

THE PHILODRILL CORPORATION

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS

held on 20 June 2012, 2:30 p.m.
at the *Sampaguita 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	:	129,961,520,600
Percentage of Attendance	:	67.735%

CALL TO ORDER AND PROOF OF SERVICE OF NOTICE


The Chairman of the Board welcomed the stockholders to the 2012 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 21 March 2012 (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 21 May 2012 and by personal delivery on 18 and 19 May 2012 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 13 and 16 June 2012 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 129,961,520,600 shares or 67.735% 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 22 June 2011, the original copy of which was made available for inspection at the Office of the Corporate Secretary and copies of which were furnished to each stockholder upon request 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 22 June 2011 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.

Mr. Navarro showed a map of Northwestern Palawan and Mindoro in order to give the stockholders an overview of the Company's petroleum interests in the Philippines. Currently, the Company holds the following participating interests: 22% in Onshore Mindoro (SC 53), 7.21495% in Galoc (SC 14C-1), 7.0175% in West Linapacan (SC 14C-2), 26.106% in Nido (SC 14A), 41.608% in Matinloc, 33.111% in North Matinloc (SC 14B-1), 15.495% in Octon Block (SC 6A), 6.56250% in Bonita (SC 6B), 27.5% in the SC 14 Tara Block, and 33.751% participating interest in the Retention Block (SC 14D). Participation in the Swan Block, also located in Northwestern Palawan, is still under negotiation.



Service Contract 14 C-1 (Galoc)

Since the commencement of its production in October 2008, Galoc field has produced 8.92M barrels of oil at a current average production rate of about 6,300 barrels of oil per day. Estimated remaining reserves for Phase 1 is at 4.12M barrels until its end of field life estimated sometime in August 2015.

Galoc field's full operations were temporarily shutdown in November 2011 to give way for the planned Floating Production and Storage System (FPSO) turret enhancement which covered a period of three (3) months in a Singapore drydock from December 2011 to February 2012, with a total project cost of around US\$32M. Once the FPSO was upgraded, it returned to the Galoc site in March 2012 and production was thus resumed in early April 2012. With the new turret system in place at the Galoc field, Galoc's operations is expected to maintain 95% uptime with minimal disconnection in case of bad weather due to its 360° weather-vaning turret.


The upgrade on the mooring system of the FPSO through the installation of an external turret system also provides better prospects for Phase 2 development which aims to drill two (2) additional wells (G5 and G6 wells) and a potential for drilling a well in North Galoc. If a Final Investment Decision is made sometime in mid-July 2012, the drilling for the two (2) new wells will be scheduled during the first quarter of 2013, with targeted schedule of production by the third quarter of 2013, and an expected increase of field production between 10,000-12,000 barrels of oil per day.

Service Contract 14 Production Blocks (Nido/Matinloc/North Matinloc)

The Nido/Matinloc/North Matinloc fields produced 142,450 barrels in 2011. At the current production-to-date of 69,600 barrels, it is forecasted that the three fields will produce 123,800 barrels of crude for the year 2012 at an average selling price of US\$91 per barrel.

Service Contract 14 Block A (Nido 1X1)

In 1978, Nido 1X1 was first drilled by Philippine Citiservice Inc. and was then considered a sub-commercial oil discovery as it flowed only 2,100 barrels of oil per day during tests. Re-mapping and evaluation of the reprocessed seismic data over the Nido 1X1 structure is currently being conducted as recent improved technology has shown that the Nido 1X1 well is not optimally located and the structure may actually have potentially commercial undrained volume. At the same time, the Nido 1X1 survey aims to physically identify the exact well-head location of the Nido 1X1 structure and to determine whether it lies within the Company's SC14A area or the SC54A area operated by Nido Petroleum.



Service Contract 53 (Onshore Mindoro)

After completing the gradiometry survey last May 2012, the operator, Pitkin Petroleum, continues to conduct the reprocessing and interpretation of the seismic data acquired in 2010, in preparation for establishing a drilling location for Progreso 2. The operator is planning to drill one (1) or two (2) wells during the first quarter of 2013. Mr. Navarro noted that finding gas in Mindoro would benefit the locality in particular, and the entire province in general, by providing the power which it currently lacks for much needed development. In line with this potential for gas discovery, a Memorandum of Agreement was signed with Napocor as early as November 2010 for utilization of the gas for power generation.

Service Contract 14 C-2 (West Linapacan)

Reservoir simulation studies are being conducted in preparation for the drilling and development plans for West Linapacan field which is expected to commence sometime in 2013.

