.

Provisions

Provisions are recognized only when the Company 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 balance sheet date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Company 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 recognised, the present value of the estimated cost is capitalised 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 recognised in the income statement 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 statement of income.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Fixed lease payments for noncancellable lease are recognized on a straight line basis over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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 the 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 renewal or extension period for scenario (b).

Operating lease payments are recognized as an expense in the statement of income on a straight basis over the lease term.

Foreign Currency Translation
The Company's financial statements are presented in Philippine pesos, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the balance sheet date. All differences are taken to the statement of income.

Earnings Per Share (EPS)
Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year. The Company has no outstanding dilutive potential common shares.

Contingencies
Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

Events After Balance Sheet Date
Post year-end events up to the date of the auditors' report that provides additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the financial statements.

3. Significant Accounting Estimates, Judgments and Assumptions

Judgment
In the process of applying the Company'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 financial statements:

Determining functional currency
The Company, 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 Company primarily operates.

Operating lease commitments - the Company as lessee
The Company has entered into various contract of lease for space and mining and transportation equipment. The Company 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 Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Contingencies
The Company 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 Company's defense in these matters and is based upon an analysis of potential results. The Company 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).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet 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.

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

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

Estimating allowance for doubtful accounts
The Company 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 Company 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 doubtful accounts for any period would differ if the Company 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.

There were no additional provisions made in 2008 and 2007. Receivables, net of allowance for doubtful accounts of ₱26.90 million as of December 31, 2008 and 2007, amounted to ₱1,876.67 million and ₱1,251.64 million as of December 31, 2008 and 2007, respectively (see Note 5).

Estimating stock pile inventory quantities
The Company estimates the stock pile inventory by conducting a topographic survey which is performed by in house 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 Company utilized different estimates and this would either increase or decrease the profit for the year. Coal pile inventory as of December 31, 2008 and 2007 amounted to ₱896.73 million and ₱570.81 million, respectively (see Note 6).

Estimating allowance for write down in spare parts and supplies
The Company estimates its allowance for inventory write down in spare parts and supplies based on periodic specific identification. The Company 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 Company made different judgments or utilized different estimates. An increase in the allowance for inventory write down would increase the Company's recorded operating expenses and decrease its current assets.

There were no additional provisions made in 2008 and 2007. Spare parts and supplies of the Company, net of allowance for inventory write down of ₱53.29 million as of December 31, 2008 and 2007, amounted to ₱486.49 million and ₱881.86 million as of December 31, 2008 and 2007, respectively (see Note 6).

Estimating decommissioning and site rehabilitation costs
The Company is legally required to fulfill certain obligations under its DENR issued ECC when it abandons depleted mine pits. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. 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 recorded production cost and increase noncurrent liabilities. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

The discount rate currently applied in the calculation of the net present value of provision is 6.55%. Rehabilitation expenditure is largely expected to take place up to 2012.

As of December 31, 2008 and 2007, the provision for decommissioning and site rehabilitation has a carrying value of ₱13.20 million and ₱12.21 million, respectively (see Note 14).

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

The net book values of the property, plant and equipment and software cost as of December 31, 2008 amounted to ₱1,106.06 million and ₱5.37 million, respectively. The net book values of the property, plant and equipment and software cost as of December 31, 2007 amounted to ₱1,904.37 million and ₱1.73 million, respectively (see Notes 8 and 10).

Estimating impairment for nonfinancial assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

The net book values of the property, plant and equipment and software cost as of December 31, 2008 amounted to ₱1,106.06 million and ₱5.37 million, respectively. The net book values of the property, plant and equipment and software cost as of December 31, 2007 amounted to ₱1,904.37 million and ₱1.73 million, respectively (see Notes 8 and 10).

Deferred income tax assets
The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company 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 Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

As of December 31, 2008 and 2007, the Company has deferred tax assets amounting to ₱58.79 million and ₱57.29 million, respectively (see Note 24).

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 (see Note 18). Actual results that differ from the Company'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 Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

As of December 31, 2008 and 2007, the balances of the Company's net pension liability and unrecognized actuarial gain follow:

	2008	2007
Pension liability (Note 18)	**₱9,498,998**	₱4,659,224
Unrecognized actuarial gains (Note 18)	**27,311,741**	32,273,171

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

The accrued balance of unpaid vacation and sick leaves as of December 31, 2008 and 2007 amounted to ₱1.40 million and ₱3.34 million, respectively (see Note 11).

4. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash in banks and on hand	**₱26,579,217**	₱237,357,196
Cash equivalents	**985,829,945**	1,413,449,141
	₱1,012,409,162	₱1,650,806,337

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placement rates.

5. Receivables

This account consists of:

	2008	2007
Trade (Notes 12, 28 and 29)		
Local sales	**₱1,766,074,476**	₱772,642,764
Export sales	**7,344,063**	294,296,228
Due from related parties (Notes 17, 28 and 29)	**6,607,698**	57,920,745
Advances to suppliers	**97,621,328**	135,825,128
Others (Notes 28 and 29)	**25,926,943**	17,859,279
	1,903,574,508	1,278,544,144
Less allowance for doubtful accounts	**26,902,850**	26,902,850
	₱1,876,671,658	₱1,251,641,294

Trade receivables are noninterest-bearing and are 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 peso.

The Advances to suppliers account represents payments made in advance for the acquisition of equipment, materials and supplies.

Others include advances to officers and employees with maturity of up to 1 year.

Details in the Company's allowance for doubtful accounts follow:

	Trade Receivable - Local Sales	Advances to Suppliers	Other Receivables	Total
At January 1, 2008	₱12,056,502	₱–	₱14,846,348	₱26,902,850
Reclassification	4,962,147	1,042,061	(6,004,208)	–
At December 31	₱17,018,649	₱1,042,061	₱8,842,140	₱26,902,850
Individual impairment	₱12,639,582	₱–	₱–	₱12,639,582
Collective impairment	4,379,067	1,042,061	8,842,140	14,263,268

6. Inventories

This account consists of:

	2008	2007
Coal inventory at cost	**₱896,734,233**	₱570,806,557
Spare parts and supplies at NRV	**486,485,933**	881,863,664
	₱1,383,220,166	₱1,452,670,221

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The cost of spare parts and supplies amounted to ₱539.77 million and ₱935.15 million as of December 31, 2008 and 2007, respectively.

The cost of coal inventories recognized as expense in the statements of income amounted to ₱6,943.59 million, ₱5,193.99 million and ₱3,713.16 million for the years ended December 31, 2008, 2007 and 2006, respectively.

