From: no-reply@pse.com.ph (no-reply@pse.com.ph)
To: disclosure@pse.com.ph;
Date: Wed, April 20, 2011 6:05:54 AM
Cc:
Subject: ODiSy - Disclosure Status

Dear Sir/Madam:

We would like to inform you that as of APR 19, 2011 03:05:54 PM today,

Reference Number: WLIST__2011000006589
Company Name: Basic Energy Corporation
Disclosure Subject: SEC Form 20-IS for Annual Stockholders' Meeting to June 29, 2011, Record Date on June 8, 2011 (Circular No. 2981-2011)
Status: APPROVED

Should you need further assistance, please e-mail us at odisy@pse.com.ph.

Philippine Stock Exchange, Inc.
PSE Center, One Exchange Road
Ortigas Center, Pasig City.
Philippines 1600

BASIC ENERGY
CORPORATION

April 19, 2011

ATTY. JUSTINA F. CALLANGAN
Director
Corporation Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Mandaluyong City

MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange, Inc.
4/F PSE Centre, Exchange Road
Ortigas Center, Pasig City

Dear Atty. Callangan/Ms Encarnacion:

Please find enclosed herewith Preliminary Proxy Statement of Basic Energy Corporation, for our Annual Stockholders' Meeting to be held on June 29, 2011 at the New World Hotel, Arnaiz Avenue, Makati City

Thank you for your usual prompt attention.

Very truly yours,

CORAZON M. BEJASA
VP-Corporate Secretary

COVER SHEET

3 6 3 5 9

SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

7th FlooR, Basic Petroleum Building, C. Palanca, Jr. Street, Legaspi Village, Makati City

(Business Address: No. Street City/Town/Province)

Atty. Angel P. Gahol

(Contact Person)

(632) 817-8596 & 98

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Calendar Year)

20-IS

(Form Type)

Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

✓ Preliminary Proxy Statement

__ Definitive Proxy Statement

__ Additional Materials

2. Name of Registrant as specified in its charter BASIC ENERGY CORPORATION

3. Incorporated in the Philippines
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 36359

5. BIR Tax Identification Code 000-438-702

6. 7/F Basic Petroleum Bldg., C. Palanca St., Legaspi Vill., Makati City 1229
Address of principal office Postal Code

7. Registrant's telephone number, including area code +63(2)817-8596 & 98

8. June 29, 2011 at 2:00 P.M. at the New World Hotel, Arnaiz Avenue, Makati City
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to the security holders. June 8, 2011

10. Name of Persons other than the Registrant Filing Proxy Statement

NONE

Address ____________

Phone Number ____________

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,442,493,512

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes ✓ No ____

If so, disclose name of the Exchange: Philippine Stock Exchange

PART I

A. GENERAL INFORMATION

ITEM I. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The 2011 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Wednesday, June 29, 2011, at 2:00 P.M. at the New World Hotel, Arnaiz Avenue, Makati City.

The complete mailing address of the principal office of the Corporation is:

7th Floor, Basic Petroleum Bldg.
104 C. Palanca Jr. St., Legaspi Village
Makati City

RECORD DATE

The record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Stockholders Meeting is June 8, 2011.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: June 8, 2011

ITEM II – DISSENTERS' RIGHT OF APPRAISAL

The appraisal right may be exercised by any stockholder who shall have voted against (1) an amendment to the Articles of Incorporation that changes or restricts the rights of any stockholder or class of shares, or authorizes preferences in any respect superior to the outstanding shares of any class, or extends or shortens the corporate existence; (2) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; or (3) a merger and consolidation; by making a written demand on the Corporation for payment of the fair value of his share(s). The written demand, together with the share certificate/s of the withdrawing stockholder, must be received by the Corporation within thirty (30) calendar days from the date on which the vote was taken. Failure to make the written demand or to surrender the share certificate/s within such period shall be deemed a waiver of the appraisal right.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made. No payment shall be made to any withdrawing stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the Corporation.

The appraisal right is also available to a dissenting stockholder in case the Corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose as provided in Title IV, Section 42 of the Corporation Code. In addition, the Corporation shall take up and seek approval by stockholders of the denial of pre-emptive rights of stockholders to issuances from the un-issued authorized capital stock of the Corporation. This matter may give rise to the exercise of any dissenter's appraisal right.

ITEM III - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors.

The Corporation has not received any information from a director of the Corporation, either verbally or in writing of his/her intention to oppose any action to be taken by the Corporation at the annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM IV - VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) **Number of common shares** – 3,904,993,512 shares (inclusive of subscribed and unpaid shares), as of March 31, 2011. Each share is entitled to one vote, subject to cumulative voting, as explained below. There are no restrictions that limit the payment of dividends on common shares.

b) **Record Date** – June 8, 2011.

c) **Voting Rights** - At the annual meeting of stockholders, every stockholder entitled to vote shall be entitled to one vote for each share of stock registered in his name in the books of the Corporation. However, in the election of directors, every stockholder entitled to vote shall be entitled to cumulate his vote in accordance with the provisions of law in such case made and provided. Hence, a holder of shares of common stock may vote such number of shares recorded in his name in the books of the Corporation as of Record Date, for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute such shares of stock on the same principle among as many candidates as he shall see fit.

d) **Security Ownership of Certain Record and Beneficial Owners and Management**

(1) **Security Ownership of Certain Record and Beneficial Owners**

The entity known to the Registrant to be directly or indirectly the record or beneficial owner of more than 5% of the Corporation's outstanding common shares as of March 31, 2011 is:

(1) Title of Class	(2)Name & Address of Record Owner & Relationship with Issuer	(3) Name of Beneficial Ownership and Relationship with Record Owner	(4)Citizenship of Record Owner	(5) No. of Shares Held & Nature of Ownership (Record/Beneficial)	(6) Percentage
Common Shares	Philippine Depository and Trust Corporation* 37/F Tower I Enterprise Center Ayala Avenue cor. Paseo de Roxas Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	1,785,642,436 (Record)	73.11%

*Philippine Depository and Trust Corporation (PDTC") is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"), which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as the PCD Nominee Corporation. The beneficial owner of such shares are PCD's participants who hold the shares on their behalf or on behalf of their clients.

PCD is a private corporation organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal security account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Two of the PCD participants hold more than five percent of the Corporation's total outstanding common shares of stock, namely: Unicapital Securities, Inc., which hold 152,220,154 shares and Evergreen Stockbrokerage & Securities, Inc. which holds 123,607,597 shares. None of the clients of said participants own more than five percent of the Corporation's total outstanding common shares.

(2) **Security Ownership of Directors and Key Officers**

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of March 31, 2011:

DIRECTORS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Oscar C. De Venecia	8,110,000(direct)	Filipino	0.340%
Common	Francis C. Chua	2,000,000(direct)	Filipino	0.080%
Common	Ramon L. Mapa	268,635 (direct)	Filipino	0.011%
Common	Oscar L. De Venecia, Jr.	516,334 (direct)	Filipino	0.021%
Common	Ma. Florina M. Chan	10,000(direct)	Filipino	0.000%
Common	Eduardo V. Manalac	10,000(direct)	Filipino	0.000%
Common	Jaime J. Martirez	10,000(direct)	Filipino	0.000%
Common	Gabriel R. Singson, Jr.	10,000(direct)	Filipino	0.000%
Common	Isidoro O. Tan	24,822,276(direct)	Filipino	1.030%
Common	Oscar S. Reyes	10,000(direct)	Filipino	0.000%
Common	Dennis D. Decena	10,000(direct)	Filipino	0.000%
	TOTAL	**35,777,245**		**1.484%**

EXECUTIVE OFFICERS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Alberto P. Morillo	1,554,121 (direct)	Filipino	0.060%
	TOTAL	**1,554,121**		**0.060%**

DIRECTORS AND OFFICERS AS A GROUP

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Directors as a Group	35,777,245(direct)	Filipino	1.484%
	Executive Officers as a Group	1,554,121(direct)	Filipino	0.060%
	Total	**37,331,366**		**1.544%**

Voting Trust Holders of 5% or more

None of the directors and officers owns 5% or more of the outstanding capital stock of the Corporation. The Corporation is not also aware of any person holding 5% or more of the Corporation's outstanding shares under a voting trust agreement or similar agreement.

