

**MINUTES OF THE ANNUAL MEETING<sup>1</sup>  
OF THE STOCKHOLDERS OF  
PHILEX PETROLEUM CORPORATION  
Held at Ballroom A,  
Crowne Plaza Manila Galleria,  
Ortigas cor. ADB Avenue, Quezon City  
On Tuesday, 21 May 2013 at 2:30 p.m.**

**Directors Present:**

Manuel V. Pangilinan, *Chairman and CEO*  
Eulalio B. Austin, Jr., *Vice Chairman*  
Carlo S. Pablo, *President and COO*  
Robert C. Nicholson  
Barbara Anne C. Migallos  
Marilyn A. Victorio-Aquino  
Benjamin S. Austria, *Independent Director & Audit Committee Chairman*  
Emerlinda R. Roman, *Independent Director & Resource Committee Chairman*

**Director Not Present:**

Renato N. Migrino

**Also Present:**

Mr. Jaime del Rosario, *SGV & Co. (External Auditors)*  
Mr. Jose Pepito E. Zabat, *SGV & Co (Engagement Partner of External Auditor)*  
Banco de Oro Unibank (BDO) Stock Transfer Service

**CALL TO ORDER**

The Chairman, Mr. Manuel V. Pangilinan, 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. The Corporate Secretary noted that representatives of the Company's external auditors, Sycip Gorres Velayo & Company were also present.

**PROOF OF REQUIRED NOTICE OF THE MEETING**

The Corporate Secretary certified that notices for the annual stockholders' meeting were sent in accordance with applicable rules. She reported that the notice of the meeting, with the Information Statement duly approved by the SEC, was sent to shareholders as of record date, within the prescribed period. The notice and Information Statement were released on 26 April 2013, or 18 trading days (27 calendar days) prior to the meeting. She further reported that on 22 April 2013, 13 May 2013 and 20 May 2013, the Company caused the publication of the notice in newspapers of general circulation. The Corporate Secretary presented an Affidavit she had executed attesting to these facts.

**PROOF OF THE PRESENCE OF A QUORUM**

The Corporate Secretary certified that the Company's stock transfer agent, BDO Stock Transfers, had tabulated attendance in person and by proxy. She certified that

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<sup>1</sup> For approval

there were present, in person or represented by proxy, shareholders holding 1,336,777,120 shares or 78.63% of the outstanding capital stock of the Corporation. Therefore, the Corporate Secretary certified that there was a quorum to transact business for the meeting.

### **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.

On motion duly made and seconded, the reading of the Minutes of the Annual Stockholders' Meeting held on 17 May 2012 was dispensed with, and the said Minutes were approved and ratified.

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

The next item on the agenda was the presentation of the Annual Report and action thereon. The Annual Report contains the Company's financial statements and notes thereto for the year ended 31 December 2012 which were examined by the Company's external auditors, SyCip Gorres Velayo & Company. Copies of the report were previously distributed to the shareholders. The Chairman requested Mr. Carlo S. Pablo, the Company's President, to present the report on operations and the financial report.

Starting his report, the President said that 2012 was a difficult year in which the Company recorded asset write-downs of P388 million in Forum Energy and P578 million in Brixton. This resulted in a consolidated Net Loss of P1.08 billion, compared to a Net Income of P537 million in 2011, which included a non-recurring gain of P443 million.

The P388 million write-down in Forum was due to downgrading of prospective hydrocarbon resources in Service Contract 40 North Cebu, while the P578 million write-down in Brixton was in relation to the decision to suspend underground coal mining operations in Zamboanga Sibugay. Revenue from petroleum in 2012 amounted to P191 million, while revenue from coal amounted to P48 million.

For the first quarter of 2013 the Company incurred a consolidated net loss of P24 million, compared to a net loss of P46 million for the same period last year. The net loss for the quarter was mainly due to lower revenues from Galoc production.

Also as part of the Company's continuing assessment of the value and risks of its asset portfolio, the Company decided to pursue a \$35 million acquisition of a controlling interest in Pitkin, and to divest all its interest in PetroEnergy Resources. There was also a slight dilution in the Company's interest in Forum following the exercise of share options by previous management.