7. Other Current Assets

This account consists of:

	2008	2007
5% input value added tax (VAT) withheld	**₱190,500,982**	₱190,500,982
Prepaid rent	**19,967,673**	–
Prepaid insurance and others	**14,141,950**	13,986,378
Environmental guarantee fund	**1,500,000**	1,500,000
	₱226,110,605	₱205,987,360

As a result of the enactment of Republic Act No. 9337 effective November 1, 2005 (see Note 24), NPC started withholding the required 5% input VAT on the VAT exempt coal sales of the Company. On March 7, 2007, the Company obtained a ruling from the Bureau of Internal Revenue which stated that the sale of coal remains exempt from VAT.

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 Company's environmental unit (EU).

8. Property, Plant and Equipment

The rollforward analysis of this account follows:

	2008				
	Mining Equipment	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
At Cost					
At January 1	₱8,930,642,580	₱1,425,618,757	₱279,062,950	₱207,937,003	₱10,843,261,290
Additions	1,551,863,209	23,916,279	–	128,750,218	1,704,529,706
Transfers	127,081,500	–	–	(127,081,500)	–
Disposals	(1,682,228,003)	–	–	–	(1,682,228,003)
At December 31	8,927,359,286	1,449,535,036	279,062,950	209,605,721	10,865,562,993
Accumulated Depreciation and Amortization					
At January 1	7,770,695,515	904,267,126	263,926,447	–	8,938,889,088
Depreciation and amortization (Note 19)	943,370,908	117,521,747	14,878,121	–	1,075,770,776
Disposals	(255,161,129)	–	–	–	(255,161,129)
At December 31	8,458,905,294	1,021,788,873	278,804,568	–	9,759,498,735
Net Book Value	₱468,453,992	₱427,746,163	₱258,382	₱209,605,721	₱1,106,064,258

	2007				
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Construction in Progress	Total
At Cost					
At January 1	₱8,619,912,796	₱1,258,757,324	₱278,332,951	₱396,180,421	₱10,553,183,492
Additions	185,027,159	4,345,770	–	163,923,264	353,296,193
Transfers	168,424,567	183,012,116	729,999	(352,166,682)	–
Disposals	(42,721,942)	(20,496,453)	–	–	(63,218,395)
At December 31	8,930,642,580	1,425,618,757	279,062,950	207,937,003	10,843,261,290
Accumulated Depreciation and Amortization					
At January 1	6,367,951,032	841,600,758	248,369,393	–	7,457,921,183
Depreciation and amortization (Note 19)	1,445,259,536	64,998,567	15,557,054	–	1,525,815,157
Disposals	(42,515,053)	(2,332,199)	–	–	(44,847,252)
At December 31	7,770,695,515	904,267,126	263,926,447	–	8,938,889,088
Net Book Value	₱1,159,947,065	₱521,351,631	₱15,136,503	₱207,937,003	₱1,904,372,202

Certain mining equipment have been pledged as collaterals to secure the indebtedness of the Company to a local bank (Note 13).

9. Investments and Advances

This account consists of:

	Ownership	2008	2007
Cost			
DMCI Mining Corporation (DMCI-MC)	**50%**	**₱100,000,000**	₱43,294,790
DMCI Power Corporation (DMCI-PC)	**50%**	**125,000,000**	37,576,417
		225,000,000	80,871,207
Equity in net losses		**(1,768,241)**	–
		₱223,231,759	₱80,871,207

On February 18, 2008, the Company entered into a 50%-50% venture with DMCI-HI, for the following investments:

- DMCI-Mining Corporation (DMCI-MC), a corporation engaged in nickel mining and other base metals
- DMCI Power Corporation (DMCI-PC), a corporation engaged in power generation

The following table summarizes the significant financial information of the Company's associates:

	2008	2007
Assets		
DMCI-PC	**₱218,236,826**	₱37,520,230
DMCI-MC	**346,504,106**	145,884,555
	564,740,932	183,404,785

(Forward)

	2008	2007
Liabilities		
DMCI-PC	**₱3,581,265**	₱1,948,046
DMCI-MC	**126,435,142**	82,324,527
	130,016,407	84,272,573
Net assets		
DMCI-PC	**214,655,561**	35,572,184
DMCI-MC	**220,068,964**	63,560,028
	₱434,724,525	₱99,132,212

DMCI-MC
In March 2007, DMCI-MC entered into a MOA with Fil-Asian Strategic Resources and Properties Corporation (Fil-Asian) wherein Fil-Asian appointed the Company to exclusively undertake mining operations in the municipalities of Sta. Cruz and Candelaria, Province of Zambales. The profits of the mining operations will be split equally between the parties. The annual work program shall aim to accomplish five (5) million tons of ore in five (5) years. This agreement shall terminate upon the Company's extraction of five (5) million tons of laterite from the property, or the expiration of five (5) years from the date of the execution of this agreement, whichever comes first.

10. Other Noncurrent Assets

This account consists of:

	2008	2007
Security deposits (Note 28)	**₱251,086,303**	₱–
Prepaid rent - noncurrent	**11,130,778**	–
Software cost - net	**5,374,111**	1,730,482
Others	**16,158,118**	10,392,763
	₱283,749,310	₱12,123,245

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

As of December 31, 2008, security deposits with a nominal amount of ₱282.37 million were recorded at amortized cost amounting to ₱248.09 million. Interest income recognized from these deposits amounted to ₱2.99 million for the year ended December 31, 2008. The unamortized discount amounted to ₱31.29 million.

The movements in the software cost account follow:

	2008	2007
At Cost		
At January 1	**₱4,609,747**	₱4,259,950
Additions	**5,492,990**	349,797
At December 31	**10,102,737**	4,609,747
Accumulated Amortization		
At January 1	**2,879,265**	853,031
Amortization	**1,849,361**	2,026,234
At December 31	**4,728,626**	2,879,265
Net Book Value	**₱5,374,111**	₱1,730,482

11. Trade and Other Payables

This account consists of:

	2008	2007
Trade	**₱966,531,831**	₱518,162,244
Accrued expenses and other payables	**123,135,493**	97,785,184
Payable to DOE and local government units (Note 26)	**52,734,125**	53,558,600
Due to related parties (Note 17)	**45,761,873**	12,920,756
	₱1,188,163,322	₱682,426,784

Trade payables include liabilities amounting to ₱203.63 million (US$4.28 million) and ₱68.91 million (US$1.67 million) as of December 31, 2008 and 2007, 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 a 30 to 60-day credit terms.