Changes in Control

Management is not aware of any existing arrangement which may result in a change in control of the Corporation by stockholders.

ITEM V - DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors of the Corporation:

Name	Period of Service
Oscar C. De Venecia	1988 to July 12, 2007; February 12, 2009 up to the present
Francis C. Chua	1998 up to the present
Ramon L. Mapa	1976 up to the present
Oscar L. de Venecia, Jr.	1999-2006; March 30, 2007 up to the present
Ma. Florina M. Chan	April 3, 2008 up to the present
Dennis D. Decena	August 8, 2008 up to the present
Eduardo V. Manalac	September 30, 2009 up to the present
Jaime J. Martirez	October 10, 2007 up to the present
Gabriel R. Singson, Jr.	April 3, 2008 up to the present
Isidoro O. Tan	1993 up to the present
Oscar S. Reyes	April 04, 2007 up to the present

Each director of the Corporation holds office for a one (1) year term beginning on the date of his election and expiring at the annual meeting of stockholders next after his election and until his successor shall have been elected and qualified.

NOMINATION OF DIRECTORS AND INDEPENDENT DIRECTORS

The Nominating Committee of the Board of Directors of the Corporation composed of Mr. Oscar C. De Venecia, as Chairman, with Mr. Oscar S. Reyes, Mr. Ramon L. Mapa, Mr. Oscar L. De Venecia, Jr., and Mr. Dennis D. Decena, as members, has determined that the incumbent directors, shall be nominated for re-election at the annual meeting of stockholders, and that all the nominees possess all the qualifications and have none of the disqualifications for directorship as prescribed in the Corporation's By-Laws and the Manual of Corporate Governance. For the purpose of electing the independent directors, the Nominating Committee adopted the independence criteria set out in the Corporation's Manual of Corporate Governance and under SRC Rule No. 38 and are consistent with SEC Memorandum Circular No. 16, Series of 2002. The two independent directors-nominees, namely: Messrs. Dennis D. Decena and Oscar S. Reyes are not officers or employees of the Corporation nor any of its subsidiaries, and are free from any business or other relationship with the Corporation which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors

The following are nominated as members of the Board of Directors for the term 2011-2012:

Oscar C. De Venecia
Ramon L. Mapa
Ma. Florina M. Chan
Eduardo V. Manalac
Isidoro O. Tan
Dennis D. Decena.-Independent Director
Oscar S. Reyes-Independent Director
Francis C. Chua
Oscar L. de Venecia, Jr.
Jaime J. Martirez
Gabriel R. Singson, Jr.

The following nominees for election as independent directors of the Board of Directors were nominated, as follows:

Nominee	Nominating Party	Relationship
Dennis D. Decena	Oscar C. De Venecia	none
Oscar S. Reyes	Oscar C. De Venecia	none

None of the above directors declined to stand for re-election to the Board of Directors because of any disagreement with the Corporation or any matter relating to the Corporation's operations, policies or practices.

Board Committees

The members of the Audit Committee which reviews the audit plans, report and findings of the internal and external auditors of the Corporation, are:

Oscar S. Reyes (Independent Director)	-	Chairman
Dennis D. Decena (Independent Director)	-	Member
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Gabriel R. Singson, Jr.	-	Member

The members of the Nominating Committee, which reviews the qualifications of nominees to the Board of Directors and the key officers of the Corporation, are:

Oscar C. De Venecia	-	Chairman
Oscar S. Reyes (Independent Director)	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ramon L. Mapa	-	Member
Dennis D. Decena (Independent Director)	-	Member

The members of the Compensation and Remuneration Committee, which reviews the Corporation's compensation and remuneration structure for directors and officers of the Corporation, are:

Oscar L. De Venecia , Jr.	-	Chairman
Francis C. Chua	-	Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member
Dennis D. Decena (Independent Director)	-	Member

The members of the Finance and Investments Committee, which reviews the financial reports of the Corporation and all project and investment proposals, are:

Jaime J. Martirez	-	Chairman
Ramon L. Mapa	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ma. Florina M. Chan	-	Member
Dennis D. Decena (Independent Director)	-	Member
Eduardo V.Manalac	-	Member
Gabriel R. Singson, Jr.	-	Member
Prudencio C. Somera, Jr.	-	Member
Isidoro O. Tan	-	Member

The members of the Corporate Governance Committee, which is responsible for maintaining and ensuring good governance of the Corporation, are:

Gabriel R. Singson, Jr.	-	Chairman
Francis C. Chua	-	Vice-Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Dennis D. Decena (Independent Director)	-	Member

The following are the incumbent officers of the Corporation:

Oscar C. De Venecia	Chairman & CEO
Oscar L. De Venecia, Jr.	President & COO
Marietta V. Villafuerte	VP & Treasurer
Corazon M. Bejasa	VP & Corporate Secretary
Alberto P. Morillo	VP- Operations
Angel P. Gahol	AVP-Compliance Officer & Asst. Corporate Secretary
Mary Jean G. Alger	AVP- Corporate Planning & Project Development
Anna Alexandra B. Edillon	Executive Assistant

BACKGROUND INFORMATION

The following are the names, ages, positions and period of service in the Corporation of the incumbent directors, who were nominated for election as directors for the term 2011-2012, and key officers of the Corporation, and their business experiences for the last five years:

1. DIRECTORS

OSCAR C. DE VENECIA, 78 years old, Filipino, is the Chairman of the Board. Prior thereto, he held several positions in the Corporation: as the Executive Vice President of the Corporation and director in 1972; became President and CEO in 1980; and was elected as Chairman of the Board from 1988 to July 12, 2007. He served as Chairman of the Advisory Board in July 12, 2007 to February 12, 2009 before assuming the Chairmanship of the Board again. He is also the Chairman of Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, wholly-owned subsidiaries of the Corporation, and Chairman of the other subsidiaries of the Corporation, namely: iBasic, Inc., Basic Diversified Holdings, Inc., Southwest Resources, Inc. and Pan-Phil Aqua Culture Corporation.

He is the Chairman of the Advisory Board of the Philippines Trade Foundation, Inc.; the Vice-Chairman for *International Relations* in charge of Business Councils of the Philippine Chamber of Commerce and Industry; a director of the Pangasinan Economic Development Foundation, Inc. He was a director of the Manila Economic & Cultural Office (MECO) and an Independent Director of the Export & Industry Bank. He is the Past Chairman and President, now Senior Adviser, of the Petroleum Association of the Philippines.

He is the Honorary Consul General of Ukraine in the Philippines and Past Dean of the Consular Corps of the Philippines. He is an Honorary Rear Admiral of the Philippine Coast Guard Auxiliary and Trustee of the Free Rural Eye Clinic Foundation, Inc. in San Fabian, Pangasinan. He is a Past President of the Rotary Club of Makati West and Past District Governor of Rotary International, District 3830 and Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc. He is a Past President of the National Association of Mapua Alumni and a life member of the Management Association of the Philippines.

