

THE PHILODRILL CORPORATION

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS

held on June 19, 2013, 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	:	110,023,459,102
Percentage of Attendance	:	57.34%

CALL TO ORDER AND PROOF OF SERVICE OF NOTICE

The Chairman of the Board welcomed the stockholders to the 2013 Annual Stockholders' Meeting (the "Meeting") and called the meeting to order at 2:30 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 March 20, 2013 (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 May 20, 2013 and by personal delivery on May 17, 2013 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 June 12 and 15, 2013 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 110,023,459,102 shares or 57.34% 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 June 20, 2012, 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 June 20, 2012 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 presented to the stockholders a map showing the various petroleum interests of the Company in the Philippines, which are more particularly located in Northwestern Palawan and Mindoro and with the following participating interests: Octon Block (SC 6A) with 15.495%, Bonita Block (SC 6B) 21.875%, Nido (SC 14A) 26.106%, Matinloc (SC 14B) 41.608%, North Matinloc (SC 14B-1) 33.111%, Retention Block (SC 14D) 33.751%, Galoc (SC 14C1) 7.21495%, West Linapacan (SC 14C2) 7.0175%, Tara Block 27.5%, Onshore Mindoro (SC 53) 22.0%. The slide also showed the blocks in which the Company acts as the operator for the consortium (SC 14A, B, B-1, D, and SC 6B).

Service Contract 14 C-1 (Galoc)

Since the commencement of its production in October 2008, cumulative production of the Galoc field stood at 10.7MM barrels of oil. Production from the Galoc Phase I wells G3 and G4 is steady at an average of 4,600 barrels of oil per day.

To increase production uptime, the consortium undertook a three-month refurbishment and re-classing of, and turret installation on, the Floating Production Storage and Offloading (FPSO) vessel in Singapore from December 2011 to February 2012 with a total project cost of US\$32M. Operations were temporarily ceased beginning November 2011.

The FPSO with the new turret system returned to the Galoc field on March 2012 and resumed production in early April 2012 with an expected 98% operations uptime. With the upgraded FPSO in place, there should be minimal disconnection due to bad weather because of its 360° weather-vaning turret and higher production volume is expected due to the improved operations uptime.

To further expand production, the consortium decided to undertake Phase II of the Galoc Project. Thus, last June 4 2013, the semi-submersible drilling rig, Ocean Patriot, sequentially spudded the G-5 and G-6 wells. The drilling contractor is using the more efficient batch drilling method, wherein similar hole sections in the two wells are completed first before proceeding to another section in order to have more efficient and productive use of rig time. The drilling of the Phase II wells is expected to take approximately 115 days, involving a total drilling and development cost of around \$188M.

Completion of the well batch drilling is targeted by the end of September 2013, while installation of subsea facilities is expected to be finished by the middle of November 2013. First oil from the Phase II wells is expected by the third week of November 2013, and full field production from combined Phase I and Phase II wells should happen by end-November 2013.

Phase II development is estimated to increase the total field production from between 12,000 up to 15,000 barrels of oil per day. End of field life is also expected to be pushed back to year 2025.

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

The Nido / Matinloc / North Matinloc fields produced 155,640 barrels of crude in 2012 at an average selling price of \$99 per barrel. Production forecast for the year 2013 is pegged at 128,000 barrels. Year-to-date production stands at 79,490 barrels of crude.

Service Contract 14 Block A (Nido 1X-1)

The Nido 1X1 structure is a 1979 sub-commercial discovery located near the Nido field and the Nido platform, which flowed 2,100 barrels of oil per day during testing.

Mr. Navarro reported that the in-house evaluation on the Nido 1X-1 structure was completed in the fourth quarter of 2012. Results indicate that the structure has a recoverable resource potential of up to 6.5 MM barrels of oil plus some remaining attic resources of up to 1.0 MM barrels in the Nido A structure. To further evaluate the feasibility of development, the Company has initiated a tender process for the engineering works to be done on the Nido 1X-1 Appraisal and Development, which will include a detailed engineering review and well design for any proposed well in the Nido 1X1 structure. Final Investment Decision on this project is expected by the end of year 2013.

Service Contract 14 C-2 (West Linapacan)

The block operator has come up with reserves estimates for the two reservoirs within the West Linapacan A structure and a program has been set for the drilling of two production wells which is expected to yield a maximum production rate of 20,000 barrels of oil per day. A program for the West Linapacan B structure is also in place in order to tap possible additional volumes of crude using a developmental scheme similar to that being used in the Galoc field.

Service Contract 53 (Onshore Mindoro)

After completing the gradiometry survey in May 2012, the operator is now conducting further geological and geophysical studies. The block has a good prospect for gas production that can sustain a 25-megawatt power plant in the area. In line with this potential for gas discovery, a Memorandum of Agreement was signed with Napocor for the sale and use of the gas from the field for generating electricity in Occidental Mindoro. The drilling of Progreso-2 well is expected by the first quarter of 2014.