This has resulted in what was believed to be a more diversified portfolio, with increased exposure to exploration upside. Between Philex Petroleum and its three subsidiaries, the asset portfolio comprises interests in a total of 19 petroleum contracts, including 2 service contracts awaiting signature, and 1 coal operating contract. In the interest of time, the report focused on Forum's Service Contract 72 and 14C Galoc; Pitkin's Vietnam and Peru blocks; and Brixton's Coal Operating Contract.

In Service Contract 72, in which Forum holds a 70% interest and operatorship, Forum completed the interpretation of the seismic data acquired in March 2011, and proceeded with finalizing the well locations, the design, engineering, contracting, and procurement for the drilling of two wells, Sampaguita 4 and Sampaguita 5, scheduled in the third quarter of this year. The Company's Management was quite disappointed however, that Forum was unable to secure the requisite government approvals for the implementation of the drilling campaign as scheduled. In January this year, a two-year extension for the implementation of the two-well drilling program was granted by the Department of Energy.

In Service Contract 14 Northwest Palawan, total oil production from the Galoc field amounted to 1.5 million barrels in 2012, compared to 2.4 million barrels in 2011. The substantial drop in production was mainly due to a production shutdown for the FPSO upgrading in the first quarter of 2012. In September 2012, the Galoc joint venture approved the Final Investment Decision for a \$188 million Galoc Phase II development which is expected to increase the total recoverable oil resources from the Galoc field. The project involves the drilling of two additional production wells this year, and Forum has secured project financing to partially fund its share of the project cost.

Moving on to Pitkin Petroleum, Pitkin has a 25% interest in Vietnam Block 07/03, which is located in the Nam Con Son Basin, adjacent to producing oil and gas fields to the north and northwest. A total of 3 wells and one sidetrack have been drilled in the block, including the Ca Rong Do discovery in 2009 which encountered both oil and gas. The block is in the final exploration period, and the Joint Venture has decided to drill a third appraisal well in the Ca Rong Do structure to further assess the potential recoverable oil and gas resources, and a wildcat exploration well in the Silver Sillago prospect to test the block's exploration upside. The two-well drilling campaign is expected to be implemented in the second half of this year, after which the feasibility of a commercial development will have to be determined.

The other key asset of Pitkin is a 25% interest in Block Z-38 located in the Tumbes basin offshore northwest Peru. While no wells have been drilled in the block, a 3D seismic survey conducted in 2010 has indicated a number of high potential prospects. Three of these prospects have been matured to drill-ready status, and preparations are underway for the drilling of at least two of these prospects in early 2014 subject to rig availability.

As for the coal business, Brixton produced a total of 48,000 metric tons of coal in 2012 from its Coal Operating Contract in Zamboanga Sibugay, which was significantly lower than the production target of 100,000 metric tons. Despite all the hard work, coal production was severely constrained by pinch and swell and partings within the coal seams, and an unreliable power supply from the local electric cooperative.

As if the geological and operational issues were not challenging enough, benchmark coal prices had dropped by over 30% by the time coal supply contracts were up for renegotiation. As the coal prices being sought by buyers were below production costs, the Company took the hard decision not to enter into any term supply contracts for 2013, and to suspend underground mining operations pending a detailed review of the operations and prospects of the project.

As for new ventures, Philex Petroleum participated in the 4th Philippine Energy Contracting Round, by bidding for Coal Areas 29 and 30A in the vicinity of the existing coal project, and for Petroleum Area 4 Northwest Palawan and Area 15 Sulu Sea. Pitkin also participated in the petroleum bid round by bidding for Area 5 Northwest Palawan.

While the Company was unsuccessful with the bids for the two coal areas and for Area 15, the Company was very pleased with the award of Area 4 to Philex Petroleum and Area 5 to Pitkin. The award of Area 4 and Area 5, together with existing Service Contract 72, strengthens the Group's position in the proven hydrocarbon basins of the West Philippine Sea.