He obtained his degree in Bachelor of Science in Civil Engineering at the Mapua Institute of Technology, Manila and obtained his Bachelor of Science in Industrial Engineering at the Syracuse University, Syracuse, New York, USA. He obtained his Graduate Studies on Executive Program at the Stanford University, Stanford, California, USA and on Petroleum Management Program at the Institute Francias Du Petrole, Paris, France. He is a recipient of various awards from both private and government institutions and professional and civic organizations, such as, the *"Chevalier Dans L' Ordre National Du Merite"* award given by the French Government in 2004, one of the "Ten Most Outstanding Alumni" in 1980 in the field of Civil Engineering and in 1991 in the field of Civic Involvement given by the Mapua Institute of Technology and the National Association of Mapua Alumni, one of the "Ten Most Outstanding Citizens of Dagupan City" in the field of Business and Industry, among others.

FRANCIS C. CHUA, 61 years old, Filipino, is a director of the Corporation since 1998, and the second Vice Chairman of the Board of the Directors and Director of the various subsidiaries of the Corporation since November, 2007. He is the Special Envoy on Trade and Investments of the Department of Foreign Affairs since June, 2007 and Special Envoy on Trade and Investment. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry since 2002. He is also the Consul General, Honorary Consulate General of the Republic of Peru in Manila, since 2006. He was a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines, 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority from 2006 to 2009. He was the Chairman and President of BA Securities up to 2007; President of the Philippine Satellite Corporation, and Vice-Chairman/Treasurer of Mabuhay Satellite Corporation. He was a member of the Board of Governors and Treasurer of the Philippine Stock Exchange from 2000 to 2002. He is a director of Bank of Commerce since 2008 and a director of NGCP since 2009. For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, past President of the Chamber of Commerce of the Philippines Foundation; and President of the Philippine Chamber of Commerce & Industry since 2010. He obtained his degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, in 1967, and was conferred Doctor of Humanities, Honoris Causa from the Central Luzon State University.

RAMON L. MAPA, 67 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors effective October, 2007 and director of the various subsidiaries of Corporation. He is presently the Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002, and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002. He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

OSCAR L. DE VENECIA, JR., 43 years old, Filipino, is a director and the President and COO of the Corporation since July, 2007. Prior thereto, he was the Executive Vice President & COO of the Corporation since April 04, 2007. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic Diversified Industrial Holdings, Inc., the Chairman and President of of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc. He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He is the President of the Rotary Club of Makati East for the Rotary Year 2010-2011 and a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011. He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

MA. FLORINA M. CHAN, 55 years old, Filipino, is a Director of the Corporation since April 3, 2008 and director of the various subsidiaries of the Corporation since 2008. She was the President & COO of Philippine Commercial Capital, Inc., with which she was employed from July 16, 1982 to March 31, 2011. She was also a director of PCCI Securities Brokers Corporation, International Capital Corporation and PCCI Equities, Inc., since 2005. She obtained her degree in Bachelor of Science in Business Economics at the University of the Philippines in 1977 and Master in Business Administration at the Fordham University in 1980.

DENNIS D. DECENA, 59 years old, Filipino, is an independent director of the Corporation since August 8, 2008. He is currently the Executive Vice President and the Chief Finance and Administration Officer of New San Jose Builders Inc., a leading property developer specializing in condominium projects. He was the EVP and COO of Roxaco Land Corporation from 1997 to 2008 and Treasurer of Roxas & Company from 2003 to 2008. Prior thereto, from 1976 to 1997, he held various responsible positions in the Jaka Group of Companies, Urban Bank, Union Bank, Business International (HK) Ltd., RCBC, UCPB and Far East Bank and Trust Company. He is presently an independent director of Rural Bank of Cavite, Inc. and President of the Punta Fuego Village Homeowners Association Inc. He was and still is active in various professional and civic organizations such as FINEX, the FINEX Foundation, the Rotary Club of Makati West, the Debbie Decena Memorial Educational Foundation and the Society of Industrial, Residential Commercial Realty Organization (SIRCRO). He obtained his degree in Bachelor of Arts in Economics Honors (Cum Laude) from the Ateneo de Manila University in 1974 and his Master's Degree in Business Administration from the University of the Philippines in 1976. He was a Postgraduate Fellow of the Fletcher School of Law and Diplomacy, TUFTS University, in Massachusetts, U.S.A. as a Hubert H. Humphrey Fellow where he obtained his postgraduate certificate in International Business in 1989.

EDUARDO V. MAÑALAC, 65 years old, Filipino, has been a director of the Corporation and its subsidiaries since October, 2009. He is currently President of TransEnergy International Limited, and non-executive Director for the Australian company, NIDO Petroleum Limited. From 2003 to late 2004, Mr. Mañalac was Undersecretary of the Department of Energy (DOE) of the Philippines, where, among other achievements, he promoted the standardization and use of coconut biodiesel, which highlighted the DOE's participation in developing the "Biofuels Law." He instituted a transparent new system for the awarding of oil service contracts, that led to the

First Philippine Contracting Round in 2003. He was appointed President and CEO of the Philippine National Oil Company (PNOC) on August, 30, 2004, President and CEO of the PNOC Exploration Corporation (PNOC-EC) in September, 2004, and subsequently Chairman of the PNOC Energy Development Corporation (PNOC-EDC) within the same time period. Mr. Mañalac also initiated international cooperative meetings that led to the historic signing of the Tripartite Agreement for a Joint Marine Seismic Undertaking in the South China Sea between the Philippines (PNOC), China (China National Offshore Oil Corporation), and Vietnam (Petrovietnam).

Prior to 2003, he was an executive for the Oklahoma-based Phillips Petroleum Company, now Conoco Phillips based in Houston Texas. He served as Exploration Manager for North America from 1981-85 and was then assigned to head Phillips Petroleum Company Indonesia as its Managing Director from 1985-87. He was also President and General Manager of Phillips Pakistan from 1987-89 and Exploration Manager for Latin America from 1989-95. His last posting with Phillips was China, where, as Vice-president and Exploration manager for Phillips China, he discovered the giant Peng Lai oil field in northern China's Bohai Bay in 1999. For this reason, and for other outstanding achievements, the government of the People's Republic of China honored him with its Friendship Award in 2000, and its first-ever Foreign Model Worker Award in 2003.

Mr. Mañalac attended the University of the Philippines in Diliman, Q.C. Philippines, which granted him an Outstanding Alumni Award in 2001. He graduated from UP with a Bachelor of Science degree in Geology in 1967, and completed post-Graduate studies in petroleum geology through 1969.

JAIME J. MARTIREZ, 56 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Unicapital Finance and Investments, Inc. , Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He holds other director positions- in Majalco, Inc., a diversified holding corporation, Malayan Savings Bank, CCC Insurance Corporation, and Insular Rural Bank, a Las Pinas based rural bank. He is also a director of the Philippine Finance Association, and is a member of the Makati Business Club. He has acquired and developed professional expertise in the field of Investment Banking for the last 26 years, since 1976. He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and is a candidate for a Masters degree in Business Administration from the Ateneo de Manila University Graduate School in 1979.

