

**MINUTES OF THE ANNUAL GENERAL MEETING  
OF THE STOCKHOLDERS OF  
PHILEX PETROLEUM CORPORATION**

**Held on 19 May 2015 at 2:30 PM  
at Ballroom A, Marco Polo Ortigas Manila,  
Meralco Avenue, Sapphire Street, Ortigas Center, Pasig City**

**Directors Present:**

Eulalio B. Austin, Jr., *Presiding Chairman*  
Emerlinda R. Roman, *Independent Director; Chairman, Audit Committee*  
Benjamin S. Austria, *Independent Director; Chairman, Risk Committee*  
Marilyn A. Victorio-Aquino, *Chairman, Corporate Governance Committee*  
Robert C. Nicholson, *Chairman, Finance Committee*  
Diana Pardo-Aguilar  
Barbara Anne C. Migallos

**Also Present:**

Justice Florentino P. Feliciano, *Senior Consultant*  
Arturo A. Morado, Jr., *Managing Director and CEO, Pitkin Petroleum Plc*  
Jaime del Rosario, *SGV & Co. (External Auditor)*  
Banco de Oro Unibank (BDO) Corporate Agencies and Stock Transfer Service

**CALL TO ORDER**

Mr. Eulalio B. Austin, Jr., a Director of the Company, acted as Chairman and called the meeting to order. The Corporate Secretary, Atty. Barbara Anne C. Migallos, recorded the minutes of the proceedings.

The Chairman introduced the Directors present at the meeting, among them the Dr. Emerlinda R. Roman, Independent Director and Chairman of the Audit Committee, and Dr. Benjamin S. Austria, Independent Director, member of the Audit Committee and Chairman of the Risk Committee.

The shareholders were informed of the presence of representatives of the Company's independent external auditors, Sycip Gorres Velayo & Company.

**PROOF OF REQUIRED NOTICE OF THE MEETING**

The Corporate Secretary certified that notices of the Annual General Stockholders' Meeting, together with the Agenda and the Information Statement, duly approved by the Securities and Exchange Commission (SEC), were sent to shareholders on 21 April 2015 and in no case later than 27 April 2015, within the periods prescribed under applicable rules and in conformity with corporate governance best practices. She reported that the Notice with Agenda was published in two major newspapers of general circulation on 20 April 2015 and 15 May 2015.

The Corporate Secretary presented a notarized certification that she executed to attest to these facts under oath.

**PROOF OF THE PRESENCE OF A QUORUM**

The Corporate Secretary certified that there were present, in person or represented by proxy, shareholders holding **1,497,831,593** shares or **88.11%** of the

outstanding capital stock of the Company and that there was a quorum to transact business for the meeting.

### **VOTING PROCEDURE**

In accordance with corporate governance best practices, the Corporate Secretary explained the voting procedures for the meeting.

The Corporate Secretary informed the body that the required quorum for the meeting will be determined by the presence in person or by proxy of stockholders holding a majority of the outstanding capital stock. To approve an item on the agenda, the affirmative vote of at least a majority of those present is required. The Corporate Secretary noted that there are no items on the Agenda that require a higher vote as provided in the Corporation Code. The voting procedure is as follows:

1. Voting is by balloting.
2. Shareholders who are present and did not submit proxies prior to the meeting are given ballots upon registration. In the case of proxies submitted prior to the meeting, the designated proxy is provided with ballots for casting in accordance with the instructions contained in the proxies.
3. The Company's transfer agent, Banco de Oro (BDO) Stock Transfers, will tabulate the proxies and the ballots, with the Company's external auditors, SGV and Company.
4. The votes cast for each of the items on the Agenda will be announced when the particular item on the Agenda is taken up by the body.
5. Voting results will be posted on the Company's website.

The Corporate Secretary said that the proxy form contains every item on the Agenda requiring a vote, with spaces provided for YES, NO or ABSTAIN. The shareholder issuing the proxy indicates his/her vote on each of the items, and the votes are cast in accordance with the shareholder's instruction.

### **READING OF THE MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING AND ACTION THEREON**

With legal notices sent and a quorum present, the Chairman proceeded to the reading and approval of the Minutes of the previous meeting of the shareholders held on 20 May 2014.