Details of the accrued expenses and other payables account follow:

	2008	2007
Interest	**₱64,012,231**	₱52,332,770
Withholding taxes	**23,020,711**	22,050,957
Coal handling costs	**18,339,067**	4,503,466
Salaries and wages	**3,134,031**	2,806,773
Professional fees	**1,261,786**	1,261,786
Others	**13,367,667**	14,829,432
	₱123,135,493	₱97,785,184

12. Customers' Deposits

The deposits are due to the following customers:

	2008	2007
Good Found Cement Corporation	**₱1,206,858**	₱–
Steag State Power Inc. (SSP)	–	6,691,962
National Power Corporation (NPC)	–	1,441,678
Phil. Phosphate Fertilizer Corp (PPFC)	–	733,383
	₱1,206,858	₱8,867,023

These deposits represent advances from customers that are applied against future coal deliveries which occur within one year from the dates the deposits are made. The deliveries are in accordance with the existing coal supply agreements (CSA) and/or memorandum of agreements (MOA) with these customers.

NPC
The Company has a CSA with NPC, a major customer, dated May 19, 1995, whereby the Company agreed to sell and NPC agreed to buy from the Company the local coal requirements of its 2 x 300 megawatt coal-fired power plants at Calaca, Batangas (Calaca I & II).

The CSA is effective for 15 years up to May 2010. Subsequent amendments have been made to the CSA in 2001 and 2002 and the most relevant among those amendments included the following:

a) NPC to be entitled to an additional 3% discount in the event that its aggregate lifting in any given year exceeds 1,100,000 MT up to 2,400,000 MT of coal. Discount computation shall start on the month its aggregate lifting exceeds 1,100,000 MT of coal;

b) maintenance by the Company, at its own expense, of a minimum coal running inventory of at least 100,000 MT that meets the applicable coal specifications set forth in the second amendment of the CSA and ready in all aspects for loading and delivery to Calaca I and Calaca II;

c) limitation in the coal's sulfur content to 1.0% in compliance with the Clean Air Act and reduction in its ash specification to 20% to minimize coal handling problems;

d) inclusion of certain bases of NPC's exercise of its rights to reject and/or stop coal deliveries by the Company to NPC, consequences of coal rejection in terms of title and risk of loss to coal delivered, relief from payment by NPC, and removal of delivered coal from NPC premises; and remedies for the Company in the event NPC exercises such rights;

e) changes in (i) the pricing periods to a 3-month period which shall commence respectively at the beginning of a calendar quarter namely: January 1, April 1, July 1, and October 1; and (ii) the computation of the base price of the Company's coal delivery including the determination of the initial and final base prices, to consider the volatile foreign exchange situation and the price of all NPC imported coal for Calaca plant during the pricing period; and

f) changes in the computation of the adjustment for penalty or bonus from the base price per MT.

In 2003, the supplemental agreement (The Agreement) to the CSA has been finalized. The Agreement provided for, among others, the services to be undertaken by the Company for the coal handling operations at Calaca, Batangas as a result of the extension of coal delivery from C&F Discharge Port to C&F Silo with the cost of ₱66 per MT plus value added tax.

The services to be undertaken by the Company in order to extend its delivery service from discharge port to silos includes coal unloading and handling; repairs and maintenance of coal handling facilities; stevedoring services; support activities and coal yard management; and tree planting, marine life protection program and environmental programs to enhance image of NPC power plants. The Company recognized a loss of ₱11.09 million in 2008 and an income of ₱23.40 million and ₱25.98 million in 2007 and 2006, respectively, from this handling operation.

The Company's receivables from NPC amounted to ₱1,210.71 million and ₱471.65 million as of December 31, 2008 and 2007, respectively.

Solid and SSP
The Company has existing MOAs with Solid and SSP. These MOAs cover coal deliveries aggregating to 20,000 MT in 2007 and 36,000 MT in 2006 with an estimated base price of ₱2,900.00 per MT for SSP and ₱1,800.00 per MT for Solid.

13. Long-term Debt

This account consists of:

	2008	2007
Bank loans	**₱515,017,314**	₱877,078,302
Acceptances and trust receipts payable	**11,281,248**	250,673,928
	526,298,562	1,127,752,230
Less current portion of:		
Bank loans	**377,952,072**	479,497,267
Acceptances and trust receipts payable	**11,281,248**	250,673,928
	389,233,320	730,171,195
	₱137,065,242	₱397,581,035

Details of the obligations follow:

Loan Type	Date of Availment	Outstanding Balance 2008	Outstanding Balance 2007	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Million)					
Local bank loans							
Loan 1	September 30, 2005	₱57.32	₱120.67	October 5, 2009	9% fixed p.a.	Payable in 48 equal monthly installments commencing on November 5, 2005	Secured by collaterals on mining equipment (Note 8)
Other loans	Various in 2008	102.50	258.35	Various in 2008 and 2009	8% fixed p.a.	Various	None

(Forward)

Loan Type	Date of Availment	Outstanding Balance 2008	2007	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Foreign bank loans							
Loan 1	December 14, 2005	148.53	193.54	November 30, 2010	Based on SIBOR plus 1.95% p.a.	Repriceable and payable in 16 equal quarterly installments to commence 2 months after the draw down dates	Unconditional and irrevocable guarantee issued by Komatsu Asia and Pacific Pte Ltd. and other covenants
Other loans	Various availments in 2004 and 2005	206.67	304.52	Various maturities in 2009 and 2010	Based on 6-month USD LIBOR plus 1.5% p.a.	Payable in 10 equal consecutive semi-annual installments, the first of which was due and payable 6 months after the starting point	Unconditional and irrevocable guarantee issued by DMCI-HI (Note 17)
		515.02	877.08				
Various Letters of Credits	Various dates of availments	11.28	250.67	Various maturities in 2008 and 2009	Interest ranging from 8% to 11% p.a.	Payable within 1 year	None
		₱526.30	₱1,127.75				

The other covenants in loan 1 under the foreign bank loans require the Company to seek prior written notice to the lender in respect of any financial indebtedness for loans or credit extended by the Company to an affiliate and directors and officers in excess of US$3.00 million and US$1.00 million, respectively, or their equivalent in other currencies.

14. Provision for Decommissioning and Site Rehabilitation

The rollforward analysis of this account follows:

	2008	2007
At January 1	**₱12,205,198**	₱11,138,611
Accretion of interest	**999,119**	1,066,587
At December 31	**₱13,204,317**	₱12,205,198

15. Capital Stock

The details of the Company's capital stock follow:

Common stock - ₱1 par value	
Authorized - 1,000,000,000 shares	₱1,000,000,000
Issued and outstanding - 296,875,000 shares	296,875,000

Cost of Shares Held in Treasury

On July 7, 2005, the BOD approved the buy back of Company 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 buy back 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.