OSCAR S. REYES, 65 years old, Filipino, and a director of the Corporation and its subsidiaries since June, 2007. He was the Chairman of Basic Ecomarket Farms, Inc., a subsidiary of the Corporation, from March, 2009 to July 8, 2010. He is presently the Senior Executive Vice President and Chief Operating Officer of the Manila Electric Corporation. Among his other positions are: Chairman of Link Edge, Inc. and MRL Gold Phils., Inc.; Member of the Board of Philippine Long Distance Telephone Company, Smart Communications Inc., Bank of the Philippine Islands, Member of the Board as Independent Director of Ayala Land, Inc., Manila Water Co., Alcorn Gold Resources Corporation, Pepsi Cola Products Philippines Inc., Sun Life Financial Plans, Inc., and Petrolift Inc. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc. He finished his BA, Major in Economics (Cum Laude) at the Ateneo de Manila University in 1965. He undertook post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

GABRIEL R. SINGSON, JR., 45 years old, Filipino, is a Director of the Corporation since April 3, 2008 and director of the various subsidiaries of the Corporation. He is presently a director of SR Capital Holdings, Inc. He was formerly the Undersecretary of the Department of Finance for Privatization in 2005-2006 and prior thereto, he was the Chairman of SR Capital Holdings, Inc. from 2000 to 2005, the Vice Chairman of Pilipino Cable Corporation from 1998 to 2004 and the President of Telemondial Holdings, Inc. from 1997 to 2004. He was the Chief Financial Officer of Macondray & Co., Inc. from 1990 to 1996, then Chief Operating Officer thereof from 1996 to 1999, and a director of Del Monte Philippines from 1996 to 1999. He obtained his degree in Business Management from the Ateneo de Manila University in 1986, graduating Magna Cum Laude and Master in Business Administration- Finance from the Wharton School, University of Pennsylvania in 1989.

ISIDORO O. TAN, 62 years old, Filipino, is a director of the Corporation since 1993 and director of the various subsidiaries of the Corporation. He is also the President & Director of Filspin, Inc. for the last five (5) years at least. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

2. OFFICERS

CORAZON M. BEJASA, 63 years old, Filipino, is the Corporate Secretary of the Corporation with the rank of Vice President since July 12, 2007. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, Magna Cum Laude, in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 55 years old, Filipino, is the Vice-President for Petroleum Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm. He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978, and has earned MBA units from the Ateneo de Manila University. He has taken the Management Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

MARIETTA V. VILLAFUERTE, 64 years old, Filipino, is the Treasurer of the Corporation with rank of Vice President since March 16, 2009. She was Vice-President for Finance of the Corporation from January, 2008 to March 15, 2009. She was the Senior Vice President &

Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

MARY JEAN G. ALGER, 40 years old, Filipino, is the Assistant Vice President for Corporate Planning of the Corporation since July, 2007. She has been involved in financial advisory and investment banking in the last eight years and was Asst. Vice President of BancPros, Inc. (a financial and management services Corporation) up to 2008. She also served as the Investment Officer of BancLife Insurance Co., Inc. and ValueGen Financial Insurance Corporation, Inc., the wholly owned life and non-life insurance companies of Export and Industry Bank (EIB), respectively from 2002 to 2007. She obtained her Bachelor of Science in Business Economics degree from the University of the Philippines in 1991.

ANA ALEXANDRA B. EDILLON, 38 years old, Filipino is the Executive Assistant to the Chairman and CEO of the Corporation, since 2010. She was the Corporation's Assistant Vice President for Corporate Affairs from June, 2007 to September, 2008. She was previously the Head Executive Assistant of the late Sec. Cerge M. Remonde at the Presidential Management Staff, Office of the President and prior to that was the Chief of Staff of Sec. Arthur C. Yap, likewise at the Presidential Management Staff. She obtained her degree in AB Interdisciplinary Studies from the Ateneo de Manila University in 1994.

ANGEL P. GAHOL, 58 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation,.and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel. He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

SIGNIFICANT EMPLOYEES

The key officers of the Corporation who are expected to make a significant contribution to the business of the Corporation consist of the above-named directors holding executive positions and officers. To retain these key officers, the employee benefits of the Corporation as defined in its Personnel Manual, may be upgraded when warranted by an improved financial condition of the Corporation, to make these benefits competitive with the industry.

FAMILY RELATIONSHIPS

Mr. Oscar L. de Venecia, Jr., President & COO, is the son of Mr. Oscar C. De Venecia, the Chairman & CEO of the Corporation. There are no other family relationships within the fourth civil degree known to the Corporation among the rest of the directors, nominees and executive officers of the Corporation.

INVOLVEMENT IN ANY LEGAL PROCEEDINGS

The Corporation is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order, judgment or decree subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years up to March 31, 2011.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There has been no material transaction during the past two years, nor is there any material transaction, contractual or other commitments, currently on-going or being proposed, to which the Corporation was or is to be a party with any incumbent director and/or executive officer of the Corporation, disclosed or required to be disclosed in the financial statements of the Corporation pursuant to SFAS/IAS No. 24. In the normal course of business, the Corporation has transactions with its subsidiaries consisting of non-interest bearing advances to finance the working capital requirements of these subsidiaries, and provides assistance to its subsidiaries in carrying out certain administrative functions in connection with its business operations.

ITEM VI – COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

NAME/POSITION	FISCAL YEAR	SALARIES	BONUSES	OTHER COMPENSATION
Oscar C. De Venecia Chairman & CEO **Oscar L. de Venecia, Jr.** President & COO **Marietta V. Villafuerte** VP-Treasurer **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP-Operations				
Total	*2011*	6,846,000 (estimated)	570,500 (estimated)	0
	2010	4,929,650	777,400	0
	2009	5,265,733	439,979	0
All Other Officers as a Group Unnamed	*2011*	*1,428,000* (estimated)	119,000 (estimated)	0
	2010	1,423,375	191,425	0
	2009	1,431,856	127,021	0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php 10,000.00 and Php 5,000.00 per attendance, respectively. Except for the stock option plan discussed below and the existing retirement plan for officers and employees of the Corporation, there is no existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants, options and other rights for directors and officers of the Corporation, or which will arise from the resignation, retirement, expiration of term of employment, change in control or change in the officer's responsibilities.

A stock option plan was approved by the stockholders at the 2007 annual meeting of stockholders, whereby directors and members of the Advisory Board, officers and selected employees of the Corporation and its subsidiaries, and other persons as determined by the Board of Directors shall be granted the option to purchase shares of stock of the Corporation from its un-issued capital stock at par value, and exercisable on the 3rd year from approval of the plan by the stockholders, subject to such allocation of shares as may be approved by the Board of Directors, not to exceed the total of 500,000,000 shares. On June 18, 2010, the stockholders approved the extension of the exercise period from July 12, 2010 to July 11, 2013. However, the details and mechanics of the plan have yet to be submitted for the approval of the Board of Directors. There is no SEC approval yet on the said stock option plan and the Corporation will seek approval by the SEC, when the mechanics thereof are approved by the Board of Directors.

There are no other plans, under which cash or non-cash compensation may be paid or distributed to directors and officers of the Corporation, which will be taken up at the annual meeting of stockholders.

ITEM VII. INDEPENDENT AUDITORS

Sycip, Gorres, Velayo & Co. (SGV) was the Corporation's independent auditors for the year 2010. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2011 by the stockholders at the annual meeting of stockholders. Representatives of SGV will be present during the annual meeting of stockholders and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions from stockholders, should there be any. SGV has accepted the Corporation's invitation to stand for re-election this year.

Audit services of SGV for the fiscal year ended December 31, 2010 included the examination of the books and consolidated financial statements of the Corporation, assistance in the preparation of the Corporation's final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission. The audit fees for 2009 and 2010 were Php580,000.00 and Php 630,000.00, respectively. The audit fee for 2009 was partially paid on March 23, 2010 in the amount of Php406,000.00 and fully paid on May 12, 2010 with the payment of Php 174,000.00. The audit fee for 2010 was partially paid on March 29, 2011 in the amount of Php 378,000.00.

In addition to the audit related services, SGV rendered tax and financial accounting services in connection with the sale of the Corporation's entire interest in Basic Petroleum and Minerals, Inc. in 2006. In June, 2007, SGV rendered financial accounting services in connection with the acquisition of Zambo Norte Biofuels Corporation.

