

THE PHILODRILL CORPORATION
MINUTES
OF THE
ANNUAL MEETING OF STOCKHOLDERS

held on 23 June 2010, 2:30 p.m.
at the Palawan Room, EDSA Shangri-la Manila
1 Garden Way, Ortigas Center, Mandaluyong City

| | | |
|---|---|-----------------|
| Number of Shares Issued and Outstanding | : | 191,868,805,358 |
| Shares represented in person and by proxies | : | 110,850,957,006 |
| Percentage of Attendance | : | 57.77% |

CALL TO ORDER AND PROOF OF SERVICE OF NOTICE

The Chairman of the Board welcomed the stockholders to the 2010 Annual Stockholders' Meeting (the "Meeting") and called the meeting to order at 2:35 p.m. He requested the Secretary for proof that the required notices for the present Meeting were duly sent to all stockholders of record as of 24 March 2010 (the "Record Date").

For the purpose of providing proof that required notices for the Meeting were duly sent to stockholders, the Secretary has executed an Affidavit stating that in accordance with the Company's By-Laws, notices containing the date, time, place and agenda of the Meeting were sent at least one (1) month prior to the date of the Meeting (by mail on 20 May 2010 and by personal delivery on 21 May 2019) to each stockholder as of Record Date at the address of such stockholder appearing in the corporate registry. Notices of the Meeting were also published in the 16 and 19 June 2010 issues of Manila Bulletin, a newspaper of general circulation, specifying the date, time, place and agenda of the Meeting.

The Certification executed by an authorized officer of the messengerial company utilized for the purpose and the Sworn Statement of the undersigned authorizing such publication by the Manila Bulletin are attached to the Secretary's Affidavit. The Chairman directed the Secretary to file his Affidavit with the Minutes of the Meeting.

CERTIFICATION OF THE PRESENCE OF QUORUM

The Chairman inquired from the Secretary whether or not a quorum is present for the transaction of business at the Meeting.

The Secretary replied that out of the Company's 191,868,805,358 issued and outstanding shares as of Record Date, there are present in person and/or represented by proxies 110,850,957,006 shares or 57.77% thereof. Thus, on the basis of the registered attendance, the Secretary certified the presence of a quorum for the transaction of business as may properly come at the Meeting.

READING AND APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING OF STOCKHOLDERS

The Chairman announced that the next item in the Agenda is the reading and approval of the Minutes of the last Annual Stockholders' Meeting held on 26 June 2009, the original copy of which was made available for inspection at the Office of the Corporate Secretary and copies of which were sent to stockholders together with the materials for the Meeting and/or inserted in the 2009 Annual Report furnished to each stockholder present as they came into the Meeting.

The Chairman asked if there are any questions regarding the Minutes of the last Annual Stockholders' Meeting. There being none, a stockholder moved that the reading of the Minutes of the Annual Stockholders' Meeting held last 26 June 2009 be dispensed with and that said Minutes, as it appears recorded in the Minutes Book of the Company, be confirmed, ratified and approved. The motion was duly seconded and, there being no objections, the Chairman declared the motion approved.

REPORT OF THE BOARD OF DIRECTORS

The Chairman announced that the next item in the Agenda is the Report of the Board of Directors. The Executive Vice President, Mr. Francisco A. Navarro, presented the Exploration & Production Report.

EXPLORATION & PRODUCTION REPORT

The following exploration report highlights the milestones achieved in the Company's exploration and production areas and updates the matters reported in the Company's 2009 Annual Report.

Service Contract 14 (Production Blocks)

The combined oil production from the Nido and Matinloc Fields in 2009 amounted to 183,341 barrels, or about 37% higher than 2008's output of 133,805 barrels. As of end-May 2010, Nido, Matinloc and North Matinloc have cumulatively produced about 72,000 barrels. The production forecast for 2010 is 215,000 barrels.

The safety of personnel and properties continue to be the foremost concern of the Company as operator, and the enhancement of platforms, facilities inspection and environmental monitoring are being undertaken on a continuing basis. Recently, the Company has joined Oil Spill Response Ltd. (OSRL) pool of clients in order to utilize the oil spill control equipment and expertise of OSRL.

