PHOENIX
Fuels Life

22 March 2012

Hon. Justina F. Callangan
Director, Corporate Finance Department
Securities and Exchange Commission
EDSA, Greenhills
Mandaluyong City

Ms. Janet A. Encarnacion
Head, Disclosure Department
4/F, The Philippine Stock Exchange, Inc.
PSE Center, Exchange Road, Ortigas Center
Pasig City, Metro Manila

Mmes:

In connection with the disclosure last March 8, 2012 and as part of our fund raising activities, we proudly announce that Philippine Ratings Service Corporation (PhilRatings) has rated Phoenix Petroleum Philippines, Inc. (the Company) a rating of **PRS Aa** in a possible issuance of Php 1-billion corporate notes and/or bonds.

As noted by PhilRatings, "obligations rated as PRS Aa are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong." The ratings considered the Company's upward trend in profitability, successful equity capital raising supporting business expansion, continuous business expansion in both retail and commercial/industrial segments, expected improvements in cash flows from operations over the long-term and other external factors.

Attached herewith is the press statement of issued by PhilRatings.

This disclosure is compliance with the Securities Regulations Code and the Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Socorro Ermac-Cabreros.

Atty. Socorro Ermac Cabreros
Corporate Secretary

PhilRatings PHILIPPINE RATING SERVICES CORPORATION ***The Pioneer Domestic Credit Rating Agency***	**RATING NEWS** **March 22, 2012**

Phoenix Petroleum's Proposed Debt Issuance Gets **PRS Aa** Rating

Philippine Rating Services Corporation (PhilRatings) assigned a **PRS Aa** rating to Phoenix Petroleum Philippines, Inc's (Phoenix) proposed Corporate Notes or Corporate Bonds issuance amounting to P1 billion. The Corporate Notes or Corporate Bonds issue will mature in 2017. "Obligations rated PRS Aa are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong."

The rating assigned reflects the following key considerations: upward trend in profitability; the company's successful equity capital raising activities which supported business expansion; the continuous business expansion in both the retail and commercial/ industrial segments; and the expected improvements in cash flows from operations (CFO) over the long-term.

PhilRatings' ratings are based on available information and projections at the time that the rating review is on-going. PhilRatings shall continuously monitor developments relating to Phoenix and may change the assigned rating at any time, should circumstances warrant a change.

Phoenix's total revenues improved markedly over the period 2006-2010. Using the year 2006 as the base year, total revenues in 2010 were about nine times higher. The compounded annual growth rate for the period was a robust 77.43%. In 2011, total revenues amounted to P27.47 billion, 86% higher compared to the 2010 level.

Net income likewise registered notable growth, with a compounded annual growth rate of core net income for the five year period of 54.87%. Core net income increased from P74.26 million in 2006 to P427 million in 2010. In 2011, net income further rose by 19.5% to P510.50 million.

The improvement in the company's financial performance over the last six years was primarily driven by substantial increases in sales volume of petroleum products and income from fuel service and storage. The aggressive expansion of Phoenix's retail and distribution network (from 1 in 2005 to 220 in 2011) and its improved commercial/ industrial customer base supported the increase in sales volume.

The continuous expansion also allowed the company to increase its overall market share from 0.3% in 2009 to 3.6% as of the first half of 2011 (based on data sourced from the Department of Energy). In an industry, however, where the primary means of increasing revenues is through market share gain, the company still faces a great challenge in terms of enhancing its market position. It is still far behind the Big Three- Petron, Shell and Chevron which have well-established distribution networks. Phoenix has performed credibly though relative to the numerous independent market players.

Phoenix listed its shares in the Philippine Stock Exchange in 2007, issuing 29 million shares. Since then, the company has issued additional shares of common and preferred stocks and has received deposits for future stock subscriptions. Proceeds from the equity capital raising activities supported the company's station roll-out, the expansion of its terminals and depots and the acquisition of property and equipment. The accompanying increase in debt levels, however, offset the higher equity and resulted in a debt to equity ratio of 1.77x in 2011, above the 1.39x ratio registered in 2010.

In the next two years, the company expects to sustain its growth momentum with the continued station roll-out and depot expansion in key trade areas. Correspondingly, cash flows from operations are expected to improve coming from higher income before tax and the slower rate of increase in receivables and inventory levels. In the last six years, a big portion of the company's resources were tied up in receivables and inventory due to the aggressive expansion, as well as increasing oil prices. This has resulted in negative cash flows from operations in some years. The company needed to raise additional capital- both equity and debt to finance its operating and investing activities.

PhilRatings also took into consideration external factors which affect the performance of the oil industry but are beyond the company's control. These expose the company to industry-wide risks. Given the company's relatively short corporate history, it has yet to consistently demonstrate its capability to weather and handle unforeseen circumstances and developments which may significantly affect its operations and business. This, however, is party mitigated by the fact that members of Phoenix's management team have an average of 18 years of experience in the oil industry.