A reconciliation of the movement of the treasury shares follows:

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At January 1	**19,302,200**	**(₱528,891,260)**	19,302,200	(₱528,891,260)	13,802,700	(₱383,633,460)
Acquisitions	–	–	–	–	5,499,500	(145,257,800)
At December 31	**19,302,200**	**(₱528,891,260)**	19,302,200	(₱528,891,260)	19,302,200	(₱528,891,260)

16. Retained Earnings

Cash Dividends
On February 18, 2008, the BOD approved and declared cash dividends of ₱4.00 per share or ₱1,110.29 million to stockholders of record as of March 3, 2008. The said cash dividends were paid on March 27, 2008.

On March 26, 2007 and March 6, 2006, the BOD approved and declared cash dividends of ₱1.20 per share or ₱333.09 million to stockholders of record as of April 12, 2007 and March 26, 2006. The said cash dividends were paid on April 30, 2007 and April 20, 2006, respectively.

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

On March 18, 2008, the BOD authorized an additional ₱500.00 million appropriation for capital expenditures and expansion and likewise, on November 11, 2008, the BOD approved the reversal of the appropriated retained earnings in the amount ₱800.00 million. The remaining ₱700 million shall continue to be appropriated for capacity expansion and additional investment.

Retained earnings are restricted for the payment of dividends to the extent of the cost of the common shares held in treasury amounting to ₱528.90 million for the years ended December 31, 2008, 2007 and 2006.

17. Related Party Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. In the regular course of business, the Company's significant transactions with related parties include the following:

a. In November 2006, the Company placed a short-term cash investment in DMCI-HI for a period of 180 days amounting to ₱300.00 million which bear interest at a rate of 11% per annum. Interest income earned in 2007 and 2006 amounted to ₱8.05 million and ₱3.25 million, respectively. On March 22, 2007, the short-term cash investment was terminated (see Note 22);

b. Continuing Indemnity Agreement dated September 3, 1998 with DMCI-HI and certain related parties whereby the 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 Company'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 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 loan were fully paid. The loans contracted in 2004 and 2005 were still guaranteed by DMCI-HI. Guarantee fees incurred amounted to ₱5.20 million, ₱8.07 million and ₱12.29 million for the years ended December 31, 2008, 2007 and 2006, respectively. These are included under finance costs in the statements of income (see Note 21);

c. DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, has transactions with the Company for services rendered relating to the Company's coal operations. These included services for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to ₱25.25 million, ₱20.12 million and ₱24.48 million for the years ended December 31, 2008, 2007, and 2006, respectively. These are included under Cost of sales - Outside services (see Note 19);

d. DMC-CERI also provides to the Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to ₱299.52 million, ₱468.10 million and ₱308.93 million for the years ended December 31, 2008, 2007 and 2006, respectively, and are included under Cost of sales - Shipping, hauling and shiploading costs (see Note 19). The reported expense of the company is net of freight payment by NPC (billing is C&F);

e. DMC Urban Property Developers, Inc. (UPDI), M&S Co., DMC-CERI and D.M. Consunji, Inc. (DMCI) had transactions with the Company representing equipment rental, long-term lease on office space and other transactions, such as transfer of equipment, materials, supplies and labor services rendered to the Company necessary for the coal operations. Equipment rental expense incurred amounted to ₱142.20 million, ₱103.79 million and ₱103.15 million in 2008, 2007 and 2006, respectively. Office rental expense amounted to ₱14.48 million, ₱3.35 million and ₱2.67 million in 2008, 2007 and 2006, respectively. Transfer of materials and supplies amounted to ₱0.59 million, ₱11.21 million and ₱10.84 million for the years ended December 31, 2008, 2007 and 2006, respectively (covering steel structures and construction materials and parts for various projects). These expenses are included under Cost of sales - Production overhead (see Note 19);

f. Labor cost related to manpower services rendered by DMC-CERI and DMCI employees represents actual salaries and wages covered by the period when the services were rendered to Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned; and

g. CSA with DMCI-PC was entered in September 4, 2007 whereby the Company agreed to sell and DMCI-PC agreed to purchase coal annually for a period of fifteen (15) years from May 3, 2009 to May 4, 2024.

The Company has not recorded any impairment losses on its receivables relating to amounts owned by related companies. This assessment is undertaken each financial year.

The following table summarizes the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Amounts due from related parties	Amounts due to related parties
2008	₱6,607,698	₱45,761,873
2007	57,920,745	12,920,756

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

	2008	2007	2006
Short-term employee benefits	**₱20,013,150**	₱17,584,535	₱9,010,375
Post employment benefits	**1,942,391**	2,138,923	843,467
	₱21,955,541	₱19,723,458	₱9,853,842

There are no agreements between the Company 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 Company's pension plan.

18. Pension Plan

The Company has a funded, noncontributory defined benefit plan covering substantially all of its employees.

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

	2008	2007	2006
Current service cost	**₱4,536,956**	₱4,202,052	₱8,788,614
Interest cost on benefit obligation	**2,212,513**	4,659,224	2,573,489
Actuarial gain recognized	**(1,909,695)**	–	(1,024,536)
	₱4,839,774	₱8,861,276	₱10,337,567

The pension liability recognized in the balance sheets follows:

	2008	2007
Present value of defined benefit obligation	**₱39,107,208**	₱27,760,518
Fair value of plan assets	**56,919,951**	55,374,465
Excess of fair value of plan assets over present value of defined benefit obligation	**(17,812,743)**	(27,613,947)
Unrecognized actuarial gain	**27,311,741**	32,273,171
	₱9,498,998	₱4,659,224

Movements in the present value of defined benefit obligation follow:

	2008	2007
At January 1	**₱27,760,518**	₱57,379,603
Current service cost	**4,536,956**	4,202,052
Interest cost on benefit obligation	**2,212,513**	4,659,224
Benefits paid	**–**	(1,497,515)
Actuarial loss (gain)	**4,597,221**	(36,982,846)
At December 31	**₱39,107,208**	₱27,760,518

Movements in the fair value of plan assets follow:

	2008	2007
Balance at beginning of year	**₱55,374,465**	₱–
Contributions	**–**	56,871,980
Benefits paid	**–**	(1,497,515)
Actuarial gain from plan assets	**1,545,486**	–
Balance at end of year	**₱56,919,951**	₱55,374,465

The Company's plan assets consist mainly of cash.

