



09 May 2011

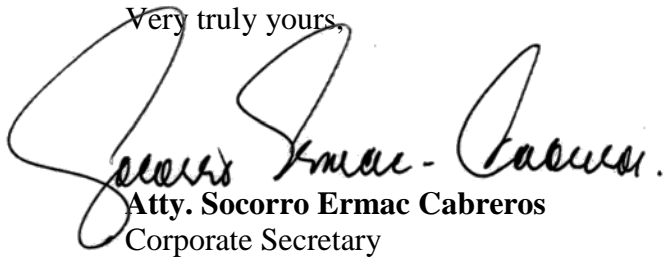
Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange
3rd Floor, PSE Plaza
Ayala Triangle, Ayala Ave.
Makati City

Dear *Ms. Encarnacion*:

We would like to further submit the attached Message to the Stockholders of our Company in light of the recent publication against our Company.

Thank you

Very truly yours,



Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
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MESSAGE TO OUR SHAREHOLDERS

Last May 05, 2011, the Philippine press reported that the Bureau of Customs had filed a PhP5 Billion smuggling case against Phoenix Petroleum Philippines, Inc. While we have yet to receive the formal notice and complaint, the Company would like to categorically deny any wrongdoing and assure our shareholders, partners, bankers and investors that we will defend this malicious charge and attack on our integrity.

As a publicly-listed company, phoenix adheres to best corporate practices and places utmost importance in maintaining its integrity and transparency. We have worked hard for many years to build the Company's reputation and it would be inconceivable for us to risk all that we have gained through the participation in illicit activities. In fact, as seal of good governance and our trustworthiness, the Social Security System (SSS) has invested in the Company as a major shareholder.

Our books remain open for inspection and have consistently passed audit by Punongbayan & Araullo, one of the top auditing firms in the country. In fact, Phoenix was one of the first listed companies to release its financial results for 2010. Just recently, the International Finance Corporation (IFC) concluded its due diligence for a convertible debt issue transaction, which was posted on its website.

As regards the reported allegations of smuggling, we would like to state that we have complete documents to support our importations and to prove the payment of the corresponding taxes and duties.

We also have a Post Entry Audit Group (PEAG) certification dated June 21, 2010 covering the periods of June 2007 to June 2010 signed by Commissioner Angelito Alvarez himself, which gives the Company a clean bill of health as far as import duties and excise taxes are concerned. This contradicts Commissioner Alvarez' alleged instructions to the PEAG to audit all previous importations prior to June 2010. While we will await the formal complaint from the Bureau of Customs, we would like to call on the National Leadership to ensure that agencies like the Bureau of Customs do not frustrate the current administration's efforts to provide a level playing field for all businessmen, whether big or small, and a business environment conducive for investment.

Rest assured that we will defend the Company against this alleged case and exhaust all possible legal means to clear the name of the company and justify the trust and your support for Phoenix Petroleum that has been built through the years.

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