Service Contract 6 (Cadlao)

The Cadlao Plan of Development has been approved by the DOE in June 2009. The Operator, Blade Petroleum is considering a 2-well development program for the field. The Company owns a 1.65% overriding royalty interest in the block.

Service Contract 6B (Bonita) and Service Contract 14 (Retention Block, Tara, Libro and North Matinloc)

The Company is actively looking for new farminees into the block following the expiration of the farm-in option of Blade Petroleum and Venturoil in September 2009.

Service Contract 14 C-2 (West Linapacan)

Pitkin Petroleum has completed seismic reprocessing and inversion works, seismic stratigraphic studies and conceptual development engineering work. Pitkin hopes to re-develop the West Linapacan "A" field by drilling two (2) development wells and producing from a floating production storage and offtake facility (FPSO).

Service Contract 41 (Sulu Sea)

Operator Tap Oil (Philippines) Pty Ltd has completed the pre-stack time migration and inversion of the 3D data set in 2009 to rectify seismic data quality issues. An evaluation of the block is being undertaken simultaneous with a farm-out campaign. Meanwhile, Tap Oil is seeking extension of the contract term with the DOE.

Mr. Navarro noted that Exxon Mobil recently announced a gas discovery in the SC 56 block, which is adjacent to SC 41.

Service Contract 53 (Onshore Mindoro)

Pitkin Petroleum's seismic survey was completed last May 2010 covering the San Jose and Sablayan areas. Additional geological and geophysical studies are being planned, as well as offshore seismic data reprocessing. Pitkin hopes to start drilling by the last quarter of 2011. The Mindoro block offers a good potential for gas-to-power development.

Service Contract 6A (Octon)

The 3-Phase Exploration Review of Octon Block has been completed. Showing some slides, Mr. Navarro explained the development options for Octon generated by Vitol GPC. He noted that the joint Octon-Galoc Phase 2 development option is favored.

Meanwhile, the DOE has approved the final 15-year term extension of the service contract.

Service Contract 14 C-1 (Galoc)

Preliminarily, Mr. Navarro noted certain milestones in the Galoc Field Phase 1 Development:

| | |
|---------------|---|
| January 2008 | - Drilling of Galoc-3 and Galoc-4 completed |
| October 2008 | - First oil production from Galoc Field |
| March 7, 2009 | - 1 million barrels produced |
| June 19, 2009 | - Declaration of Commerciality |
| June 14, 2010 | - 5 million barrels produced |

Since October 2008, GPC has completed fifteen (15) crude liftings which were delivered to various clients buyers including Petron Corporation, SK Energy of South Korea, Thai Oil of Thailand, Mitsui Oil of Japan and GS Caltex of Singapore.

For Phase 2, two (2) new development wells are being planned and an upgrade of the FPSO either to a CALM buoy system or a turret system is being considered. The consortium is expected to make its Final Investment Decision by September 2010, with drilling by the last quarter of 2011 and Phase 2 production by the 1st quarter of 2012.

B. FINANCIAL REPORT

Mr. Nazarea stated that the Financial Report consists of a summary of the Company's financial performance in 2009 compared to 2008, followed by a summary of the Company's interim operating results as of the end of May 2010 and a summary of the Company's petroleum production. The details of the Company's audited financial statements are contained in the 2009 Annual Report which has been distributed to the stockholders.

Compared with the figures for year 2008, the consolidated financial highlights for the calendar year ended 31 December 2009 are as follows:

| FOR THE YEAR (in Million Pesos) | <u>2009</u> | <u>2008</u> |
|------------------------------------|-------------|-------------|
| Revenues from Petroleum Operations | 328.8 | 133.4 |
| Investment Income | 9.3 | 10.2 |
| Interest & Other Income | 2.0 | 10.2 |
| Net Income | 108.6 | 15.1 |
| AS OF END OF YEAR | | |
| Total Assets | 1,718.5 | 1,498.9 |
| Current Liabilities | 17.2 | 159.8 |
| Net Worth | 1,701.3 | 1,339.1 |
| Authorized Capital | 2,000.0 | 1,550.0 |
| Issued & Subscribed Capital | 1,731.9 | 1,535.0 |