There was no event in the past five (5) years where SGV and the Corporation had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

Upon recommendation of the Audit Committee and the Board of Directors, SGV will be recommended as the external auditor who will conduct the audit of the Corporation for the fiscal year 2011, subject to approval by the stockholders. In compliance with SEC Memorandum Circular 8, Series of 2003 (Rotation of External Auditors), SGV partner, Ms. Aileen L. Saringan, was assigned as partner-in-charge for the Corporation for the fiscal years 2009, 2010 and 2011, still within the 5-year rotation period for external auditors.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM VIII - AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

There is no capital increase or issuance of securities which will be submitted for approval of stockholders at the annual stockholders meeting.

ITEM IX - MODIFICATION OR EXCHANGE OF SECURITIES

There is no modification or exchange of securities which will be submitted for approval of stockholders at the annual stockholders meeting.

ITEM X - FINANCIAL AND OTHER INFORMATION

(a) 2010 Audited Financial Statements

The 2010 financial statements of the Corporation were audited by the Corporation's external auditors:

SGV & Company
Mailing Address: SGV Building, 6760 Ayala Avenue, Makati City 1226
Certifying Partner: Aileen L. Saringan
C.P.A. No. 72557
PTR No. 2641565 dated January 3, 2011.

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2010 are attached as part of this Proxy Statement.

(b) Changes in and disagreements with accountants on accounting and financial disclosures

There are no disagreements with the Corporation's external auditors on any accounting principles or practices, and financial statement disclosures or auditing scope or procedures in the 2010 audited financial statements of the Corporation.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company has adopted starting January 1, 2010. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

i) PFRS 2-Shared-based Payment – Group Cash-settled Share-based Payment Transactions
ii) PAS 39-Financial Instruments: Recognition and Measurement – Eligible Hedged Items
iii) Amendments to PAS 27, Consolidated and Separate Financial Statements
iv) Philippine Interpretation IFRIC 17, Distribution of Non-cash Assets to Owners

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2010, attached as part of this Proxy Statement.

(c) Participation of Representatives of External Auditors

Representatives of SGV and Company, which audited the aforementioned financial statements of the Corporation (i) are expected to be present at the annual meeting of stockholders (ii) will have the opportunity to make a statement if they desire to do so; and (iii)are expected to be available to respond to appropriate questions from stockholders during said meeting.

(d) Incorporation by Reference

The following documents are incorporated herein by reference and are attachments to this Proxy Statement:

(1) Notice of Annual Stockholders Meeting and Proxy Form;
(2) 2010 Management Report
(3) Audited Financial Statements of the Corporation as of December 31, 2010; and
(4) SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2011.

ITEM XI - MERGER, CONSOLIDATION, ACQUISITION & SIMILAR MATTERS

There are no actions to be taken up at the annual meeting of stockholders which will involve the merger or consolidation of the Corporation with another entity or acquisition by the Corporation of any other going business or the assets thereof.

ITEM XII – ACQUISITION/DISPOSITION OF PROPERTY

There are no actions to be taken up at the annual meeting of stockholders which will involve the acquisition or disposition of property, whether real or personal, of the Corporation.

ITEM XIII - RESTATEMENT OF ACCOUNTS

There are no actions to be taken up at the annual meeting of stockholders which will involve the restatement of any asset, capital or surplus account of the Corporation.

D. OTHER MATTERS

ITEM XIV – ACTION WITH RESPECT TO REPORTS

The following actions on reports of the Corporation shall be sought for in the annual meeting of stockholders:

(a) Approval of the Minutes of the 2010 Annual Stockholders' Meeting held on June 18, 2010.

The Minutes contain the following:

- Approval of the Minutes of the 2009 Stockholders' Meeting.
- Notation of the 2009 Management Report and the 2009 Audited Financial Statements.
- Ratification of all acts done by the outgoing Board of Directors and Management
- Election of the Directors of the Corporation for the term 2010-2011
- Appointment of SGV & Co. as the external auditor for the fiscal year 2010; and

(b) Notation of the 2010 Management Report and the Audited Financial Statements for the year ending December 31, 2010.

(c) Ratification of all acts of the Board of Directors and Management for the period covering the term 2010-2011, which consist of the following:

- Appointment of officers, members of the Board and Management Committees, Members of the Advisory Board, and election of directors and officers of subsidiaries for the term 2010-2011.
- Approval of the budget for the Pre-Feasibility Study for the Mabini, Batangas Geothermal Energy Project in the amount of US$160,000 and the engagement of Filtech Energy Drilling Corporation for the conduct of said study.
- Issuance of shares of the Corporation in un-certificated securities and to record transfer of shares and maintain data on the shares by electronic entries.
- Issuance of an undertaking as a Qualified Institutional Buyer of securities.
- Designation of the authorized signatories of the Corporation for the maintenance and operation of the Corporation's placement with Metrobank-Pasay Road Branch.
- Approval for the grant of Christmas bonuses to officers and employees of the Corporation equivalent to one month of their monthly salaries.
- Approval of the salary adjustments of the officers and employees effective January 2011.
- Approval of the increase of per diems of Directors from Php 5,000.00 to Php 10,000.00 and from Php 2,750 to Php 5,000.00 per Board meeting and Board Committee meeting attended, effective January 1, 2011.
- Approval of the 2011 Budget for general and administrative expenses.
- Approval of the Corporation's Revised Manual on Corporate Governance, in pursuant to the Securities and Exchange Commission (SEC) Memorandum Circular No. 6 Series of 2009
- Approval of the appointment of former Speaker of the House of Representatives, Mr. Jose C. De Venecia, Jr. as Chairman of the Advisory Board, and Mr. Seichi Wada as the Vice-Chairman.
- Approval of the principal terms of settlement for the arbitration claims of the Corporation against Forum Energy Plc (Forum) and other issues related to the Corporation's share in the historical cost recoveries under the Sale and Purchase Agreement executed between Forum and Basic Consolidated, Inc. (now Basic Energy Corporation) dated April 3, 2006, and grant of authority for the President & COO to finalize and sign the Settlement Agreement with Forum.
- Approval for issuance of the 2010 Consolidated Audited Financial Statements of the Corporation and its subsidiaries.
- Approval of the schedule of the Annual Stockholders' Meeting of the corporation on Wednesday, June 29, 2011 at 2:00pm at New World Hotel, Makati City.

- Other acts which will be summarized in the list of resolutions adopted/actions taken by the Board up to June 29, 2011, to be furnished to all stockholders of the Corporation at the annual meeting of stockholders.

(d) Election of the Members of the Board of Directors including Independent Directors for the ensuing year;

(e) Amendment of the By-Laws of the Corporation to delineate the position and responsibilities of the Chairman from the CEO, and to define the responsibilities of the COO; and

(f) Appointment of External Auditors for the fiscal year 2011.

ITEM XV - MATTERS NOT REQUIRED TO BE SUBMITTED

There are no matters to be taken up at the annual meeting of stockholders which are not required to be submitted for stockholders' vote or approval.

ITEM XVI – AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BY-LAWS

There are no proposed amendments to the Articles of Incorporation of the Corporation. The proposal to amend the Amended By-laws of the Corporation to delineate the position and responsibilities of the Chairman from the CEO and to define the responsibilities of the COO shall be submitted for stockholders' approval at the annual meeting of stockholders.

ITEM XVII - OTHER PROPOSED ACTIONS

There are no other proposed actions to be submitted for stockholders' approval at the annual meeting of stockholders:

ITEM XVIII - VOTING PROCEDURES

(a) <u>VOTE REQUIRED</u>

Motions in general require the affirmative vote of a majority of the shares of the Corporation's common stock present and/or represented and entitled to vote in the annual meeting of stockholders.. The proposed amendments to the Amended By-Laws of the Corporation will require the affirmative vote of at least two thirds ($^2/_3$) of the outstanding and issued capital stock of the Corporation.