The rollforward of unrecognized actuarial gain (loss) follows:

	2008	2007	2006
At January 1	**₱32,273,171**	(₱4,709,675)	₱18,937,011
Additional actuarial gain (loss) from plan obligations	**(4,597,221)**	36,982,846	(22,622,150)
Actuarial gain from plan assets	**1,545,486**	–	–
Actuarial gain recognized	**(1,909,695)**	–	(1,024,536)
At December 31	**₱27,311,741**	₱32,273,171	(₱4,709,675)

Actual return on plan assets amounted to ₱1.55 million for the year ended December 31, 2008. 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 assumptions used to determine pension benefits of the Company for the years ended December 31, 2008, 2007 and 2006 follow:

	2008	2007	2006
Discount rate	**9.55%**	7.97%	8.12%
Salary increase rate	**3.00%**	10.00%	6.00%
Expected rate of return on plan assets	**6.00%**	2.00%	0.00%

The amounts for the current and previous two periods follow:

	2008	2007	2006
Present value of defined benefit obligation	**₱39,107,208**	₱27,760,518	₱52,669,928
Fair value of plan assets	**56,919,951**	55,374,465	–
Unfunded obligation	**(17,812,743)**	(27,613,947)	52,669,928
Experience adjustments on plan liabilities	**(12,320,619)**	(37,166,703)	14,502,816
Experience adjustments on plan assets	**1,545,486**	–	–

The Company expects to contribute about ₱4.54 million into the pension fund for the annual period ending December 31, 2009.

19. Cost of Sales and Services

This account consists of:

	2008	2007	2006
Materials and supplies (Note 17)	**₱2,289,843,994**	₱1,304,615,144	₱670,710,940
Fuel and lubricants	**1,870,250,075**	1,161,726,775	1,068,281,359
Depreciation and amortization (Notes 8 and 10)	**1,154,232,140**	1,651,861,176	1,169,414,380
Outside services (Note 17)	**688,021,318**	345,638,871	268,620,540
Shipping, hauling and shiploading costs (Note 17)	**380,577,351**	253,282,342	159,130,227
Production overhead	**295,817,464**	232,361,367	222,425,015
Direct labor	**264,843,502**	244,503,934	154,578,648
	₱6,943,585,844	₱5,193,989,609	₱3,713,161,109

20. Operating Expenses

This account consists of:

	2008	2007	2006
Government share (Note 26)	₱253,381,663	₱191,290,056	₱138,272,655
Personnel costs (Notes 17 and 18)	87,214,869	67,852,077	23,804,340
Wharfage fees	34,036,568	–	–
Professional fees	15,511,658	15,187,397	7,285,341
Transportation and travel	12,134,020	10,260,915	8,015,437
Entertainment, amusement and recreation	7,628,340	7,018,849	8,678,867
Taxes and licenses	3,568,231	1,017,989	1,752,898
Reversal of provision for real property tax (Note 27)	–	–	(71,530,122)
Office expenses and others	45,450,464	31,755,090	16,846,318
	₱458,925,813	₱324,382,373	₱133,125,734

The provision that was previously recognized for a pending claim amounting to ₱71.53 million was reversed in 2006. The management strongly believes that there will be no material outflow of Company's resources relative to said claim due to claimant's inaction after the Company apprised claimant of the basis of the Company's legal position.

21. Finance Costs

The finance costs are incurred from the following financial liabilities:

	2008	2007	2006
Interest on:			
Bank loans	₱70,134,901	₱124,272,283	₱115,834,669
Acceptances and letters of credits, other short-term borrowings and accretion of interest on ARO	31,105,183	15,274,663	73,229,501
Purchase contracts	–	704,515	23,974,286
	₱101,240,084	₱140,251,461	₱213,038,456

22. Finance Revenue

Finance revenue is derived from following sources:

	2008	2007	2006
Interest on:			
Short term placements and temporary investments (Note 17)	₱69,348,852	₱39,098,278	₱52,847,520
Cash in banks	4,892,729	1,203,070	1,679,066
Accretion on security deposits	2,993,402	–	–
	₱77,234,983	₱40,301,348	₱54,526,586

23. Other Income

This account consists of:

	2008	2007	2006
Gain on sale of equipment	**₱44,713,500**	₱5,173,911	₱20,066,758
Recoveries from insurance claims	**9,729,272**	4,249,977	70,205,364
Miscellaneous	**–**	–	17,335,714
	₱54,442,772	₱9,423,888	₱107,607,836

24. Income Taxes

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

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	35.00%
Adjustments for:			
Additional deductible expense from adopt-a-school program	**(0.25)**	(0.38)	(0.04)
Interest income already subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.19)**	(0.54)	(1.00)
Equity in net losses of associates	**0.06**	–	–
Tax-exempt income	**(11.46)**	–	–
Change in tax rate	**(0.22)**	–	–
Effective income tax rate	**22.94%**	34.08%	33.96%

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

	2008	2007
Deferred income tax assets on:		
Pension costs	**₱15,742,603**	₱18,368,825
Allowance for inventory write down	**15,986,077**	18,650,424
Unamortized discount on security deposits	**9,383,914**	–
Allowance for doubtful accounts	**8,070,855**	9,415,997
Accrual of expenses	**5,645,154**	6,586,014
Provision for decommissioning and site rehabilitation	**3,961,295**	4,271,819
	58,789,898	57,293,079
Deferred income tax liabilities on:		
Incremental cost of property, plant and Equipment	**46,951,572**	80,363,926
Net unrealized foreign exchange gains	**16,633,945**	44,532,362
Unamortized prepaid rent	**9,329,535**	–
	72,915,052	124,896,288
Net deferred income tax liabilities	**(₱14,125,154)**	(₱67,603,209)

The Republic Act (R.A.) No. 9337 that was enacted into law in 2005 amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said R.A. was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009.

Board of Investments (BOI) Incentives
On September 26, 2008, the Board of Investments ("BOI") issued in favor of the 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 Company shall be entitled to the following incentives, among others:

a. Income Tax Holiday (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 MT representing the Company's average sales volume for the past three (3) years prior to the expansion shall be used.

   The 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.

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

25. Basic / Diluted Earnings Per Share

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

	2008	2007	2006
Net income	**₱796,398,791**	₱633,284,994	₱601,242,858
Divided by the weighted average number of common shares outstanding	**277,572,800**	277,572,800	278,289,067
Basic / diluted earnings per share	**₱2.87**	₱2.28	₱2.16

For the years ended December 31, 2008, 2007 and 2006, there were no outstanding dilutive potential common shares.