The 2009 and 2008 comparative consolidated income statements are as follows:

| (in Million Pesos, except EPS) | <u>2009</u> | <u>2008</u> |
|--------------------------------------|-------------|-------------|
| REVENUES | | |
| Petroleum operations | 328.8 | 133.4 |
| Equity in net earnings of associates | 9.3 | 10.2 |
| Other income | <u>2.0</u> | <u>10.2</u> |
| | 340.1 | 153.8 |
| COSTS AND EXPENSES | | |
| Production and depletion costs | 175.9 | 88.1 |
| Interest charges | 6.7 | 17.6 |
| General & administrative | <u>48.6</u> | <u>31.2</u> |

| | | |
|--------------------------|--------|--------|
| | 231.2 | 136.9 |
| INCOME BEFORE TAX | 108.9 | 16.9 |
| PROVISION FOR INCOME TAX | 0.3 | 1.8 |
| NET INCOME | 108.6 | 15.1 |
| EARNINGS PER SHARE | 0.0006 | 0.0001 |

Revenues rose in 2009 compared to 2008 mainly on account of higher petroleum revenues from Galoc. Equitized earnings from affiliates slightly declined in 2009 compared to 2008, while other income dropped due to foreign exchange losses and the absence of comparable gains realized in 2008 arising from a non-recurring farm-in payment in West Linapacan.

Cost and expenses in 2009 show a substantial increase mainly due to higher production costs associated with Galoc production.

In sum, the Company posted a net income of P108.6 million in 2009 compared to a net income of P15.1 million in 2008.

Based on the Company's audited financial statements, the comparative consolidated balance sheets for the calendar years 2009 and 2008 are as follows:

| | (Pesos in Millions) | |
|--|---------------------|----------------|
| | <u>2009</u> | <u>2008</u> |
| Current Assets | 263.6 | 109.0 |
| Investments | 337.8 | 270.8 |
| Property & Equipment | 292.2 | 297.1 |
| Deferred Oil Exploration & Dev't Costs | 823.7 | 821.2 |
| Other Non-current assets | <u>1.2</u> | <u>0.8</u> |
| | 1,718.5 | 1,498.9 |
| Liabilities | 17.2 | 159.8 |
| Stockholders' Equity | <u>1,701.3</u> | <u>1,339.1</u> |
| | 1,718.5 | 1,498.9 |
| BOOK VALUE PER SHARE | 0.0098 | 0.0087 |

Current Assets grew to P263.6 million in 2009 from P109 million in 2008 due to an increase in Cash and Cash Equivalents and Crude Oil inventory arising from the Galoc production. The carrying value of Investments is higher in 2009 due to improved market

prices of the Company's stock investments. Liabilities dropped substantially in 2009 as the Company was able to pay the bulk of its loans and retirement benefits.

The interim financial results of the Company estimated to the end of May 2010 and comparative figures as of May 2009 are as follows:

| | Unaudited May 2010 | Unaudited May 2009 |
|--------------------------------------|-----------------------|-----------------------|
| REVENUES | | |
| Petroleum Operations | 320.4 | 45.7 |
| Equity in net earnings of associates | 10.4 | 3.6 |
| Interest, dividends & other income | <u>9.0</u> | <u>1.8</u> |
| Total Revenues | 339.8 | 51.1 |
| COSTS AND EXPENSES | | |
| Interest and financing charges | 0.0 | 6.5 |
| Depletion & other production costs | 135.9 | 43.1 |
| General & administrative | <u>32.3</u> | <u>14.4</u> |
| Total Costs & Expenses | 168.2 | 64.0 |
| INCOME BEFORE TAX | 171.6 | (12.9) |
| PROVISION FOR INCOME TAX | 1.6 | 0.0 |
| NET INCOME | 170.0 | (12.9) |
| EARNINGS PER SHARE | 0.0009 | (0.0001) |

For the first five (5) months of 2010, revenues amount to P339.8 million consisting of P320.4 million in petroleum revenues, P10.4 million in equitized earnings of affiliate and P9.0 million in interest, dividends and other income. Costs and expenses amounted to P168.2 million, consisting of depletion and other production costs of P135.9 million and general and administrative expenses of P32.3 million. Thus, for the first 5 months of the year, the Company posted a net income of P170 million.

