

24 September 2015

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
3/F PSE Plaza, Ayala Triangle Plaza
Ayala Ave., Makati City



Dear *Ms. Encarnacion*:

We reply in relation to your letter dated and received today, September 24, 2015 pertaining to the news article entitled "Phoenix Petroleum on track to conduct Php2-B share sale in Q4" published or posted in the Manila Bulletin (Internet Edition) on the same date which reported as follows:

Listed independent oil company Phoenix Petroleum Philippines, Inc. is targeting to conduct its planned P2-billion shares sale before the year ends in order to fund its capital expenditure.

Raymond T. Zorrilla, company vice-president for corporate affairs, said in a text message on Wednesday that the company is "targeting the last quarter of the year" as the date for its latest share sale.

But this still depends if the company "gets the clearance or approval from the commission and the exchange", he added.

Phoenix Petroleum will particularly sell 20 million perpetual preferred shares at P100 apiece.

"The [P2-billion proceeds from the offer] will be to augment our existing capex in support of our expansion programs," Zorrilla further said.



We confirm the foregoing news article which we surmised was a product of an interview or query from a concerned news reporter from the Company's Vice President for External Affairs, Atty. Raymond T. Zorrilla.

The foregoing article pertaining to the issuance and offer of up to 2,000,000,000 preferred shares were previously approved by the Company's Board of Directors on 24 August 2015. Approval or Assent was subsequently obtained from the Company's stockholders through written assent, upon the Company's own initiative, to comply with the listing requirement imposed by the Exchange.

Please find below the pertinent information pertaining to the planned issue and offer of up to Php 2-B worth of preferred shares (third tranche):



a) **Documents of all agreements duly executed relevant to the transaction:**

The Company's Board of Directors has approved the issue and listing of up to 2-B preferred shares with par value of Php1.00 per share and issue price at Php100.00 per share on 24 August 2015 which was likewise approved by the Company's stockholders by 2/3 affirmative vote out of the Company's outstanding capital stock through written assent on 16 September 2015.

A Registration Statement was already filed with the Securities & Exchange Commission ("Commission") on 24 August 2015 while Listing Application was filed with the Philippine Stock Exchange ("Exchange") on 21 September 2015.

Notice of Publication for the offer in compliance with the order of the Commission was posted with the Philippine Star on September 4 & 7, 2015, Manila Bulletin on September 7, 2015

b) **Description of the transaction including the timetable for implementation and regulated regulatory requirement:**

This is the third tranche in the issuance of preferred shares with the following features: cumulative, non-voting, non-participating, non-convertible, peso-denominated.

The offer of up to 20,000,000 preferred shares, taken from the authorized but unissued preferred capital stock, comprised of:

1. 10,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated, perpetual preferred shares to be offered at the issue price of Php100.00 per shares ("Firm Shares"); and
2. Oversubscription option to issue up to an additional 10,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares to be offered at the issue price of Php100.00 per share ("Option Shares").

Penta Capita & Investment Corporation shall be the Sole Issue Manager while the Joint Lead Underwriters shall be as follows: Penta Capital & Investment Corporation, Multinational Investment Bancorporation, AB Capital and Investment Corporation.



The Company, through the Sole Issue Manager and Joint Lead Underwriters, is offering the Offer Shares in the following series:

Series 3A is entitled to an Optional Redemption as defined herein on the 3rd anniversary of the Listing Date and subject to a Step-Up Dividend Rate on the 5th anniversary of the Listing Date; and

Series 3B is entitled to an Optional Redemption as defined herein on the 5th anniversary of the Listing Date and subject to a Step-Up Dividend Rate on the 7th anniversary of the Listing Date.

The Company targets its offering in the last quarter of 2015 subject to the approval and clearance by the Commission and the Exchange.

c) **Rationale for the transaction, including the benefits which are expected to be accrued to the Company as a result of the transaction.**

The Offer shall enable the Company to raise up to ₱2,000,000,000.00 in gross proceeds at ₱100.00 per share for 20,000,000 preferred shares. The whole amount of the proceeds, net of taxes and expenses, shall be used to finance capital expenditure and additional working capital requirements.

Except for a change in the outstanding capital stock of the preferred shares of the Company, there are no perceived change in the common shares.

d) **The determination of Offer Price**

The Offer consists of the issuance of up to 20,000,000 Offer Shares out of the Company's unissued and authorized preferred share capital stock. The Offer Price of ₱100.00 per share is at a premium to the par value of the Offer Shares. The Offer Price was arrived at by dividing the desired gross proceeds by the number of Offer Shares. Prior to the Offer, there has been no market for the Offer Shares.

We trust that you find everything in order.

Thank you and warm regards.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Socorro Ermac Cabreros".

Atty. Socorro Ermac Cabreros
Corporate Secretary