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26. Coal Operating Contract with DOE

The Company has a Coal Operating Contract with DOE dated July 11, 1977, as amended on January 16, 1981, for the exploration, development, mining and utilization of coal over Semirara Island, Antique under the terms and conditions provided therein and pursuant to the provisions of Presidential Decree No. 972, otherwise known as the Coal Development Act of 1976. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. The contract also provides for the manner and basis of sharing the gross proceeds from coal production between the Company and DOE. The 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 local government units in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱253.38 million and ₱191.29 million as of December 31, 2008 and 2007, respectively (see Note 20). The liabilities, amounting to ₱52.73 million and ₱53.56 million are included under the "Trade and other payables" account in the balance sheets (see Note 11).

In 2002, DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Company to feed its power plant in determining the amount due to DOE.

27. Contingencies

The Company is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

28. Financial Risk Management Objectives and Policies

The Company's financial liabilities comprise bank loans, trade payables, purchase contracts and loans. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from operations.

The main risks arising from the Company's financial instruments are 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:

Interest Rate Risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term obligations with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company'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 Company'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.

2008

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates						
5.25% to 6.5%	₱1,012,409	₱–	₱–	₱–	₱–	₱1,012,409
Long-term debts						
Fixed Rate						
Local bank loan						
9% interest rate	₱57,315	₱–	₱–	₱–	₱–	₱57,315
Various local bank loans						
8% interest rate	102,497	–	–	–	–	102,497
Various letters of credit						
8-11% interest rate	11,281	–	–	–	–	11,281
Floating Rate						
$15.14 million loan (USD)						
6 month USD LIBOR						
plus 1.5% per annum	143,875	62,800	–	–	–	206,675
$6.64 million loan (USD)						
3 month SIBOR						
plus 1.95% per annum	74,265	74,265	–	–	–	148,530
	₱389,233	₱137,065	₱–	₱–	₱–	₱526,298

2007

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates						
5.25% to 6.5%	₱1,650,806	₱–	₱–	₱–	₱–	₱1,650,806
Long-term debts						
Fixed Rate						
Local bank loan						
9% interest rate	₱63,358	₱57,315	₱–	₱–	₱–	₱120,673
Various local bank loans						
8% interest rate	226,644	31,704	–	–	–	258,348
Various letters of credit						
8-11% interest rate	250,674	–	–	–	–	250,674
Floating Rate						
$15.14 million loan (USD)						
6 month USD LIBOR						
plus 1.5% per annum	124,982	124,982	54,554	–	–	304,518
$6.64 million loan (USD)						
3 month SIBOR						
plus 1.95% per annum	64,513	64,513	64,513	–	–	193,539
	₱730,171	₱278,514	₱119,067	₱–	₱–	₱1,127,752

The following table demonstrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2008 and 2007, with all variables held constant, through the impact on floating rate borrowings.

2008

	Change in basis points +100 basis points Effect on income before income tax	Effect on equity
	(In hundred thousands)	
Company - floating rate borrowings	(₱3,555)	(₱2,311)

	Change in basis points -100 basis points Effect on income before income tax	Effect on equity
	(In hundred thousands)	
Company - floating rate borrowings	₱3,555	₱2,311

2007

	Change in basis points +100 basis points Effect on income before income tax	Effect on equity
	(In thousands)	
Company - floating rate borrowings	(₱4,992)	(₱3,245)

	Change in basis points -100 basis points Effect on income before income tax	Effect on equity
	(In thousands)	
Company - floating rate borrowings	₱4,992	₱3,245

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Company'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.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2008 and 2007 based on undiscounted contractual payments.

2008

	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US$)	Total - Gross (in PHP)
Liabilities:						
Trade and other payables	₱1,188,163,322	₱–	₱–	₱–		₱1,188,163,322
Floating Rate						
US$15.14 million loan						
6 month USD LIBOR						
Plus 1.5% per annum	$3,029,936	$1,322,369	$–	$–	$4,352,305	₱206,821,534
US$6.64 million loan						
3 month SIBOR						
Plus 1.95% per annum	$1,565,141	$1,563,820	$–	$–	$3,128,961	148,688,227
Various letters of credits and suppliers debt with						
various interest rates	₱11,281,248	₱–	₱–	₱–		11,281,248
Fixed Rate						
₱234.58 million promissory note						
9.00% per annum	₱59,705,710	₱–	₱–	₱–		59,705,710
Various local loans	₱103,203,383	₱–	₱–	₱–		103,203,383
					$7,481,266	₱1,717,863,424

2007

	Within 1 year	1-2 years	2-3 years	3-4 years	Total – Gross (In US$)	Total - Gross (in PHP)
Liabilities:						
Trade and other payables	₱682,426,784	₱–	₱–	₱–		₱682,426,784
Floating Rate						
US$15.14 million loan						
6 month USD LIBOR						
Plus 1.5% per annum	$3,035,319	$3,033,560	$1,322,908	$–	$7,391,787	₱305,132,967
US$6.64 million loan						
3 month SIBOR						
Plus 1.95% per annum	$1,569,594	$1,567,456	$1,564,605	$–	$4,701,655	194,084,318
Various letters of credits and suppliers debt with						
various interest rates	₱255,821,417	₱–	₱–	₱–		255,821,417
Fixed Rate						
₱234.58 million promissory note						
9.00% per annum	₱71,646,852	₱59,705,677	₱–	₱–		131,352,529
Various local loans	₱233,219,567	₱32,032,847	₱–	₱–		265,252,414
					$12,093,442	₱1,834,070,429

Foreign Currency Risk
The Company's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US$. Majority of revenues are generated in Pesos, however, substantially all of capital expenditures are in US$. Approximately 30.16% and 29.17% of debts as of December 31, 2008 and 2007, respectively, were denominated in US$.

The foreign currency-denominated loans of the Company are matched with the dollar revenues earned from export sales, hence, this is not viewed by the Company as a significant currency risk exposure.

Information on the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows:

	December 31, 2008		December 31, 2007	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$828,243**	**₱39,358,107**	$9,473,323	₱391,058,773
Trade receivables	**154,547**	**7,344,063**	7,129,269	294,296,224
Liabilities				
Trade payables	**(4,285,231)**	**(203,634,180)**	(1,669,348)	(68,910,685)
Long-term debt (including current portion)	**(7,475,029)**	**(355,213,366)**	(12,065,361)	(498,058,102)
Net foreign currency denominated assets (liabilities)	**($10,777,470)**	**(₱512,145,376)**	$2,867,883	₱118,386,210

The spot exchange rates used in 2008 and 2007 were ₱47.52 to US$1 and ₱41.28 to US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Company's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2008 and 2007.

Reasonably possible change in foreign exchange rate for every five units of Philippine Peso	Increase (decrease) in profit before tax **2008**	2007
₱5	**(₱53,887,350)**	₱14,339,415
(₱5)	**53,887,350**	(14,339,415)

There is no impact on the Company's equity other than those already affecting net income.