Service Contract 6A (Octon)

The joint venture has decided to acquire a 500 sq. km. of 3D seismic data over the northern portion of the block in lieu of the seismic re-processing commitment. The consortium is still awaiting the endorsements and permits from the relevant local government offices before commencing with the 3D seismic acquisition program. In the meantime, the operator continues to seek an appropriate 3D vessel that can shoot in shallow areas.

Two prospects have been identified in the block, namely, the West Malajon Prospect and the Barselisa Prospect.



Service Contract 6B (Bonita)

The transfer of interests to Peak Oil, Blade Petroleum, and VenturOil remains pending with the Department of Energy. Four notable prospects (East Cadlao, Bonita, A02 Lead, and A32 Prospect) have been mapped which are sufficiently large enough to contain commercial oil reserves.

Sulu Sea Block (Area 15)

The Company, together with Philex Petroleum Corporation, formally submitted their joint bid offer to the DOE last April 2012 in order to participate in bidding for Area 15 (Sulu Sea Block) during the 4th Philippine Energy Contracting Round. To date, the DOE has not yet awarded the service contract and there are indications that the DOE will conduct a re-bidding of several areas, including Area 15.

Linapacan Area (Area 5)

The DOE announced in February 2013 that the joint bid submitted by the Company and Pitkin Petroleum for Area 5 (Linapacan Area), which contains the Linapacan "A" and Linapacan "B" fields, has won. Preparations for the execution of the service contract covering the area are currently ongoing. Mr. Navarro noted that oil and gas flowed in the area during tests conducted by Philippines-Cities Service in 1982.

B. FINANCIAL REPORT

The Treasurer and Vice-President for Administration, Mr. Reynaldo E. Nazarea, presented the Financial Report consisting of a summary of the Company's operating results and financial performance for the year ending December 31, 2012, followed by an update on the interim financial results as of May 31, 2013.

Compared with the figures for the year 2011, the consolidated financial highlights for the calendar year ended December 31, 2012 are as follows:

FINANCIAL HIGHLIGHTS		
(in million pesos)		
	Consolidated	
	2012	2011
FOR THE YEAR		
Petroleum Revenues	714.2	1,497.2
Gain on sale of Cadlao ORRI	-	58.7
Investment Income	20.3	12.7
Interest & Other Income	9.0	59.2
Net Income	302.7	1,065.5
AS OF END OF YEAR		
Total Assets	3,350.5	3,247.5
Total Liabilities	84.6	97.3
Net Worth	3,265.9	3,150.2
Authorized Capital	2,000.0	2,000.0
Issued & Subscribed Capital	1,742.1	1,741.2

The 2012 and 2011 comparative consolidated income statements are as follows:

CONSOLIDATED STATEMENTS OF INCOME (in million pesos, except EPS)		
	<u>2012</u>	<u>2011</u>
REVENUES		
Petroleum Operations	714.2	1,497.2
Gain on sale of Cadlao ORRI	-	58.7
Equity in Net Earnings of Associates	20.3	12.7
Interest & Other Income	9.0	59.2
	743.5	1,627.8
COSTS AND EXPENSES		
Production & Depletion Costs	312.7	377.6
General & Administrative	109.8	132.8
	422.5	510.4
INCOME BEFORE TAX	321.0	1,117.4
PROVISION FOR INCOME TAX	18.3	51.9
NET INCOME	302.7	1,065.5
EARNINGS PER SHARE	0.0016	0.0056
RETURN ON AVERAGE EQUITY	9%	39%

Total revenues for the year 2012 amounted to P743.5M versus P1.627B in 2011, consisting of revenues from petroleum operations amounting to P714.2M, equitized share in affiliates' income of P20.3M, and interest and other income of P9.0M. Total costs and expenses for the year 2012 amounted to P422.5M, including production and depletion costs of P312.7M, general and administrative expenses of P109.8M. After taking out from revenues the costs and expenses and the provision for income tax of P18.3M, the Company's net income for the year 2012 amounted to P302.7M versus P1.065B in 2011. EPS is at P0.0016 by the end of December 2012.

PETROLEUM OPERATIONS	2012	2011
Production Volume (in barrels)		
Galoc	1,445,229	2,143,621
Nido/Matinloc/North Matinloc	155,178	142,417
	1,600,407	2,286,038
Average price per barrel (in US\$)		
Galoc	113.97	114.44
Nido/Matinloc/North Matinloc	99.44	97.37

Total output from the four fields was 1,600,407 barrels, with 1,445,229 barrels coming from Galoc, and 155,178 barrels of combined Nido / Matinloc / North Matinloc crude. Galoc production for 2012 decreased by about 33% due to mainly to the field shutdown during the first quarter of 2012 to give way to the turret installation and refurbishment of the FPSO, and the natural depletion of the Galoc wells. The combined volume of Nido / Matinloc / North Matinloc for the period ending December 2012 is 9% higher than the 142,417 barrels of crude obtained for the same period in 2011 due to lower production downtime in year 2012.

