

THE PHILODRILL CORPORATION
MINUTES OF THE
ANNUAL MEETING OF STOCKHOLDERS

held on 22 June 2011, 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	:	107,541,222,390
Percentage of Attendance	:	56.05%

CALL TO ORDER AND PROOF OF SERVICE OF NOTICE


The Chairman of the Board welcomed the stockholders to the 2011 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 23 March 2011 (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 and personal delivery on 20 May 2011 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 15 and 18 June 2011 issues of the 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 107,541,222,390 shares or 56.05% 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 23 June 2010, 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 of the Meeting and/or inserted in the 2010 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 23 June 2010 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.


A. EXPLORATION & PRODUCTION REPORT

The Executive Vice President, Mr. Francisco A. Navarro, presented the Exploration & Production Report.

Service Contract 14 C-1 (Galoc)

Galod field produced 7.5M barrels of oil at the current average production of about 7,000 barrels of oil per day. Estimated reserves for Phase 1 is between 4M to 8M barrels.

The Company intends to upgrade the mooring system of the Floating Production and Storage System (FPSO) by attaching an external turret system when the FPSO returns to Singapore for dry-docking from September 15 until the end of December 2011. The FPSO enhancement will upgrade Galoc's uptime from the current 67% to 95% with minimal disconnection in case of bad weather. OPEX and fuel costs would also be reduced and there would be better prospects for Galoc Phase 2 development.



Service Contract 14 C-2 (West Linapacan)

The drilling of two (2) lateral wells is planned for the West Linapacan field in order to properly tap the reservoir and keep the field from watering down. After the drilling of the two (2) wells, production is expected to resume by the 2nd quarter of 2014 with 20,000 barrels of oil per day.

Service Contract 14 Block A (Nido 1X1)

Nido 1X1 was first drilled by Citiservice in 1978 and was then declared a sub-commercial oil discovery. Recent studies, however, show that Nido 1X1 is not optimally located. As a result, the consortium is planning to reprocess the original seismic data in order to validate the location and shape of the Nido 1X1 structure.

Nido 1X1 is straddling Service Contract areas 14A and 54A therefore making it necessary to conduct negotiations between the consortium members of the two (2) service contract areas to determine the partition of oil revenues from Nido 1X1.

Service Contract 6A (Octon)

Potential farminee is conducting legal due diligence on Service Contract 6A with a commitment to acquire new 3D seismic studies and to drill two (2) wells should the farmin agreement be formalized. If the farmin agreement pushes through, drilling will commence by the 3rd quarter of 2013.

Service Contract 6B (Bonita)

The consortium successfully farmed out Service Contract 6B to farminees Peak Oil & Gas Philippines Limited, Blade Petroleum Philippines Limited, and VenturOil Philippines, Inc. In the process, these three (3) companies were able to identify four (4) prospects that are large enough to contain commercial oil reserves.

Service Contract 53 (Onshore Mindoro)

Seismic acquisition and processing of data from the area will be completed by March 2012. Based on the initial interpretation of the data, two (2) wells might be drilled by July 2014 in order to develop its gas potential and to produce about 20 megawatts of electricity for Mindoro.

Last November 2011, a Memorandum of Agreement was signed with the Small Power Utilities group of NAPOCOR permitting turnover of the gas production to NAPOCOR for conversion into electrical power once gas reserves are proven in the area.

Other matters

DOE will formally launch the 4th Philippine Energy Contracting Round on 30 June 2011 during which fifteen (15) areas will be offered for bidding. The Company intends to bid for at least two (2) areas.

B. FINANCIAL REPORT

Mr. Nazarea stated that the Financial Report consists of a summary of the Company's operating results and financial performance for the 12 months ending 31 December 2010, followed by an update on the interim financial results for the first 5 months of 2011 ending as of 31 May 2011.