The Company recognized ₱82.78 million foreign exchange loss for the year ended December 31, 2008 and ₱102.96 million foreign exchange gain for the year ended December 31, 2007, arising from the translation of the Company's cash and cash equivalents, trade receivables, accounts payable and other payables and long-term debt.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company 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 Company's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company generally offers 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

With respect to the credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company transacts only with institutions or banks that have proven track record in financial soundness.

The credit risk is concentrated to the following markets:

	2008	2007
Trade		
Local sales	**98.15%**	71.22%
Export sales	**0.41**	27.13
Other receivables	**1.44**	1.65
Total	**100.00%**	100.00%

The table below shows the maximum exposure to credit risk of the Company.

	Gross Maximum Exposure	
	2008	2007
Cash and cash equivalents	**₱1,012,409,162**	₱1,650,806,337
Receivables		
Trade		
Local sales	**1,766,074,476**	772,642,764
Export sales	**7,344,063**	294,296,228
Due from related parties	**6,607,698**	57,920,745
Advances to suppliers	**97,621,328**	135,825,128
Others	**25,926,943**	17,859,279
Security deposits	**251,086,303**	–
Total credit risk exposure	**₱3,167,069,973**	₱2,929,350,481

As of December 31, 2008 and 2007, the credit quality per class of financial assets is as follows:

2008

	Neither past due nor impaired		Past due or Individually	
	Grade A	Grade B	Impaired	Total
Cash and cash equivalents	₱1,012,409,162	₱–	₱–	₱1,012,409,162
Trade				
Local sales	763,031,999	72,668,132	930,374,345	1,766,074,476
Export sales	7,344,063	–	–	7,344,063
Due from related parties	6,607,698	–	–	6,607,698
Advances to suppliers	96,579,267	–	1,042,061	97,621,328
Others	–	4,180,958	21,745,985	25,926,943
Security deposits	251,086,303	–	–	251,086,303
Total	₱2,137,058,492	₱76,849,090	₱953,162,391	₱3,167,069,973

2007

	Neither past due nor impaired		Past due or Individually	
	Grade A	Grade B	Impaired	Total
Cash and cash equivalents	₱1,650,806,337	₱–	₱–	₱1,650,806,337
Trade				
Local sales	369,520,739	90,726,026	312,395,999	772,642,764
Export sales	294,296,228	–	–	294,296,228
Due from related parties	57,920,745	–	–	57,920,745
Advances to suppliers	135,825,128	–	-	135,825,128
Others	–	862,912	16,996,367	17,859,279
Total	₱2,508,369,177	₱91,588,938	₱329,392,366	₱2,929,350,481

Grade A 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.

Grade A accounts are accounts considered to be high value and are covered with coal supply agreements, for trade receivables. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts active accounts with minimal to regular 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.

As of December 31, 2008 and 2007, the aging analysis of the Company's receivables presented per class is as follows:

2008

	Past due but not impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade - local sales	₱877,327,836	₱36,027,859	₱17,018,649	₱930,374,344
Advances to suppliers	–	–	1,042,061	1,042,061
Others	3,119,218	9,784,628	8,842,140	21,745,986
Total	₱880,447,054	₱45,812,487	₱26,902,850	₱953,162,391

<u>2007</u>

	Past due but not impaired		Impaired Financial Assets	Total
	<45 days	45-135 days		
Receivables				
Trade - local sales	₱272,704,089	₱27,635,408	₱12,056,502	₱312,395,999
Others	2,150,019	–	14,846,348	16,996,367
Total	₱274,854,108	₱27,635,408	₱26,902,850	₱329,392,366

Capital Management
The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Company's capital management objectives, policies or processes.

The following table shows the component of the Company's capital as of December 31:

	2008	2007
Total paid-up capital	**₱1,873,671,271**	₱1,873,671,271
Retained earnings - unappropriated	**2,256,119,235**	2,270,011,644
Retained earnings - appropriated	**700,000,000**	1,000,000,000
Cost of shares held in treasury	**(528,891,260)**	(528,891,260)
	₱4,300,899,246	₱4,614,791,655

29. **Fair Values**

The following tables set forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of December 31, 2008 and 2007.

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
<u>Loans and receivables</u>				
Cash in banks	**₱1,012,409,162**	**₱1,012,409,162**	₱1,650,806,337	₱1,650,806,337
Trade				
Local sales	**1,749,055,827**	**1,749,055,827**	760,586,262	760,586,262
Export sales	**7,344,063**	**7,344,063**	294,296,228	294,296,228
Due from related parties	**6,607,698**	**6,607,698**	57,920,745	57,920,745
Advances to suppliers	**96,579,267**	**96,579,267**	135,825,128	135,825,128
Others	**17,084,803**	**17,084,803**	3,012,931	3,012,931
Security deposits	**251,086,303**	**255,940,292**	–	–
Total	**₱3,140,167,123**	**₱3,145,021,112**	₱2,902,447,631	₱2,902,447,631

(Forward)

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities				
Long-term debt	₱526,298,562	₱533,900,484	₱1,127,752,230	₱1,140,342,375
Trade and other payables				
Trade payables	895,274,617	895,274,617	518,162,244	518,162,244
Accrued expenses and other payables	194,392,707	194,392,707	97,785,184	97,785,184
Payable to DOE and local government units	52,734,125	52,734,125	53,558,600	53,558,600
Due to related parties	45,761,873	45,761,873	12,920,756	12,920,756
Total	₱1,714,461,884	₱1,722,063,806	₱1,810,179,014	₱1,822,769,159

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial Assets
Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, receivables approximate the amount of consideration at the time of initial recognition.

Financial Liabilities
Trade and other payables
The fair values of trade and other payables approximate their carrying amounts as of balance sheet dates due to the short-term nature of the transactions.

Long-term Debt
Floating rate loans
The carrying values approximated the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fixed rate loans
Estimated fair value is based on the discounted value of future cash flows using the applicable rates (5%-13%) for similar type of loans.

30. Lease Commitments

In 2008, the Company entered into various Equipment Rental Agreement (the Agreement) wth Banco de Oro Rental, Inc. (the Lessor) for the rental of various equipment 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 Company to pay security deposit which shall be held by the Lessor as security for the faithful and timely performance by the Company of all its obligations. Upon termination of the Agreement, the Lessor shall return to the Company 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 Company.