A shareholder moved that the reading of the Minutes of the Annual Stockholders' Meeting held on 20 May 2014 be dispensed with and that the Minutes be approved. This motion was by duly seconded by another shareholder.

At the Chairman's request, the Corporate Secretary informed the body that, as reflected in the tally prepared by BDO and conformed to by the external auditors, shareholders holding **1,497,831,593** shares, representing **88.11%** of the outstanding capital stock of the Company, voted YES to the approval of the Minutes of the Annual Stockholders' Meeting held on 20 May 2014. The Chairman declared the motion carried. The Minutes of the 20 May 2014 Annual Stockholders' Meeting are approved.

## **PRESENTATION OF ANNUAL REPORT AND ACTION THEREON**

The next item on the agenda was the presentation of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2014. The Annual Report contains the Company's Financial Statements and Notes thereto for the year ended 31 December 2014 which were examined by the Company's independent auditors, SyCip Gorres Velayo & Company. Shareholders were previously provided copies of the Annual Report and the audited financial statements, together with the Notice and Agenda for today's meeting.

The Chairman requested Mr. Arturo A. Morado, Jr., Managing Director and CEO of Pitkin Petroleum, a subsidiary of the Company, to present the highlights of the annual report and the audited financial statements for the year 2014.

### **2014 Financial Performance**

Mr. Morado started by presenting the fiscal year 2014 financial performance of the Company. Mr. Morado reported that the Company incurred a consolidated net loss of Php449 million, compared to a consolidated net loss of Php101 million in 2013. The increase in the Company's net loss for 2014 was mainly due to an impairment loss of Php338 million resulting from Pitkin Petroleum's decision not to enter Phase II of a Farmin agreement to earn a 70% participating interest in Service Contract (SC) 6A (Octon), located in offshore Northwest Palawan.

The total revenues, from Forum Energy increased by 48% following the successful completion in December 2013 of the Galoc Phase II development in SC14C1 located in offshore Northwest Palawan, in which Forum Energy has a 2.27% participating interest. The total Galoc crude oil production in 2014 increased to 2.9 million barrels, compared to 1.7 million barrels in 2013.

On costs and expenses, Mr. Morado reported that the general and administrative expenses for 2014 decreased by 17%, mainly due to ongoing cost reduction initiatives.

### **2014 Financial Position**

On the Company's financial position for the year ended 2014, Mr. Morado reported that cash and cash equivalents of the Company amounted to Php1.908 billion, compared to the beginning balance of Php2.621 billion as of 31 December 2013. The reduction was mainly a result of Pitkin's share buyback in July 2014, in which approximately USD9 million was paid out to the minority shareholders of Pitkin.

The deferred exploration costs decreased by Php147 million resulting from the impairment of SC6A (Octon). However, this was partially offset by the exploration expenses in SC75 in Northwest Palawan. Mr. Morado explained that the deferred exploration costs consist mainly of interests in the Peru Block Z38, SC53 in Mindoro, and SC72 in Recto bank, with carrying values of Php3.381 billion, Php321 million and Php798 million, respectively.

### **1<sup>st</sup> Quarter 2015 Financial Performance**

For the financial performance of the Company for first quarter of 2015, Mr. Morado reported that the Company incurred a consolidated net loss of Php44 million, compared to a consolidated net income of Php26 million during the same period last year. The net loss in 2015 was primarily attributable to a decrease in petroleum revenues from Php102 million in 1<sup>st</sup> quarter of 2014 to Php38 million in the 1<sup>st</sup> quarter of 2015, due to lower crude oil prices and lower production from the Galoc field in SC14C1. The production decline from the Galoc field resulted in a 33% decrease in sales of Galoc crude oil, while the decline in world crude oil prices resulted in a

decrease of Galoc crude oil price from an average of USD110 per barrel in the 1<sup>st</sup> quarter of 2014 to USD58 per barrel in the 1<sup>st</sup> quarter of this year.

Costs and expenses were 16% lower as result of lower Galoc production and further reductions in general and administrative expenses.

### Operations of the Company

On the operational aspect, Mr. Morado presented an overview of the service contracts held by the Company in the Philippines. He explained that amidst an increasingly challenging environment for the oil and gas industry and with the two high potential assets of the Company, namely, SC72 in Recto bank and the Peru Block Z38, the Company remains committed to enhance the value of its exploration and production assets.