Average price per barrel of Galoc crude for the year 2012 was \$113.97 per barrel which is lower compared to \$114.44 per barrel for the same period in 2011. Crude from Nido / Matinloc / North Matinloc was priced at an average of \$99.44 per barrel for the period ended December 2012 which is 2% higher compared to \$97.37 per barrel for the same period during the previous year.

Based on the Company's audited financial statements, the comparative consolidated balance sheets for the calendar years 2012 and 2011 are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in million pesos, except BVPS)		
	<u>2012</u>	<u>2011</u>
Current Assets	1,082.1	1,241.4
Property & Equipment	418.2	271.2
Deferred Oil Exploration & Development Costs	879.3	876.2
Investments & Other Assets	970.9	858.7
	3,350.5	3,247.5
Liabilities	84.6	97.3
Equity	3,265.9	3,150.2
	3,350.5	3,247.5
Book Value Per Share	0.0179	0.0173

As of end of December 2012, total assets of the Company amounted to P3.350B versus P3.247B as of end of December 2011. Current assets decreased from P1.241B in 2011 to P1.082B in 2012 due to lower revenues generated in 2012, together with the Company's payments of its share in the Galoc Phase II cash calls including the operating expenses. Property and equipment increased by around P147M from P271.2M in 2011 to P418.2M in 2012 as a result of the Company's payment of capital expenditures related to the Galoc Phase II project. Deferred oil exploration and development costs, or the oil projects which are not yet in production, slightly increased from P876.2M in 2011 to P879.3M as of end of 2012. Investments and other assets amounted to P970.9M, consisting of the carrying value of the Company's investments in PentaCapital, its marketable securities in Atlas Consolidated Mining Corporation, United Paragon, and other smaller assets which are not classifiable under the three foregoing components.

Total liabilities, consisting of accounts payable and accrued expenses as of the end of December 2012, decreased by P13M from P97.3M in 2011 to P84.6M. Stockholders' equity increased from P3.150B in 2011 to P3.265B in 2012 due to the net income booked in year 2012 which was reduced by the amount of cash dividends declared during the same year. Book value per share amounted to P0.0179 in 2012 versus P0.0173 in 2011.

The interim financial results of the Company estimated to the end of May 2013 are as follows:

STATEMENT OF INCOME (in million pesos, except EPS)	
	Unaudited YTD
	May 2013
REVENUES	
Petroleum Operations	291.4
Equity in Net Earnings of Associates	4.0
Interest & Other Income	21.9
	317.3
COSTS AND EXPENSES	
Production & Depletion Costs	149.4
General & Administrative	28.9
	178.3
INCOME BEFORE TAX	139.0
PROVISION FOR INCOME TAX	15.8
NET INCOME	123.2

Estimates for year-to-date revenues total P317.3M, consisting of revenues from petroleum operations of P291.4M, equitized share in affiliates' income of P4.0M, and interest and other income of P21.9M. Total costs and expenses as of end of May 2013 is estimated at P178.3M, with P149.4M in production and depletion costs, and P28.9M in general and administrative costs. Year-to-date net income is estimated at P123.2M after considering provision for income tax amounting to P15.8M.

PETROLEUM OPERATIONS	Jan - May 2013
Production Volume (in barrels)	
Galoc	693,868
Nido/Matinloc/North Matinloc	72,542
	766,410
Average price per barrel (in US\$)	
Galoc	108.22
Nido/Matinloc/North Matinloc	94.93

For the five-month period ending May 2013, total output from the four oil fields is estimated at 766,410 barrels, with 693,868 barrels from Galoc, and 72,542 barrels of combined Nido / Matinloc / North Matinloc crude. Year-to-date average of crude price per barrel for Galoc is estimated at \$108.22, while the estimate for Nido / Matinloc / North Matinloc crude price is \$94.93. Mr. Nazarea explained that the main reason for the discrepancy in the price of Galoc crude and the Nido / Matinloc / North Matinloc crude is because of the smaller parcels of crude shipped to buyer Pilipinas Shell resulting in discount in the price of the Nido / Matinloc / North Matinloc crude in contrast to a premium obtained from Galoc crude.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in million pesos, except BVPS)	
	Unaudited May 2013
Current Assets	1,107.5
Investments	743.4
Property & Equipment	535.6
Deferred Oil Exploration & Development Costs	874.5
Other Noncurrent Assets	167.2
	3,428.2
Liabilities	162.0
Equity	3,266.2
	3,428.2
Book Value Per Share	0.0179

As of end of May 2013, total assets of the Company is estimated at P3.428B, consisting of current assets amounting to P1.107B, investments at P743.3M, property and equipment of P535.6M, deferred oil exploration and development costs at P874.5M, and other noncurrent assets at P167.2M.