Compared with the figures for the year 2009, the consolidated financial highlights for the calendar year ended 31 December 2010 are as follows:

(in million pesos)	<u>2010</u>	<u>2009</u>
FOR THE YEAR		
Petroleum Revenues	984.1	328.8
Investment Income	26.2	9.3
Interest & Other Income	8.0	2.0
Net Income	557.1	108.6
AS OF END OF YEAR		
Total Assets	2,321.6	1,718.5
Total Liabilities	48.3	17.2
Net Worth	2,273.3	1,701.3
Authorized Capital	2,000.0	2,000.0
Issued & Subscribed Capital	1,737.3	1,731.9

The 2010 and 2009 comparative consolidated income statements are as follows:

(in million pesos, except EPS)	<u>2010</u>	<u>2009</u>
REVENUES		
Petroleum Operations	984.1	328.8
Equity in Net Earnings of Associates	26.2	9.3
Interest & Other Income	<u>8.0</u>	<u>2.0</u>
	1,018.3	340.1
COSTS AND EXPENSES		
Production & Depletion Costs	363.8	175.9
General & Administrative	99.9	48.6
Interest Charges	<u>0.0</u>	<u>6.7</u>
	463.7	231.2

INCOME BEFORE TAX	554.6	108.9
PROVISION FOR INCOME TAX	(2.5)	0.3
NET INCOME	557.1	108.6
EARNINGS PER SHARE	0.0029	0.0006
RETURN ON EQUITY (AVERAGE)	28%	7%

Petroleum revenues come mainly from Galoc operations which produced 2,655,131 barrels of oil in 2010 compared to 1,334,919 barrels in 2009. There has been an appreciation in average crude price for Galoc from US\$74.61/ barrel in 2009 to US\$81/barrel in 2010.

There was a 5% decline in production volume from Nido/Matinloc/North Matinloc fields from 184,000 barrels in 2009 to about 175,000 barrels in 2010. Average price for the Nido/Matinloc/North Matinloc crude increased from US\$59.32/barrel in 2009 to US\$73.47/barrel in 2010.

After deducting total costs and expenses and income tax provision for the year, the Company generated a net income of P557.1M in 2010 compared to P108.6M in 2009 equivalent to 0.0029 earnings per share in 2010 versus 0.0006 in 2009. In terms of return on average equity, the Company generated 28% return in 2010 versus 7% in 2009.

Based on the Company's audited financial statements, the comparative consolidated balance sheets for the calendar years 2010 and 2009 are as follows:

(in million pesos, except BVPS)	<u>2010</u>	<u>2009</u>
Current Assets	723.4	263.6
Investments	443.2	337.8
Property & Equipment	269.8	292.2
Deferred Oil Exploration & Development Costs	842.1	823.7
Other Noncurrent Assets	<u>43.1</u>	<u>1.2</u>
	2,321.6	1,718.5
Liabilities	48.3	17.2
Equity	<u>2,273.3</u>	<u>1,701.3</u>
	2,321.6	1,718.5
BOOK VALUE PER SHARE	0.0128	0.0098

Current assets substantially increased from P263.6M in 2009 to P723.4M in 2010 due to higher revenues generated during the year which primarily affected the cash, inventory, and receivables of the Company.

The Company's investment also appreciated from P337.8M in 2009 to P443.2M in 2010 because of the booking of equitized income from investments plus recovery in the allowance of the valuation reserve of the Company's listed marketable securities in 2010.

Property and equipment account shows P292.2M in 2009 versus P269.8M in 2010 because of the depletion expense which the Company booked in its oil assets. Deferred exploration costs increased from P823.7M in 2009 to P842.1M in 2010 while noncurrent assets increased dramatically because of deferred income tax plus the pension fund assets that the Company booked as of the end of 2010.