(b) **<u>ELECTION OF DIRECTORS</u>**

In the election of directors, every stockholder entitled to vote shall be allowed to accumulate his vote in accordance with the provisions of law. For this year's election, the top eleven (11) nominees with the most number of votes will be declared as the elected directors. If the number of the nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballot.

(c) METHOD OF COUNTING VOTES

Counting of votes will be done by the Corporate Secretary (or his authorized representatives) with the assistance of the representatives of the independent auditors and stock transfer agent of the Corporation. All votes attaching to the shares of common stock owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

ATTACHMENTS

The attachments to this Information Statement consist of the Proxy Form, the Corporation's 2010 Management Report, the 2010 Consolidated Audited Financial Statements of the Corporation and SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2011.

The Corporation will provide without charge each person solicited, on the written requirement of any such person, a copy of the Corporation's Annual Report for 2010 (SEC Form 17-A). Such written request should be directed to the:

Corporate Secretary
Basic Energy Corporation
7th Floor, Basic Petroleum Bldg.
104 C. Palanca St., Legaspi Village
Makati City

Copies of resolutions of the Board of Directors, since the date of the 2010 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

PART II

SOLICITATION INFORMATION

ITEM I - IDENTIFICATION

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 29, 2011, 2:00 P.M. AT THE NEW WORLD HOTEL, ARNAIZ AVENUE, MAKATI CITY.

ITEM II - INSTRUCTIONS

a) The proxy form attached to this Information Statement shall be used, signed by the stockholder concerned, and need not be notarized. The proxy shall be executed in favour of the Chairman of the Board or in his absence, the Secretary of the meeting.
b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.
c) Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders, without need of any written proxy, provided a copy of the court appointment shall be presented to the Corporate Secretary of the Corporation.
d) The proxy form for shares of stock owned jointly shall be signed by all owners and for shares owned in an "and/or" capacity, by any one of the owners.
e) Proxy form executed abroad shall be duly authenticated by the Philippine embassy or consular office in that state or country.
f) Proxies should be submitted to the Corporate Secretary of the Corporation on or before 3:00 p.m. of June 17, 2011.
g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on June 20, 2011 at 3:00 P.M. at the principal office of the Corporation, and any stockholder, in person or through counsel, may be present during the validation of proxies. The proxy rules under the SEC implementing rules SRC No. 20 (11) (b) shall govern all proxy issues raised during the validation process.

ITEM III - REVOCABILITY OF PROXY

A stockholder giving a proxy has the power to revoke it by a written instrument at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

ITEM IV– PERSON MAKING THE SOLICITATION

The solicitation of proxies is being undertaken by the Corporation in order to obtain the required quorum and the required vote to approve the matters to be taken up at the annual meeting of stockholders. The Corporation has not received any written information by any director of any intention to oppose any action intended to be taken up by the Corporation in the annual meeting of stockholders.

The Corporation intends to utilize couriers and messengers and the services of the Philippine Post Office to undertake the personal delivery of the proxy statements and proxy forms. Costs will be limited to the normal costs of such services and mailing, estimated at about Php400,000.00 and will be shouldered by the Corporation.

ITEM V - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors and the extension of the exercise period for the Corporation's stock and option plan.

PART III

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, and after reasonable inquiry and to the best of our knowledge and belief, on behalf of the Corporation, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on April 15, 2011.

OSCAR L. DE VENECIA, JR.
President & COO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

(CERTIFICATION OF MR. DENNIS D. DECENA AS INPENDENT DIRECTOR)

(CERTIFICATION OF MR. OSCAR S. REYES AS INPENDENT DIRECTOR)

NOTICE OF ANNUAL STOCKHOLDERS MEETING

Notice is hereby given that the regular Annual Meeting of Stockholders of **BASIC ENERGY CORPORATION** will be held at the **NEW WORLD HOTEL , Arnaiz Avenue, Makati City, on Wednesday, June 29, 2011 at 2:00 p.m**., with the following agenda:

AGENDA

1. Call to Order
2. Certification of Due Notice of Meeting and Existence of Quorum
3. Approval of Minutes of the Stockholders Meeting Held on June 18, 2010
4. Presentation of the 2010 Annual Report
5. Ratification of All Acts of the Board and Management
6. Election of Directors
7. Proposed Amendments to the By-Laws
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

Only stockholders of record at the close of business on June 8, 2011 are entitled to notice of, and to vote at, this meeting. For this purpose, the Stock and Transfer Books of the Corporation will be closed from June 8 to June 29, 2011.

In case you cannot attend in person, please accomplish the attached Proxy Form and deliver at the office of the Corporate Secretary at the principal office of the Corporation, on or before June 17, 2011 at 3:00 p.m. Validation of proxies will be conducted on June 20, 2011 at 3:00 p.m. at the principal office of the Corporation.

Minutes of the 2010 Annual Stockholders Meeting are available for your perusal at the principal office of the Corporation during business hours.

We look forward to your attendance at the Annual Stockholders Meeting.

Makati City, May 23, 2011.

CORAZON M. BEJASA
Corporate Secretary

PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
June 29, 2011 – 2:00 P.M.
NEW WORLD HOTEL
Arnaiz Avenue, Makati City

The undersigned stockholder of **BASIC ENERGY CORPORATION** (the "Corporation"), hereby appoints, names and constitutes ________________ or, in his absence, the Chairman of the Board of the Corporation, as proxy to represent and vote all shares registered in the name of the undersigned at the Annual Meeting of the stockholders of Corporation scheduled on June 29,, 2011, at 2:00 P.M., and any postponements or adjournment(s) thereof, and hereby ratifying and confirming any and all action taken by said proxy on matters which may properly come before such meeting or its postponements or adjournment(s) thereof. In particular, the undersigned hereby directs the proxy to vote the shares on the following agenda items in the manner indicated below, or if not so indicated, the proxy shall exercise full discretion in acting thereon.

AGENDA ITEMS		**ACTION**			
		Approve	**Disapprove**	**Abstain**	**Authority to Vote Withheld**
1.	Approval of the Minutes of June 18, 2010 Meeting				
2.	Notation of the 2010 Annual Report				
3.	Ratification of all acts of the Board and Management for 2010				
4.	Election of Directors				
	Oscar C. De Venecia				
	Francis C. Chua				
	Ramon L. Mapa				
	Oscar L. De Venecia, Jr.				
	Ma. Florina M. Chan				
	Eduardo V. Manalac				
	Jaime J. Martirez				
	Gabriel R. Singson, Jr.				
	Isidoro O. Tan				
	Dennis D. Decena (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5.	Appointment of SGV & Co. as External Auditor				
6.	Amendment to the By-Laws re Positions and Responsibilities of the Chairman, CEO and COO				

The above-named nominees were screened and pre-qualified in accordance with the Corporation's Code of Corporate Governance and SEC Circular No. 16, Series of 2002.

Signed this ________________, 2011 at ______________________.

Name and Signature of Stockholder

Notes:

(a) All proxies for the meeting should be received by the Corporate Secretary on or before June 17, 2011 at 3:00 P.M.
(b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

(THIS PROXY IS BEING SOLICITED ON BEHALF OF BASIC ENERGY CORPORATION)

2010 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

PART I. BUSINESS

(A) Description of Business

(1) Business Development

The Company was organized initially as Basic Enterprises, Inc., a stock corporation, on September 19, 1968 and became an oil and gas exploration and development company on April 26, 1971. A year after, it assumed a new name, Basic Petroleum and Minerals, Inc. Over the years, the Company evolved from an operating company into a holding company under the corporate name, Basic Consolidated, Inc. As a holding company, it held equity investments in the following wholly owned subsidiaries: Basic Petroleum & Minerals Inc., an oil and gas exploration and mining company, Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company. To date, the Company has two additional wholly owned subsidiaries: Basic Biofuels Corporation, which is into the development of biofuels and Basic Ecomarket Farms, Inc., which is into agriculture, focusing initially on cassava development and production.