Service Contract 6A (Octon)

The joint venture will commence the acquisition of the new 500 sq. km. of 3D seismic data over the northern portion of the block sometime in July 2012, subject to the availability of a suitable seismic vessel.

Service Contract 6B (Bonita)


The transfer of interests to Peak Oil, Blade Petroleum, and VenturOil remains pending with the Department of Energy as the latter said it still needs to see the updated financial documents of the three (3) companies in order to validate their status as petroleum service contractors. Four notable prospects (East Cadlao, Bonita, A02 Lead, and A32 Prospect) have been mapped which are large enough to contain commercial oil reserves.

Sulu Sea Block

Philodrill and Philex Petroleum Corporation formally submitted their joint bid offer to the DOE last April 2012 in order to participate in the bidding for Area 15 (Sulu Sea Block). The DOE is now conducting the bids evaluation.

B. FINANCIAL REPORT

The Treasurer and Vice-President for Administration, Mr. Reynaldo E. Nazarea, stated that the Financial Report consists of a summary of the Company's operating results and financial condition for the twelve (12) months ending 31 December 2011, followed by an update on the estimated interim financial results for the first semester of 2012 ending as of 30 June 2012.



Compared with the figures for the year 2010, the consolidated financial highlights for the calendar year ended 31 December 2011 are as follows:

(in million pesos)	2011	2010
FOR THE YEAR		
Petroleum Revenues	1,497.2	984.1
Gain on sale of Cadlao ORRI	58.7	-
Investment Income	12.7	26.2
Interest & Other Income	59.2	8.0
Net Income	1,065.5	557.1
AS OF END OF YEAR		
Total Assets	3,247.5	2,321.6
Total Liabilities	97.3	48.3
Net Worth	3,150.2	2,273.3
Authorized Capital	2,000.0	2,000.0
Issued & Subscribed Capital	1,741.2	1,737.3

The 2011 and 2010 comparative consolidated income statements are as follows:

(in million pesos, except EPS)	2011	2010
REVENUES		
Petroleum Operations	1,497.2	984.1
Gain on sale of Cadlao ORRI	58.7	-
Equity in Net Earnings of Associates	12.7	26.2
Interest & Other Income	59.2	8.0
	1,627.8	1,018.3
COSTS AND EXPENSES		
Production & Depletion Costs	377.6	363.8
General & Administrative	132.8	99.9
	510.4	463.7
INCOME BEFORE TAX	1,117.4	554.6
PROVISION FOR INCOME TAX	51.9	(2.5)
NET INCOME	1,065.5	557.1
EARNINGS PER SHARE	0.0056	0.0029
RETURN ON EQUITY (AVERAGE)	39%	28%

Total revenues for 2011 amount to P1.63B, consisting of revenues from petroleum operations amounting to P1.5B, P12.7M in equitized earnings of affiliates, P58.7M in gain on the sale of Cadlao's ORRI, and P59.2M in interest and other income. Total costs and expenses increased by 10% from P463.7M in 2010 to P510.4M in 2011 consisting of P377.6M in production and depletion costs which slightly increased by 4% compared to

the 2010 figures due to higher opex for Galoc field, and general and administrative costs which increased by 33% from P99.9M in 2010 to P132.8M in 2011. After deducting total costs and expenses and provision for income tax of P51.9M, year-to-date net income amounts to P1.065B equivalent to 0.0056 earnings per share in 2011 versus 0.0029 in 2010. Return on average stockholders' equity for 2011 is higher at 39% compared to 28% in 2010. Comparing the 2010 and 2011 figures, Mr. Nazarea pointed out that the Company's net income for 2011 is 91% higher than in 2010, with P1.065B of net income in 2011 compared to P557.1M in 2010.

PETROLEUM OPERATIONS	2011	2010
Production Volume (in barrels)		
Galoc	2,143,621	2,655,131
Nido/Matinloc/North Matinloc	142,417	174,873
	2,286,038	2,830,004
Average price per barrel (in US\$)		
Galoc	114.44	81.00
Nido/Matinloc/North Matinloc	97.37	73.47

Mr. Nazarea compared the production statistics in 2011 and 2010, noting that the total output from the four (4) oilfields in 2010 was 2,830,004 barrels while 2,286,038 barrels were produced in 2011.

Petroleum revenues come mainly from Galoc operations which had a cumulative production in 2011 of 2,143,621 barrels is 19% lower compared to 2,655,131 barrels produced for the same period in 2010 mainly because of the expected reserve depletion in the wells and the absence of production from Galoc for the month of December 2011 due to the production shutdown for the FPSO turret installation in Singapore. However, the present average price per barrel of Galoc crude of \$114.44 is 41% higher than the \$81 per barrel realized in 2010.