Liabilities remained at a very low level consisting mainly of accrued expenses on accounts payable amounting to P48.3M as of the end of 2010 versus P17.2M as of the end of 2009. Stockholders' equity substantially increased from P1.701B to P2.273B in 2010 because of income generated and the recovery in the valuation reserve. The amount had to be reduced, however, because of the amount of the dividends which the Company released in 2010 amounting to about P96M.

The interim financial results of the Company estimated to the end of May 2011 and comparative figures as of May 2010 are as follows:

(in million pesos, except EPS)	Unaudited <u>May 2011</u>	Unaudited <u>May 2010</u>
REVENUES		
Petroleum Operations	765.5	320.4
Equity in Net Earnings of Associates	6.7	10.4
Gain on sale of Cadlao ORRI	58.7	-
Interest, Dividends & Other Income	<u>18.5</u>	<u>9.0</u>
	849.4	339.8
COSTS AND EXPENSES		
Production & Depletion Cost	149.1	135.9
General & Administrative	<u>57.8</u>	<u>32.3</u>
	206.9	168.2
INCOME BEFORE TAX	642.5	171.6
PROVISION FOR INCOME TAX	<u>20.8</u>	<u>1.6</u>
NET INCOME	621.7	170.0
EARNINGS PER SHARE	0.0032	0.0009
RETURN ON EQUITY (AVERAGE)	24%	10%

Revenues for the first five (5) months of 2011 substantially increased to P849.4M from P339.8M during the same period in 2010 mainly due to increase in petroleum operations and the prevailing higher crude prices.

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Net income for the first five (5) months of 2011 is at P621.7M compared to P170M during the first five (5) months of 2010. Earnings per share for the first five (5) months of 2011 increased from 0.0009 to 0.0032. In terms of average return on equity, it is already at 24% for the first five (5) months of 2011 compared to 10% during the first five (5) months of 2010.

For the first five (5) months of 2010, Galoc's crude price average was about P79.74/barrel compared to P116.62/barrel for the first five (5) months of 2011. Nido/Matinloc/North Matinloc crude price average increased from US\$70.07/barrel during the first five (5) months of 2010 versus US\$100.07 for the first five (5) months of 2011.

There is a natural decline of 18% in terms of the Galoc oil production for the first five (5) months of 2011, while a 14% decline in the Nido/Matinloc/North Matinloc oil fields.

The balance sheets as of end of May 2011, compared with the audited balance sheet figures as of the end of May 2010 are as follows:

(in million pesos, except RVPS)		Unaudited	Audited
		<u>May 31, 2011</u>	<u>Dec. 31, 2010</u>
Current Assets		1,203.0	723.4
Investments		495.4	443.2
Property & Equipment		272.9	269.8
Deferred Oil Exploration & Development		848.4	842.1
Costs			
Other Noncurrent Assets		<u>61.5</u>	<u>43.1</u>
		2,881.2	2,321.6
Liabilities		60.0	48.3
Equity		<u>2,821.2</u>	<u>2,273.3</u>
		2,881.2	2,321.6
BOOK VALUE PER SHARE		0.0156	0.0128

Total assets continue to increase from P2.322B to P2.873B as of the end of May 2011 mainly due to increase in current assets from P723.4M to P1.256B or an increase of about P480M.

Investments increased from P443.2M to P495.4M by the end of May 2011 because of the continued appreciation in market value of the Company's marketable securities which includes the Company's purchases of Atlas shares. Liabilities changed little from P48.3M as of the end of 2010 to P51.6M as of the end of May 2011. Stockholders' equity continued to appreciate substantially from P2.273B as of the end of 2010 to P2.821B as of the end of May 2011, P622M of which came from the Company's net income but which had to be reduced by the amount of cash dividends which was paid by

the Company early part of 2011. Book value per share as of the end of May 2011 amounts to P0.0156 per share compared to P0.0128 per share as of the beginning of 2011.

Mr. Nazarea proceeded to compare the funds raised by the Company during the stock rights offer in 2009 and the total amount of the dividends paid out by the Company.