On SC14C1 (Galoc), in which Forum Energy holds a 2.2% interest, Mr. Morado said that the consortium is pursuing initiatives to maintain the commerciality of the asset, despite the current low oil price environment and the expected decline in production from the existing wells. This includes the evaluation of the potential for a Galoc Phase III development which may involve the drilling of an additional production and exploration well.

On SC75 (NW Palawan), in which the Company holds 50% interest, Mr. Morado stated that the Company is in the process of completing the interpretation of 2,237 line kilometers of 2D seismic data required last April 2014. Based on the results of the seismic exploration well, the Company will decide whether to enter Sub-Phase 2 of the service contract, which will start on 27 December 2015. Mr. Morado noted that the Company is the designated operator of this service contract.

On SC72 (Recto Bank), in which Forum Energy is the designated operator and holds a 70% participating interest, Mr. Morado stated the exploration work remains remote, following the suspension by the Department of Energy of exploration activities within certain areas in the West Philippine Sea. The suspension is due to the ongoing arbitration between the Philippines and China. The service contract has been placed under force majeure effective 15 December 2014, until receipt of notification to commence drilling. The schedule of the current and subsequent sub-phases will adjust accordingly to compensate for the force majeure period, giving Forum approximately 20 months from the lifting of the force majeure to complete the Sub-Phase 2 work commitment, which is comprised of the drilling of two wells.

As to Peru Block Z38, in which Pitkin Petroleum has a 25% participating interest, the Block was placed under force majeure in July 2014 due to the inability of the operator to secure a suitable drilling unit within the required time frame in the Pacific side of America. The force majeure was granted effective 1 September 2013. The term of the current third exploration period and succeeding exploration periods will be adjusted to compensate for the force majeure period, giving Peru approximately 22 months from the lifting of the force majeure to complete the third exploration period work obligation, which is comprised of the drilling of two wells. The drilling of Marina and Bonita prospects have been included in the approved 2015 work program and budget. This, however, remains subject to Peru's ability to procure a suitable rig and associated offshore services.

Mr. Morado presented an overview of the Company's current holdings in its subsidiaries, with 60.49% interest in Forum Energy Plc and 53.43% interest in Pitkin Petroleum Plc.

Finally, Mr. Morado stated that the Company has continued efforts to rationalize the business structure and asset portfolio of the group. Following the decision to exit

SC6A and SC14C2 in West Linapacan, Pitkin Petroleum implemented a share capital reduction in April 2015 through a share buyback, resulting in approximately USD14 million paid to the minority shareholders of Pitkin, and the transfer of approximately USD16 million from Pitkin to the Company.

In Forum Energy, the delisting of Forum from the London Stock Exchange has been proposed in view of the significant cost associated in maintenance of the AIM listing and the delays in the SC72 exploration work program. The proposed delisting involves the Company making an offer to acquire the shares of approximately 9% of the minority shareholders of Forum prior to delisting.

### **Open Forum**

The Chairman then invited questions from the shareholders. There was a brief interval while the Chairman awaited questions. There being no questions from the shareholders, there was a motion for the adoption of the following resolution:

**“RESOLVED**, that the Annual Report, together with the Company’s Audited Financial Statements and the Notes thereto for the year ended 31 December 2014, prepared by the Company’s external auditors, Sycip Gorres Velayo & Co. be, as they are hereby, approved, ratified and confirmed.”

The motion was duly seconded by another shareholder. At the request of the Chairman, the Corporate Secretary informed the body of the voting results on the fourth item on the Agenda, shareholders’ action on the Annual Report and the audited financial statements for the year ended 31 December 2014.

The Corporate Secretary informed the body that shareholders holding **1,497,739,593** shares, representing **88.10%** of the outstanding capital stock of the Company, have voted YES to the approval of the Annual Report and the Audited Financial Statements for the year ended 31 December 2014, and the Notes thereto. The Chairman declared the motion carried. The Annual Report, the Audited Financial Statements and the Notes thereto for the year ended 31 December 2014 has been approved, ratified and confirmed.

### **RATIFICATION AND APPROVAL OF THE ACTS OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS FOR 2014 TO DATE**

The Chairman then took up the next item on the Agenda, which is the ratification and approval of the acts of the Board of Directors and the Executive Officers of the Company during the year 2014 and up to the date of the meeting.