As of December 31, 2008, the future minimum lease payments under this operating lease is as follows:

Not later than one year	₱688,927,075
After one year but not more than 2 years	356,388,690
	₱1,045,315,765

31. Note to Cash Flow Statements

Supplemental disclosure of noncash investing and financing activities follows:

	2008	2007	2006
Acquisition of conventional and other mining equipment on account (Notes 11 and 13)	**₱60,678,076**	₱138,891,215	₱873,275,980
Donation of school campus	–	18,164,254	–

On August 29, 2007 the BOD approved the donation of two (2) storeys, twelve (12) classrooms with complete basic school provisions situated in Barangay Semirara, Caluya, Antique in favor of Department of Education - Division of Antique.

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Semirara Mining Corporation included in this Form 17-A and have issued our report thereon dated March 12, 2009. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 1566411, January 5, 2009, Makati City

March 12, 2009

SEMIRARA MINING CORPORATION
SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)
As of December 31, 2008

	Name of Issuing entity & association of each issue	Number of shares or principal amount of bonds & interest		Amount shown in the balance sheet	Valued based on market quotation at balance	Income received & accrued
	Cash equivalents		₱	985,829,945		₱
			₱	985,829,945		₱ -

SEMIRARA MINING CORPORATION

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES

As of December 31, 2008

Emp. No.	Account		AMOUNT
	Advances - Officers	₱	512,682

SEMIRARA MINING CORPORATION
SCHEDULE C - NON-CURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS
As of December 31, 2008

-21428571.25

-74122330

NAME OF COMPANY	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends received/accrued fr investments not accounted for by the equity method
	Number of Shares	Amount in Pesos	Equity in Earnings (Losses) of Investees for the period	Others (Cost & Equity Adj)	Distribution of Earnings by Investees	Others (Cost & Equity adj)	Number of Shares	Amount in Pesos	
AT EQUITY:									
DMCI MINING CORPORATION		43,294,790	9,901,863	56,705,210				109,901,863	
DMCI POWER CORPORATION		37,576,417	(11,670,104)	87,423,583		-		113,329,896	
								-	
TOTAL		**80,871,207**	**(1,768,241)**	**144,128,793**	-	-	-	**223,231,759**	

SEMIRARA MINING CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES & RELATED PAR
As of December 31, 2008

Name of Related Parties	Balance at Begining of Period	Balance at End of Period
Total	-	-

SEMIRARA MINING CORPORATION
SCHEDULE E - INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2008

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADD/(DED)	ENDING BALANCE
Software	1,730,482	5,492,990	(1,849,361)			**5,374,111**

SEMIRARA MINING CORPORATION
SCHEDULE F - LONG TERM DEBT
As of December 31, 2008

TITLE OF ISSUE & TYPE OF OBLIGATION	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT	LONG-TERM DEBT NET OF CURRENT PORTION
BANK LOANS			
HVB (SLA-1 EX-4 TR1)	20,003,945	20,003,945	-
HVB (SLA-2 EX-4 TR1)	28,041,816	42,062,724	14,020,908
HVB (SLA-3 EX-5 TR1)	28,751,559	43,127,338	14,375,779
HVB (SLA-04 Conveyor Belt)	22,844,100	22,844,100	-
HVB (SLA-05 Conveyor Belt)	9,830,385	9,830,385	-
HVB (SLA-06 RH40)	13,497,827	26,995,654	13,497,827
HVB (SLA-07 RH120)	20,905,354	41,810,708	20,905,354
PCI Leasing	57,314,973	57,314,973	-
Mizuho Banks	74,265,373.67	148530747.3	74,265,374
			-
Acceptances & Trust Reciepts			
BDO LC7404118091 FLS	3516480	3516480	-
BDO LC704117483	7,764,768	7,764,768	-
Mizuho take-out	18004661.09	18004661.09	-
RCBC		-	-
LCI015119	65698495.63	65698495.63	-
Mizuho	18793582.58	18793582.58	-
TOTAL	**389,233,320**	**526,298,562**	**137,065,242**

SEMIRARA MINING CORPORATION
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
As of December 31, 2008

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
DMC CONSTRUCTION EQUIPT & RESOURCES, INC.		
M & S COMPANY		22,197,031
DACON CORPORATION		1,412,043
DMC URBAN PROPERTY DEVELOPERS INC.(UPDI)	617,691	
ROYAL STAR AVIATION, INCORPORATED	5,102,693	381,019
D.M. CONSUNJI, INC.	4,426,573	
ASIA INDUSTRIES INC.	1,660,711	21,771,780
DMCI PROJECT DEVELOPERS INC.	160,470	
SIRAWAN FOOD CORP.	248,217	
DACON INSURANCE BROKERS, INC.	5,093	
	699,307	
TOTAL	**12,920,756**	**45,761,873**

SEMIRARA MINING CORPORATION
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2008

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guaranty
NO GUARANTEES AS OF DECEMBER 31, 2008				

SEMIRARA MINING CORPORATION
SCHEDULE I - CAPITAL STOCK
As of December 31, 2008

Capital Stock		
Common Stock		296,875,000
Preferred Stock		-
Additional Paid-In Capital		1,576,796,271
Retained Earnings Unappropriated		
Beginning Balance	2,270,011,644	
Net Income	796,398,791	
Additional appropriations	(500,000,000)	
Reversal of appropriations	800,000,000	
Dividends	(1,110,291,200)	
		2,256,119,235
Retained Earnings Appropriated		700,000,000
Cost of Shares held in Treasury		(528,891,260)
Total Stockholders Equity		**4,300,899,246**

SEMIRARA MINING CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱1,741,120,404
Add: Net income actually earned/realized during the year		
Net income during the year closed to Retained Earnings	796,398,791	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to Cash and cash equivalents)	(50,854,786)	
Accretion on Security Deposits	(1,945,711)	
Other unrealized gains or adjustments to the retained earnings as a result of transactions accounted for under PFRS	(1,907,250)	
Appraisal of Property, plant and equipment	(791,542,486)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	689,814,080	
Equity in net losses of associate/joint venture	1,149,357	
Unrealized foreign exchange loss - net (except those attributable to Cash and cash equivalents)	33,476,049	
Accretion on Asset retirement obligation	2,082,806	
Amortization of Rent expense	2,063,532	
Provision of Allowance for doubtful accounts	17,486,853	
Provision of Allowance for inventory obsolescence	34,636,501	
Asset retirement obligation set up	6,500,000	
Net income actually earned during the period		737,357,736
Add (less):		
Dividend declarations during the period	(1,110,291,200)	
Appropriations of Retained earnings during the period	(500,000,000)	
Reversals of appropriations	800,000,000	
		(810,291,200)
Unappropriated Retained Earnings, available for dividend distribution, ending		₱1,668,186,940