In conclusion, the President noted that the Company will continue its efforts to grow shareholder value by proving up the hydrocarbon potential of its exploration portfolio. In pursuing this endeavour, the Company anticipates increasing technical, financial, and political challenges for which the continued support and commitment of the shareholders and the Philippine Government remains of utmost importance.

At the end of the President's Report, the Chairman said there would be an open forum, and invited questions from the stockholders. No shareholder raised any question.

There being no questions from the shareholders, a stockholder moved for the approval of the Annual Report and the Audited Financial Statements and the notes thereto. The motion was seconded by a number of shareholders, after which the following resolution was adopted and approved:

**"RESOLVED**, that the Annual Report, together with the Company's Audited Financial Statements and the Notes thereto for the year ended 31 December 2013, prepared by the Company's external auditors, Sycip Gorres Velayo & Co. be, as they are hereby, approved, ratified and confirmed."

#### **RATIFICATION AND APPROVAL OF THE ACTS OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS FOR 2012 TO 2013**

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 2012 and up to the date of the meeting. An Information Statement containing a summary of the major actions of the Board were distributed to the shareholders before the meeting. All Board actions are reflected in the Minutes of Meetings of the Board which are available for inspection.

On motion duly made and seconded by stockholders of the Company, the following resolution was unanimously approved:

**"RESOLVED**, that all acts, contracts, proceedings, elections and appointments 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."

#### **APPOINTMENT OF INDEPENDENT AUDITORS**

The Chairman then proceeded to the appointment of independent auditors of the Company for the year 2013. The auditing firm of SyCip Gorres Velayo & Company had been the independent auditor of the Company for 2012. The Corporate Secretary said that the Audit Committee had recommended, and the Board had approved, their appointment for the year 2013.

On motion duly made and seconded by stockholders of the Company, the following resolution was unanimously approved:

**“RESOLVED**, that the auditing firm of SyCip Gorres Velayo & Company be, as it is hereby appointed as the independent auditors of the Company for 2013 and until their successors are duly appointed.”

### **ELECTION OF DIRECTORS**

The Chairman then proceeded to the election of directors for the ensuing year. 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 before the meeting. The following are the nine (9) nominees nominated to the Board:

1. MARILYN A. V. AQUINO
2. EULALIO B. AUSTIN, JR.
3. BENJAMIN S. AUSTRIA (Independent Director)
4. BARBARA ANNE C. MIGALLOS
5. RENATO N. MIGRIÑO
6. ROBERT C. NICHOLSON
7. CARLO S. PABLO
8. MANUEL V. PANGILINAN; and
9. EMERLINDA R. ROMAN (Independent Director)

The Corporate Secretary reported that the Nominations Committee found Mr. Austria and Ms. Roman to have the qualifications and none of the disqualifications to be independent directors, and were nominated as such. The Nominations Committee further found that all of the other nominees for election to the Company’s Board of Directors have all of the qualifications and no disqualification for election to the Board.

A stockholder moved that there being only nine (9) nominees for nine (9) seats on the Board, the Corporate Secretary be directed to cast the votes of the shareholders in accordance with their respective proxies submitted to the Corporation, and that the nine (9) nominees be declared as duly elected directors of the Corporation. The motion was duly seconded. There being no objections, the motion was approved.

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. MARILYN A. V. AQUINO
2. EULALIO B. AUSTIN, JR.
3. BENJAMIN S. AUSTRIA (Independent Director)
4. BARBARA ANNE C. MIGALLOS
5. RENATO N. MIGRIÑO
6. ROBERT C. NICHOLSON
7. CARLO S. PABLO
8. MANUEL V. PANGILINAN; and
9. EMERLINDA R. ROMAN (Independent Director)

**ADJOURNMENT**

There being no other business to transact, on motion duly made, seconded and approved, the meeting was adjourned.

PREPARED BY:

**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

ATTEST:

**MANUEL V. PANGILINAN**  
Chairman

**Minutes of the Annual Shareholders' Meeting**  
**Philex Petroleum Corporation**  
**Tuesday, 21 May 2013 at 2:30 p.m.**