

26 March 2018

Philippine Stock Exchange

6/F PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City
Taguig City, Metro Manila

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC - Disclosure Department

Sir:

We write in reply to your correspondence received today 26 March 2018 on the news article published in the website of Philstar entitled “Phoenix Petroleum sets aside P5 billion for 2018 expansion” which quoted the Company’s CFO Mr. Joseph John L. Ong as follows:

“Of the P5 billion, P2-to 4-billion would be used to cover the organic growth in stations, storage capacities, logistics assets and IT, Phoenix chief finance officer Joseph John Ong said in a text message.

‘We’re looking at about P2-to 4-billion for traditional business, meaning stations, depots, capacities, lorries and the like,’ Ong said.

The company has programmed to open 50 retail stations annually, but sees more new outlets this year with construction having started last year.

The P5-billion capex would be financed by a combination of cash from operations, debt and some equity, Ong said.

‘We are currently studying our options and have the full flexibility to tap all sources of capital,’ he said.

Phoenix Petroleum listed yesterday its P1.375-billion fixed-rate notes due 2019 at the Philippine Dealing and Exchange Corp. (PDEX). Proceeds from the offering would be used to partly finance working capital, Ong said.

The notes have a tenor of 18 months with a fixed interest rate of 4.625 percent per quarter. The bonds will mature on Sept. 23, 2019.

'For all intents and purposes, it basically replaces working capital lines. We consider it as a permanent working capital. But this is quite small relative to total requirements. We're averaging at excess of P10 billion at any point of time, in terms of financing, importation and inventory,' Ong said."

We would like to confirm that there is a budget allocation as mentioned by Mr. Ong which will be used for the operation expansion of the Company. The target of 50 retail stations annually is an average growth in retail stations expansion.

We further confirm the issuance and listing of the Short Dated Notes (SDN) last 23 March 2018 at the Philippine Dealing and Exchange Corp. (PDEX) worth Php 1.375 billion as approved by the Company's Board of Directors last 22 March 2018. The SDN has a fixed term of 18 months at interest rate of 4.625% per annum. The issuance is intended for institutional qualified buyers as defined under the Securities Regulations Code and hence, exempted from registration with the Commission. China Bank Capital Corporation is the Sole Issue Manager and Sole Underwriter of the issuance of the SDN.

In furtherance, we likewise confirm the news article entitled "Phoenix eyes 2019 start of new asphalt business" on the same date which quoted:

"LISTED Phoenix Petroleum Philippines, Inc. expects to begin commercial operations of its asphalt business by next year, a senior official told reporters.

'Operations will go in full swing as soon as facility is up but we may start some small transactions this year depending on how we can bring it in,' Phoenix Petroleum Chief Finance Officer Joseph John Ong said in a change interview.

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We confirm that commercial operations of its asphalt business is estimated to start by next year after the construction facilities and the proper permits have been issued and approved which are currently in progress.

*To be an indispensable partner in the journey of everyone
whose life we touch.*



We further confirm that no transactions can be completed or concluded without the establishment of the facilities and permits being obtained by the Company.

We hope we have fully clarified the matter on the above subject matters.

Thank you and warm regards.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Socorro Ermac Cabreros'. The signature is fluid and cursive, with a large initial 'S'.

Atty. Socorro Ermac Cabreros
Corporate Secretary