On the other hand, the year-to-date total production volume of Nido/Matinloc/North Matinloc is 142,417 barrels, or 19% lower than 174,873 barrels produced in 2010. However, the average price per barrel of Nido/Matinloc/North Matinloc crude was \$97.37 in 2011, or 33% higher than the \$73.47 registered in 2010.

Based on the Company's audited financial statements, the comparative consolidated balance sheets for the calendar years 2011 and 2010 are as follows:

(in million pesos, except BVPS)	2011	2010
Current Assets	1,241.4	723.4
Investments	745.0	443.2
Property & Equipment	271.2	269.8
Deferred Oil Exploration & Development Costs	876.2	842.1
Other Noncurrent Assets	113.7	43.1
	3,247.5	2,321.6



Liabilities	97.3	48.3
Equity	3,150.2	2,273.3
	3,247.5	2,321.6
BOOK VALUE PER SHARE	0.0173	0.0128

Total assets of the Company increased by 40% from P2.322B in 2010 to P3.248B in 2011 mainly due to the 72% increase in current assets from P723.4M in 2010 to P1.241B in 2011 and the increase in the value of the Company's investments from P443.2M in 2010 to P745M in 2011 due to the acquisition of additional shares of Atlas Mining.

Property and equipment account slightly increased from P269.8M in 2010 versus P271.2M in 2011. Deferred exploration costs also slightly increased from P842.1M in 2010 to P876.2M in 2011. The Company's noncurrent assets increased from P43.1 in 2010 to P113.7M in 2011 because of interest-bearing advances made to Anglo Philippine Holdings Corporation amounting to P50M as well as the additional P26M contribution for the Company's retirement fund.

As of end of 2011, liabilities consisting of income tax payable, accrued expenses and cash dividend payable stood at P97.3M compared to P48.3M as of the end of 2010. Stockholders' equity increased by 39% from P2.273B in 2010 to P3.150B in 2011 because of the net income generated in 2011 minus the amount of cash dividends which the Company declared in 2011 amounting to about P172.681M. Book value per share is P0.0173 in 2011 versus P0.0128 in 2010.

The interim financial results of the Company estimated to the end of June 2012 are as follows:

(in million pesos, except EPS)	Estimated YTD June 2012
REVENUES	
Petroleum Operations	292.8
Equity in Net Earnings of Associates	8.5
Interest & Other Income	25.4
	326.7
COSTS AND EXPENSES	
Production & Depletion Costs	144.0
General & Administrative	76.4
	220.4
INCOME BEFORE TAX	106.3
PROVISION FOR INCOME TAX	14.6
NET INCOME	91.7

PETROLEUM OPERATIONS		Estimated Jan-Jun 2012
Production Volume (in barrels)		
Galoc		533,339
Nido/Matinloc/North Matinloc		78,540
		611,879
Average price per barrel (in US\$)		
Galoc		109.44
Nido/Matinloc/North Matinloc		101.16

CONSOLIDATED BALANCE SHEET (in million pesos, except BVPS)		Estimated June 2012
Current Assets		1,021.3
Investments		741.8
Property & Equipment		332.9
Deferred Oil Exploration & Development Costs		868.3
Other Noncurrent Assets		244.6
		3,208.9
Liabilities		73.5
Equity		3,135.4
		3,208.9
Book Value Per Share		0.0173

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 (in million pesos)
018	2%	June 09, 2010	38.374
019	3%	December 08, 2010	57.561
020	4%	April 15, 2011	76.747
021	5%	September 30, 2011	95.934
022	5%	March 30, 2012	95.934
			364.550
2009 STOCK RIGHTS OFFERING			
Total Stock Rights Offered			38,373,761,071
Offer Price (Par Value)			0.01
Subscriptions Down Payment			50%
Total Stock Rights Offer Proceeds			191,868,805

In February 2009, the Company offered a total of P384M 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 the cash dividends declared from 2010 until March 2012 totaling P364.6M, the Company has practically returned to its stockholders almost twice the money that they invested during the rights offer.

After the Management Reports presented by Messrs. Navarro and Nazarea, the Chairman announced that the next item in the agenda is the ratification of the acts and resolutions of the Board of Directors and Officers. A stockholder moved for the approval of the following resolution:

“RESOLVED, That the Annual Report of the Corporation covering the calendar year ended 31 December 2011, 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 22 June 2011 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.