An Information Statement containing a summary of the major actions of the Board was distributed to the shareholders, together with the Agenda and Notice, prior to the meeting. All Board actions are reflected in the Minutes of Meetings of the Board of Directors which are available for inspection at the request of a shareholder.

A shareholder moved for the adoption of the following resolution:

**“RESOLVED**, that all acts made or taken by the Board of Directors and/or the officers of the Corporation during the past year and up to the date of the meeting, as set forth in the Minutes of the Meetings of the Board of Directors and/or all acts and proceedings performed or taken pursuant thereto, be, as it is hereby ratified, approved and confirmed.”

The motion was duly seconded. At the request of the Chairman, the Corporate Secretary informed the body of the voting results for this item of the Agenda. The Corporate Secretary certified that shareholders holding **1,497,739,593** shares, representing **88.10%** of the outstanding capital stock of the Company, voted YES to the approval, ratification and confirmation of all acts made or taken by the Board of Directors and Officers of the Company during the past year. The Chairman declared the motion carried. All acts made or taken by the Board of Directors and/or the officers of the Corporation during the past year are approved and ratified.

### **APPOINTMENT OF INDEPENDENT AUDITORS**

The Chairman then proceeded to the appointment of independent auditors of the Company for the year 2015. The Chairman said that the Audit Committee had recommended, and the Board had approved, the appointment of Sycip Gorres Velayo and Company as independent auditors of the Company for the year 2015. A shareholder moved for the adoption of the following resolution:

**“RESOLVED**, that the auditing firm of SyCip Gorres Velayo & Company be, as it is hereby appointed as the independent auditors of the Company for 2015 and until their successors are duly appointed.”

The motion was duly seconded. At the request of the Chairman, the Corporate Secretary informed the body of the voting results for this item of the Agenda.

The Corporate Secretary certified that shareholders holding **1,497,831,593** shares, representing **88.11%** of the outstanding capital stock of the Company, voted YES to the appointment of Sycip Gorres Velayo & Company as the independent auditors of the Company for 2015. The Chairman declared the motion carried. SyCip Gorres Velayo & Company are appointed as the independent auditors of the Company for 2015.

### **ELECTION OF DIRECTORS**

The Chairman then proceeded to the election of directors for the ensuing year. The Chairman said that there are nine (9) seats to be filled, and two (2) of the directors must be independent directors. The Corporate Secretary was requested to read the names of the nominees.

The Corporate Secretary announced that there were nine (9) nominees for the nine (9) seats on the Company's Board of Directors. The Nominations Committee screened the nine (9) nominees and prepared a final list of candidates, which was incorporated in the Information Statement distributed to the shareholders, together with the Notice and Agenda, before the meeting. The following are the nine (9) nominees for election to the Board:

1. Diana Pardo-Aguilar
2. Marilyn V. Aquino
3. Eulalio B. Austin, Jr.
4. Benjamin S. Austria (Independent Director)
5. Barbara Anne C. Migallos
6. Robert C. Nicholson
7. Carlo S. Pablo
8. Manuel V. Pangilinan
9. Emerlinda R. Roman (Independent Director)

The Chairman then requested the Corporate Secretary to advise the body of the votes cast in favor of the nominees for election to the Company's Board of Directors. The Corporate Secretary informed the body that each of the nine (9) nominees for the nine (9) seats on the Board received sufficient votes to elect them as Director of the Company. The tabulation of the votes will be posted on the Company's website after the meeting. Thereafter, the Chairman declared that the following had been elected as directors of the Company, to serve as such for the ensuing year and until their successors have been duly elected and qualified:

1. Diana Pardo-Aguilar
2. Marilyn V. Aquino
3. Eulalio B. Austin, Jr.
4. Benjamin S. Austria (Independent Director)
5. Barbara Anne C. Migallos
6. Robert C. Nicholson
7. Carlo S. Pablo
8. Manuel V. Pangilinan
9. Emerlinda R. Roman (Independent Director)

### **ADJOURNMENT**

The Chairman inquired whether there were other matters to be taken up at the meeting.

There being no other business to transact, the Chairman entertained the motion made by a shareholder that the meeting be adjourned. Upon such motion duly seconded, the Chairman declared the meeting adjourned.

Prepared By:

**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

ATTEST:

**EULALIO B. AUSTIN, JR.**  
Chairman of the Meeting