On the Company's oil and gas business, the Company is presently a party, together with other oil exploration companies, in the exploration, development and production of contract areas in Service Contract 47 in offshore Mindoro and Service Contract 53 in onshore Mindoro. Through its subsidiary, Southwest Resources, Inc., the Company is involved in Service Contract 41 in the Sulu Sea.

In 2006 the Company adopted a rationalization program for its equity investments by disposing investments in subsidiaries in exchange for cash and asset values to generate funds for the investments of the Company in its oil and gas projects and other viable businesses, and by winding down the operations of subsidiaries and affiliates affecting the Company's bottom line. In line with this rationalization program, on April 3, 2006, the Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy Plc (FEP), for a total consideration of US$ 17,000,000.00. Of this amount, US$ 5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Company received full payment and delivery of the first tranche of US$ 5,000,000.00. The amount of US$ 12,000,000.00 shall be due upon FEP's utilization of the historical cost recovery accounts of BPMI and the productivity of the service contracts that are part of the sale of BPMI. As of December 31, 2010, the Company has a receivable of US $1,738,147 from FEP based on the Nido and Matinloc liftings from April, 2006 up to December, 2010. This claim is the subject to arbitration proceedings being handled for the Company by its external counsel.

On November 27, 2006, the Securities and Exchange Commission approved the Company's change in corporate name from Basic Consolidated, Inc. to Basic Petroleum Corporation and its equity restructuring involving the following: (a) the reduction of the par value of the Company's shares from Php1.00 to Php0.25; (b) the reduction of the amount of its capital stock from Php2 Billion to Php 500 Million, retaining the same number of shares at 2,000,000,000 shares. One major effect of this quasi-reorganization was the creation of a reduction surplus, which was used to wipe out the deficits of the Company, as of December 31, 2005, as of April 30, 2006 and as of December 31, 2006. This equity restructuring paved the way for a stronger balance sheet designed to attract new investors into the Company and for the transformation of the Company into a more dynamic institution that will include among its endeavors, the development and production of alternative fuels and renewable energy resources.

On July 12, 2007, the shareholders of the Company approved the inclusion among its primary purposes the production of ethanol and other biofuels, and the development of renewable energy resources. In line therewith, the Company changed its corporate name from Basic Petroleum Corporation to Basic Energy Corporation. The Company's Amended Articles of Incorporation embodying the expansion of its primary and secondary purposes, the change of its corporate name to Basic Energy Corporation, and the various amendments to its by-laws were approved by the Securities and Exchange Commission on August 10, 2007.

The Company subsequently planned for a follow-on offering of its shares to raise funds for the integrated ethanol plant of the Company and for its oil and gas and other energy projects. With the support of both new and existing investors who contributed to the minimum required 25% paid-up capital for a Php2 Billion capital increase, the Company increased its authorized capital stock from Php500 Million consisting of 2 Billion shares to Php2.5 Billion consisting of 10 Billion shares. This capital increase was approved by the Securities and Exchange Commission on November 13, 2007. In view, however, of the weak market conditions which began at the end of 2007 and which continued to prevail in 2008, the Company decided to defer its follow-on offering, which deferment was approved by the Securities and Exchange Commission on September 10, 2008.

With the corporate framework in place for its various projects, the Company considered expanding its business horizons by embarking in the development and production of the biofuel – ethanol, and other alternative fuels and renewable energy resources. On July 10, 2007, the Company acquired Zambo Norte Bioenergy Corporation (ZNBC), a company undertaking a planned integrated ethanol production plant in Gutalac, Zamboanga del Norte, and the development of a dedicated sugarcane farm covering approximately 10,000 hectares of leased lands in Gutalac, Labason and Kalawit, Zamboanga del Norte. Under the covering Share Purchase Agreement dated July 10, 2007 and the Amendment to the said Agreement dated September 11, 2007, the consideration for the Company's acquisition of ZNBC consisted of a cash component of Php10.82 Million, which has already been paid, and shares of the Company worth Php53.18 Million priced at Php0.44 per share. On November 23, 2007, the Securities and Exchange Commission approved the change in name of ZNBC to Basic Biofuels Corporation (BBC).

Through BBC, the Company commenced the preparation and development of the sugarcane farm component of the integrated ethanol plant, starting with a nursery for the propagation of sugarcane at the plant site located in Gutalac, Zamboanga del Norte, with an area of approximately 22 hectares. In August, 2008, however, the Company decided to develop initially cassava, over sugarcane, as the feedstock for its planned ethanol plant. The Company then decided to undertake a cassava project in the Zamboanga peninsula with the acquisition of the cassava project of Ecomarket Farms, Inc. in Zamboanga Sibugay and Zamboanga City. For this purpose, Basic Ecomarket Farms, Inc. (BEF) was established as a wholly owned subsidiary of the Company, with an authorized capital stock of Php50 Million and an initial paid up capital of Php20 Million, and Ecomarket Farms, Inc. was engaged to manage the cassava project. In line therewith, the ethanol plant project was deferred while the capability of BEF to produce the cassava feedstock as required by the planned ethanol project is being developed. Towards the last quarter of 2010, based on the results of operations of BEF, the Company decided to concentrate its farm and feedstock development efforts in a pilot 34 hectares farm in Zamboanga del Norte. The joint venture with EMF and its management contract with BEF were then terminated. Increased logistics and administrative costs in view of rising fuel prices and considerable distances between farms as the operations expanded per province, were the primary factors in the decision to focus in one province only. Agronomical practices implemented by BEF initially were revised and improved to achieve higher yields. Based on the results of the pilot 34 hectares, which will be known in the second quarter of 2011 when the new farms will be harvested, the Company will decide if it should explore other feedstock alternatives or expand the cassava farms as originally planned. In the meantime, the Company continues to look for strategic and financial investors or partners for the planned ethanol project.

On July 10, 2008, the Department of Energy awarded to the Company the service contract for the exploration and development of geothermal energy at Mabini, Batangas. A Controlled Source Magneto-Telluric (CSMT) Survey covering 3,481 hectares in the area had been conducted and was completed on March 8, 2010. Recently, the Company engaged the services of Filtech Energy Drilling Corporation to conduct a pre-feasibility study on the project and to confirm the results of the said CSMT Survey. The Company is in discussions with prospective investors for a possible participation in the project.

On August 28, 2008, the Company led a consortium to undertake a feasibility study on the San Mateo Landfill project for the purpose of transforming the dumpsite into an alternative energy source. Certain studies had been conducted, however, in 2009, the Company decided not to pursue the project, in line with its plan to focus on the cassava development project. The Company is in discussions with prospective investors for the assignment of the studies undertaken on the project.

The Company continues to look for business opportunities for the development of alternative fuels and renewable energy, such as hydropower generation, bio-diesel production, biomass to power projects and other areas with good business potentials, as it continues to pursue its core business in the oil and gas exploration and development.

(2) Business of the Company and its Subsidiaries

Oil and Gas Operations

The Company and its subsidiary, Southwest Resources, Inc. (SWR), are involved in various oil exploration and development activities. The Company is presently a party together with other oil exploration companies (the consortium), through the Department of Energy, in the exploration, development and exploitation of the contract areas in Service Contract 47 in offshore Mindoro and Service Contract 53 in onshore Mindoro. Through its subsidiary, SWR, the Company is involved in Service Contract 41 in the Sulu sea.

Service Contract 41 (Sandakan Basin)

Service Contract 41 (SC 41) was issued to the Consortium on May 10, 1996. It is adjacent to the Malaysia-Philippine border within the Sandakan Basin. The contract area is 8,324 sq. km. and covers almost the deepwater areas of the Sandakan shelf.