The balance sheets as of end-May 2010, compared with the audited balance sheet figures as of end-2009, are as follows:

| | Unaudited May 2010 | Audited Dec 31, 2009 |
|---|-----------------------|-------------------------|
| Current Assets | 431.9 | 263.6 |
| Investments | 361.6 | 337.8 |
| Property & Equipment | 294.9 | 292.2 |
| Deferred Oil Exploration & Dev't. Costs | 824.2 | 823.7 |
| Other Non-current Assets | <u>0.6</u> | <u>1.2</u> |
| | 1,913.2 | 1,718.5 |
| Liabilities | 59.2 | 17.2 |
| Stockholders' Equity | <u>1,854.0</u> | <u>1,701.3</u> |
| | 1,913.2 | 1,718.5 |
| BOOK VALUE PER SHARE | 0.0106 | 0.0098 |

Current Assets improved to P431.9 million as of May 2010 from P263.6 million as of end-2009 due to higher Cash level and Crude Oil inventory on account of better Galoc production. Investments remained high in 2010 with the continued improvement of stock market prices. Stockholders' Equity is higher due to higher Retained Earnings level of the Company.

With respect to the Company's petroleum operations, the following table summarizes the Company's production volume for the past 3 years:

| Production Volume (in barrels) | Jan-May 2010 | Total 2009 | Total 2008 |
|---------------------------------|------------------|------------------|------------|
| NIDO | 34,914 | 83,360 | 87,731 |
| MATINLOC | 27,321 | 67,596 | 46,075 |
| NORTH MATINLOC | 9,599 | 33,007 | --- |
| GALOC | <u>1,282,078</u> | <u>1,334,919</u> | <u>---</u> |
| | 1,353,912 | 1,518,883 | 133,806 |
| Average Price per Barrel (US\$) | | | |
| Nido/Matinloc/North Matinloc | 70.07 | 59.32 | |
| Galoc | 79.74 | 74.61 | |

Mr. Nazarea noted that the bulk of the Company's revenues from 2009 to date has been Galoc's production which accounts for the significant improvement in the Company's net income.

At this point, the Chairman opened the floor to any questions that the stockholders may have regarding the Management Report presented by Messrs. Navarro and Nazarea.

A stockholder noted that in the Other Income section of the Company's audited income statement, a net foreign exchange loss of P0.9 million is shown but the accompanying Note 6 of the financial statements show a net foreign exchange gain of about P0.4 million. He sought clarification on the apparent inconsistency.

Mr. Nazarea requested a representative of the Company's auditor, Sycip Gorres Velayo and Company (SGV) to address the question raised. SGV's Mr. Aldrin Cerrado explained that Note 6 shows only a component of all foreign exchange gains/losses incurred by the Company, specifically those from its Service Contracts and GSECs where it maintains participating interests. For 2009, this particular business component of the Company showed a net gain of about P0.4 million. However, when all foreign exchange gains/losses from all business operations of the Company are taken into account, the resulting figure is a net foreign exchange loss of about P0.9 million, which is the amount shown in the audited income statement.

Atty. Pacifico Tacub, a stockholder, commended the Company for its performance and expressed his gratitude for his receipt of his recent dividend from the Company as well as allaying his apprehension over his investment knowing that the Company is being run by Mr. Alfredo C. Ramos, the son of National Book Store matriarch, Mrs. Socorro C. Ramos.

Another stockholder inquired on the Company's dividend policy and existing oil reserves.

Mr. Nazarea replied that the Company endeavors to declare dividends as frequently as its retained earnings and operational requirements will allow. Regarding oil reserves, Mr. Navarro noted that the Nido Field was originally thought to contain 10 million barrels but is now close to producing 20 million barrels. The Galoc Field is originally estimated to contain 10 million barrels and has produced 6 million barrels. However, the development of new production wells for Phase 2 is expected to add at least another 6 million barrels of reserves. And then there are various other areas that are nearing development notably, Mindoro, West Linapacan and Octon.