CASH DIVIDEND PAYMENTS

CD No.	Rate	Date Paid	Amount
018	2%	June 09, 2010	38,373,761
019	3%	Dec. 08, 2010	57,560,642
020	4%	April 15, 2011	<u>76,747,522</u>
			172,681,925

2009 STOCK RIGHTS OFFERING

Total Stock Rights Offered	38,373,761,071
Offer Price (Par Value)	0.01
Total Stock Rights Offer Proceeds	<u>50%</u>
	191,868,805

In February 2009, the Company offered a total of P38.4M rights at an offer price of P0.01 per share for which the subscribing stockholders were required to pay 50% down payment totaling P191.9M. With dividends declared in 2010 and 2011, the Company has practically returned to its stockholders the money they invested during the rights offer and it remains optimistic that it would continue to pay dividends.

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 inquired regarding the amount of cash dividends which the Company hopes to release in 2011.

Mr. Nazarea explained that the amount of cash dividends that the Company will declare would be determined by its profitability and the amount of retained earnings, while giving due consideration to the funding requirements of the various projects in which the Company is involved. He is however hopeful that the cash dividends in 2011 would be higher than the dividends declared in 2010

The same stockholder next inquired about the quantity of the reserves in Galoc Phase 2.

Mr. Navarro explained that Galoc Phase 2 reserves have not yet been quantified but it will be bigger than Phase 1 reserves.

Atty. Pacifico Tacub, another stockholder, commended the Company for being able to declare increasing amounts of cash dividends while maintaining low key profile, in contrast with Oriental Petroleum of which he is also a stockholder.



Another stockholder, Mr. Celso Pascual, also commended the Company's sound performance and inquired about the probability of stock dividends being declared.

The Chairman explained that they will look at the possibility of declaring stock dividends depending on the income to be generated by the Company vis-à-vis accumulated earnings which will be needed for the expansion of the Company's progress in the development of oil productions.

A stockholder, Mr. Stephen Soliven, asked if the Company has a Service Contract within the Spratly Islands or the Paracel Group of Islands.

Mr. Navarro replied that the Company has no involvement in any Service Contracts within the said area.

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 Corporation covering the calendar year ended 31 December 2010, 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 from the last Annual Meeting of Stockholders last 23 June 2010 up to the date of this meeting be ratified and approved."


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

APPOINTMENT OF EXTERNAL AUDITOR

The next item in the agenda is the appointment of the external auditor for the Company for the calendar year 2011. 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 2011. 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 & Company duly appointed as the Company's external auditors for the calendar year ending 31 December 2011.



ELECTION OF DIRECTORS

The Chairman announced that the next item in the Agenda is the election of the Directors and opened the nominations therefor.

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 the stockholders in 2012:

1. Alfredo C. Ramos
2. Augusto B. Sunico
3. Presentacion S. Ramos
4. Francisco A. Navarro
5. Adrian S. Ramos
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, and 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, and upon motion duly made and seconded, the Meeting was adjourned at 4:00 p.m.

Certified Correct:


ADRIAN S. ARIAS
Secretary of the Meeting

Attest:

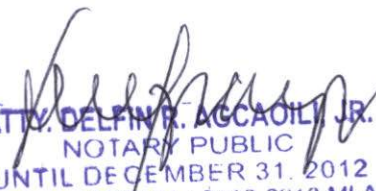

ALFREDO C. RAMOS
Chairman of the Meeting
6/18/12

REPUBLIC OF THE PHILIPPINES)
MANILA
) S.S.

SUBSCRIBED AND SWORN to before me this _____ day of JUN 19 2012 at
MANILA, affiants exhibiting to me their respective valid government-
issued IDs as follows:

Name	C.T.C No.	Date / Place Issued
ALFREDO C. RAMOS	04575252	02/02/12-Manila
ADRIAN S. ARIAS	09800701	01/04/12-Mandaluyong City

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