AMENDMENT OF THE CORPORATION’S BY-LAWS TO CHANGE THE DATE OF THE ANNUAL MEETING OF STOCKHOLDERS FROM MAY OF EACH YEAR TO EVERY THIRD WEDNESDAY OF JUNE OF EACH YEAR

The Chairman announced that the next item in the agenda is the amendment of Section 1 of the Company’s By-Laws and inquired with the Secretary why there is a need to amend the schedule of the annual stockholders’ meeting set forth in Section 1 of the By-Laws of the Company. In response, the Secretary explained that the Company has, for the last few years, set its annual stockholders’ meeting in June of each year, instead of May of each year, primarily to have sufficient time to complete the Company’s audited financial statements. Thus, the Company is proposing to reflect the current practice being done by amending Section 1 of the Company’s By-Laws in order to regularly conduct the annual stockholders’ meetings every third Wednesday of June of each year, as follows:

“Resolved, as it is hereby resolved, to approve the change in the date of the annual meeting of the stockholders by amending Section 1 of the By-Laws of the Corporation:

FROM:

“SECTION 1. – ANNUAL MEETING – *The annual meeting of the stockholders shall be held during the month of May of each year, at such time and place in Metro Manila as the Board of Directors may, by a majority vote, determine.*”



TO:

"SECTION 1. – ANNUAL MEETING – The annual meeting of the stockholders shall be held every third Wednesday of June of each year, if legal holiday, then on the day following, and at such time and place in Metro Manila as the Board of Directors may, by a majority vote, determine.

"If for any justifiable and valid reason, the annual meeting of stockholders has to be postponed, the Board of Directors may provide that the regular meeting shall be held at such other day and time as shall be specified in the notice of meeting served to the stockholders in accordance with Article I, Section 3 of these by-laws."

The Chairman inquired if there are any questions on the matter. There being none, and acting upon a motion which was duly seconded, the Chairman declared that the amendment of the Company's By-Laws is 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 2012. 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 2012. 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 2012.

ELECTION OF DIRECTORS

The Chairman announced that the next item in the Agenda is the election of the Directors and opened the nominations therefor. He requested the Secretary to read the names of the nominees for directors as certified by the Nominations and Elections Committee.

The Secretary announced the following individuals who have been duly nominated 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 2013:



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.

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.

In response to a stockholder's query who noted the escalating dispute between the Philippines and China over the Scarborough Shoal in the West Philippine Sea, Mr. Navarro mentioned that the Company has no involvement in any Service Contracts within the area.

Mr. Hernan Revadillo, a stockholder, noted that the Company has been declaring cash dividends to its stockholders for the previous years. He mentioned, however, that he has not been receiving those which are due to him for the past dividend declarations since year 2010. According to Mr. Revadillo, he has presented this issue to the Company's transfer agent but to date, he has not received any of his cash dividend checks. The Secretary replied that the Company has not received any information regarding Mr. Revadillo's concern and that he will personally confer with him after the Meeting in order to get his contact information and facilitate the release of his cash dividend checks.

Noting the report that the Galoc field was shutdown for three (3) months for the turret installation and FPSO upgrade, another stockholder asked if the Company can still expect to recover its lost revenue during the said period within the year 2012 and whether it can expect higher income this year than the amount registered in 2011. Mr. Navarro explained that the Company is currently involved in various development projects for many of its Service Contract areas and suggested to all stockholders to wait for 2013 and 2014 during which drilling projects are targeted and expected oil production will kick in.



The same stockholder also inquired why oil prices in the Philippines remain high despite the fact that it is able to produce oil and gas from the various fields located in the country. He further asked whether the country's reserves and local production could meet the present local requirements for oil and gas. Mr. Navarro thus replied that the country, as of yet, cannot sufficiently support the requirements of the entire nation and for which reason, most of the oil and gas being utilized are imported and pegged at the prevailing world market price.


At this juncture, the Chairman stated that the stockholder is welcome to visit the Company's office if he is interested to conduct research and to ask further questions so the Company's technical personnel can also assist him in his queries, to which the stockholder agreed and thanked the Chairman.

ADJOURNMENT

The Chairman inquired if there are 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

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

SUBSCRIBED AND SWORN to before me this MAY 15 2013 day of MAY at QUEZON CITY, affiants exhibiting to me their respective valid government-issued IDs as follows:

Name	C.T.C No.	Date / Place Issued
ALFREDO C. RAMOS	05099825	Jan. 3, 2013-Manila
ADRIAN S. ARIAS	01184650	Jan. 4, 2013-Mandaluyong

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Series of 2013.

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2013
PTR NO. 7561083, 1/02/2013, Q.C.
IBP NO. 834480, 1/02/2013, Q.C.
ROLL OF ATTORNEY NO. 25103