After entertaining and responding to questions from the floor, a stockholder moved for the approval of the following resolutions:

"RESOLVED, That the Annual Report of the Company covering the calendar year ending 31 December 2009, which includes the Company's Audited Financial Statements, as well as all the Minutes of the Meetings of the Board of Directors for the said period and all acts and resolutions of the directors and officers of the Company up to the date of this Meeting be confirmed, ratified, and approved;

"RESOLVED FURTHER, That the Company's continued engagement in any and all its secondary purposes under its Articles of Incorporation, as amended, particularly in oil exploration, development and allied activities, as the Board of Directors may determine to be in the best interests of the Company has the full support, encouragement and authorization of its stockholders."

The motion having been seconded and there being no objections, the Chairman declared the motion carried and the resolutions approved.

APPOINTMENT OF EXTERNAL AUDITOR

The next item for consideration is the appointment of external auditor for the Company for the calendar year 2010. The Chairman inquired if there are nominees for appointment as external auditor of the Company.

A stockholder nominated the auditing firm of SyCip Gorres Velayo & Company for appointment as the Company's external auditor for the calendar year ending 31 December 2010. The nomination was duly seconded.

There being no other nominees, the nomination was, upon motion duly made and seconded, closed. The Chairman declared SyCip Gorres Velayo & Co. duly appointed as the Company's external auditors for the calendar year ending 31 December 2010.

ELECTION OF DIRECTORS

The Chairman announced that the next item in the Agenda is the appointment of election inspectors. He suggested that the same be deferred in the meantime and, if there is no election contest, to dispense with the appointment of election inspectors. There being no objections, the Chairman declared the table open for the nomination of directors.

A stockholder nominated the following to compose the Board of Directors of the Company and to serve as such for one (1) year and until their successors shall have been duly elected and qualified in the next annual meeting of stockholders in 2010:

1. ALFREDO C. RAMOS
2. AUGUSTO B. SUNICO
3. ADRIAN S. RAMOS
4. PRESENTACION S. RAMOS
5. FRANCISCO A. NAVARRO
6. CHRISTOPHER M. GOTANCO
7. MARCIANO A. PADILLA
8. NICASIO I. ALCANTARA
9. HONORIO A. POBLADOR III

The Chairman then asked if there are other nominations. There being none, upon motion duly made and seconded, the nomination for the Board of Directors was closed. There being no objection to the closing of the nomination and considering that there are only nine (9) nominees to the nine-member Board, the Chairman directed the Secretary to cast all votes in favor of all the nominees to the Board of Directors and, thereafter, declared the above-named nominees as the duly-elected directors of the Company. The Chairman then introduced the duly elected directors present in the Meeting to the stockholders.

ADJOURNMENT

The Chairman inquired if there are other matters which the stockholders would want to discuss in the Meeting.

There being no further questions and matters to discuss, upon motion duly made and seconded, the Meeting was adjourned at 3:25 p.m.

Certified Correct:



ADRIAN S. ARIAS
Secretary of the Meeting

Attest:



ALFREDO C. RAMOS
Chairman of the Meeting

6/17/11

REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG, M.M.) S.S.

SUBSCRIBED AND SWORN to before me this JUN 17 2011 day of 2011 at Mandaluyong City, affiants exhibited to me their respective Community Tax Certificates, as follows:

| <u>Name</u> | <u>Community Tax Certificate No.</u> | <u>Date/Place Issued</u> |
|------------------|--------------------------------------|-----------------------------|
| ALFREDO C. RAMOS | 01130352 | 01/03/11 – Manila |
| ADRIAN S. ARIAS | 05644944 | 01/04/11 - Mandaluyong City |

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Book No. VI;
Series of 2011.


ROY ALBERT M. CARASIG
NOTARY PUBLIC
UNTIL DEC 31 2011
PTR NO. 9246887 01/06/11 MANILA
IBP NO. 778343 01/06/11 MANILA
ROLL NO. 50209