Estimated total liabilities and equity for the period ending May 2013 amounts to P3.428B, consisting of P162M of estimated liabilities and P3.266B worth of stockholders' equity. Liabilities for the said period shows a relative increase compared to the figures as of end of December 2012 because of the recent declaration of 5% cash dividends amounting to about P96M which the Company has already booked as part of its liabilities as of the end of May 2013. Book value per share is estimated at P0.0179 for the month of May 2013.

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%	Dec. 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
023	2%	July 30, 2012	38.374
024	3%	December 7, 2012	57.561
025	5%	July 2, 2013	95.934
Total	29%		556.419

For the year 2010, the Company paid two cash dividends equivalent to 5%. In 2011, there were also two cash dividends paid but with a higher rate at 9%. In the year 2012, three cash dividend payments were made corresponding to 10%. As of the most recent May 2013 Board meeting, the Directors of the Company has declared another cash dividend equivalent to 5% payable on July 2, 2013, bringing the total cash dividends paid from June 2010 to date to P556.419M or 29%.

With yearly dividends declared from 2010 to 2013, Mr. Nazarea noted that the cash dividends paid by the Company is already more than three times the P192M raised from and invested by the stockholders during the rights offer in early 2009.

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.

Mr. Jose Leonardo, a stockholder, inquired about the forecasted production from the combined Phase I and Phase II Galoc developments. In response, Mr. Navarro discussed that the consortium decided to pursue Galoc Phase II development in view of the declining volume being produced from the existing Phase I wells of about 4,500 barrels per day. With the Phase II project, production from the Galoc field is expected to increase between 12,000 up to 15,000 barrels per day. End-of-field-life is also expected to be extended from year 2015 to 2025.

Mr. Leonardo further asked for some explanations regarding the reported difficulty in controlling the pressure in the Occidental Mindoro drilling. Mr. Navarro explained that this happened during the term of the previous operator but the present consortium is confident that the program for the Progreso-2 well is better situated.

With regard to Mr. Leonardo's query on West Linapacan, it was explained to him that 20,000 barrels per day is only an estimate on the production in the field by the operator, RMA.

**APPROVAL, RATIFICATION AND / OR CONFIRMATION
OF THE ACTS AND RESOLUTIONS OF THE
BOARD OF DIRECTORS AND OFFICERS**

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 December 31, 2012, 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 June 20, 2012 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
FOR CALENDAR YEAR 2013**

The next item in the agenda is the appointment of the external auditor for the Company for the calendar year 2013. 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 December 31, 2013. 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 December 31, 2013.

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 2014:

1. Alfredo C. Ramos
2. Augusto B. Sunico
3. Presentacion S. Ramos
4. Adrian S. Ramos
5. Christopher M. Gotanco
6. Francisco A. Navarro
7. Maureen Alexandra R. Padilla
8. Nicasio I. Alcantara – Independent Director
9. Honorio A. Poblador III – Independent Director



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 juncture, the Chairman opened the floor once again for any additional questions from the stockholders.

Mr. Leonardo raised some more points for clarification regarding the current and forecasted production statistics from the existing and planned projects in the various blocks of the Company. Mr. Navarro explained that the Galoc field produces an average of around 4,500 barrels per day, while the Nido/Matinloc/North Matinloc fields produce 12,500 per month, or a total of about 900 barrels per day from the four oil fields. This volume of crude production is expected to continuously decline until production reaches the economic limit of 2,500 barrels per day. Due to this expected decline in production volumes, the Company agreed to enter into the Galoc Phase II development which will increase production from the field from between 12,000 to 15,000 barrels per day. The Nido 1X-1 project, on the other hand, is expected to add another 3,000 to 4,000 barrels per day, bringing the expected total production volume to around 18,000 barrels by 2015 if these two projects become successful.

Atty. Pacific Tacub cordially thanked the Chairman for showing able leadership which resulted to the existing profits generated by the Company as well as for all future developments and projects which the Company is planning to undertake.

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:

Attest:



ADRIAN S. ARIAS
Secretary of the Meeting



ALFREDO C. RAMOS
Chairman of the Meeting

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

SUBSCRIBED AND SWORN to before me this 25 day of FEB 25 2014 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	08276907	Feb. 2, 2014-Mandaluyong
ADRIAN S. ARIAS	22756932	Jan. 9, 2014-Mandaluyong

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
COMMISSION EXPIRES DEC. 31, 2015
PTR NO. 9042871, 1/02/2014, Q.C.
ROLL OF ATTORNEY NO. 25103

Doc. No. 150
Page No. 70
Book No. 16
Series of 2014.

1