The operator of the Service Contract, Tap Oil Ltd.(Tap), farmed-in in SC 41 in July, 2006 and had a 70% participation in the block. In October 2006, Salamander Oil Ltd. joined the Service Contract and was assigned a 35% interest. Tap completed the acquisition of 600 sq. km. of 3D seismic and was geared to commit to drill a well before the end of Contract Year 10 scheduled on May 10, 2008. On July 19, 2008, the consortium drilled the Lumba Lumba-1 well using the semi-submersible rig Transocean Legend, but was not successful. The block has an inventory of nearly 20 leads and prospects covered by 3D data.

On October 3, 2008, the Department of Energy approved Tap's request for a two year extension on the SC 41 term. Under the extension, the consortium has until May, 2010 to complete its re-evaluation and identify a drilling location. After a series of negotiations to develop other programs, in July, 2010, the consortium decided to withdraw from this Service Contract.

The Company, through its subsidiary, Southwest Resources Inc., has a 0.608% interest in this Service Contract.

Service Contract 47 (Offshore Mindoro)

Service Contract 47 (SC 47) was awarded on January 10, 2005 to PNOC EC and Petronas Carigali (Petronas) after the consortium decided to convert GSEC 100 to a Service Contract. Petronas holds an 80% stake as operator while PNOC-EC owns the remaining 20% stake. Upon Petronas' withdrawal in 2007prior to entry to sub-phase 2, PNOC-EC interest became 97% with Petroenergy at 2% and the Company at 1%.

SC 47 covers originally 14,667 sq. km and is located within the Northwest Palawan Micro-Continental Block (NPMCB). The NPMCB is the only area in the Philippines where there is oil and gas and includes the Nido Oilfield, Matinloc Oilfield and the Malampaya Gasfield, all in the northwest Palawan area. SC 47 has been the site of the first significant oil discovery outside the proven petroleum province of offshore northwest Palawan. PNOC-EC drilled the Maniguin-2 well on the island of Maniguin in 1994. This well flowed sub-commercial quantities of oil and proved the existence of a valid petroleum system in the area.

The highly encouraging results of the Maniguin drilling have prompted PNOC-EC to pursue additional evaluation studies, including the acquisition of 2D and 3D seismic data. The results of the evaluation studies have shown prospects with reserves ranging from 10 Million barrels to 600 Million barrels recoverable oil.

In January, 2008, Petronas withdrew from the Service Contract, after drilling Kamia 1, from August 31 to September 22, 2007. The drilling of the Kamia-1 well is part of the work program committed to the Department of Energy that involves the drilling of an exploratory well. The consortium will have the option to conduct more drilling by committing to the succeeding contract year. A US$ 40MM development cost in shallow water was anticipated, however, Petronas decided to withdraw from the service contact prior to entry to Sub Phase 2.

In 2009, the Company along with its partners, continued exploration efforts in the service contract. The DOE approved the seismic program commitment under sub-phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US $ 637,416.67. On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained. On May 28, 2010, a revised work program and extension of the term of Sub Phase 2 was requested for approval by the DOE. The processing and interpretation of the new seismic data have resulted in the identification of some leads and prospects. More detailed studies are being undertaken by PNOC-EC.

Service Contract 53 (Onshore Mindoro)

Service Contract 53 (SC53) was awarded on July 8, 2005. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the North Palawan Micro-Continental Block. The operator of the block is Laxmi Organic Industries Ltd. (Laxmi) with a 70% interest and members of the consortium and their respective interests include the Company-3%, Philodrill-22% and Anglo-Philippines- 7%.

Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three of the 4 wells encountered oil and gas but were considered non-commercial at the time of their drilling.

Laxmi conducted a geochemical survey of the area previously identified through seismic and geological interpretation, but the results were found inconclusive. The consortium entered into a Farm-In Agreement with Pitkin Petroleum Ltd. (Pitkin) and the Deed of Assignment of Laxmi's interest in SC 53 in favor of Pitkin was signed on March 21, 2008 and was approved by the Department of Energy on June 11, 2008. Under the Farm-In Agreement, Pitkin would carry the parties on the acquisition of 2D seismic at a cost of US$ 1.5 Million.

Pitkin Petroleum has completed a magneto-telluric in onshore Mindoro and in April, 2009, the DOE approved the 1 year extension of Sub Phase 1. Pitkin Petroleum awarded the 2D seismic acquisition contract to BCG, a Chinese geophysical contractor, which started on November 3, 2009. The 2D seismic is designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental.

The DOE has recently approved the further extension of Sub Phase 1 to March, 2011 for the conduct of geological and geophysical studies and interpretation of the 2D seismic data, which is estimated to cost US$4.5 Million, and the drilling of two wells between 2011 to 2012, the cost of which is estimated at US$ 2 Million.

On November 24, 2010, the consortium signed a Memorandum of Agreement (MOA) with the NPC-SPUG for the sale of gas from the Service Contract. The consortium is optimistic that volume of gas committed is equivalent to run a minimum of 10MW of power.

The Company has a carried-free interest of 3.0 % in the 2D seismic acquisition program.

Renewable Energy (Geothermal Energy)

Mabini, Batangas Geothermal Service Contract

The Mabini, Batangas Geothermal Service Contract was signed and awarded to the Company on July 10, 2008. The contract area is approximately 32.5 square kilometres and covers the Calumpan Peninsula. The contract period is 5 years and subdivided in 3 Phases. Sub Phase 1 (Years 1 and 2) and sub phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Company has the option to drill a well or return the Service Contract to the Department of Energy in case there is no technical justification to drill a well.

Exploration and Development History

The Commission on Volcanology (COMVOL) initiated the detailed geoscientific investigation of the Mabini, Batangas geothermal prospect in the late 1970's. A shallow well was drilled in Santo Tomas, Batangas in 1981 with a depth of 304m and maximum temperature of 118°C. Succeeding surveys commenced in the 1980's, this time led by PNOC-EDC. Geological and geochemical surveys were conducted in 1981 and a more detailed geoscientific study was completed in 1988. Based on Geothermal Model and Resource Potential from PNOC- EDC's latest assessment, Mabini, Batangas is an intermediate-temperature geothermal resource with reservoir temperature of at least 180°C. It was postulated that the upflowing neutral-pH alkali chloride fluids are associated with the Pleistocene Mt. Binanderahan volcanics. Hot fluids outflow toward Mainit to the south, while it flows to Santo Tomas, Batangas at the west and to the east section of the area.

It is envisaged that this prospect is suitable for direct utilization for binary system power generation.

The Company has secured the commitments of the Local Government Units which indicated support to the project. The Certificate of Non Coverage was issued by the Environmental Management Bureau on March 25, 2009 and the Certificate of Non Overlap from the National Commission on Indigenous People was issued on April 15, 2009.

The Company has conducted the first stage of the exploration program consisting of geophysical and geological surveys covering 3,481 hectares in the Calumpan Peninsula, Mabini, Batangas. A Controlled Source Magneto-Telluric Survey covering the area had been conducted and completed on March 8, 2010.The data obtained from the survey had been processed by a Japanese consultant, with the objective of establishing the geothermal resource and the exploration drilling site in the area.

The Company has completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment under Sub Phase 1 (Years 1 and 2) of the work program committed with the DOE. Initial assessments disclosed that the area has a good potential for a 20-megawatts capacity and could be developed within a 2-year period considering the existence of adequate infrastructure, adjacency to transmission lines and a strong power demand in the area.

Current Status

On February 28, 2011, the Company entered into an Agreement for Services with Filtech Energy drilling Corporation for the conduct of a pre-feasibility study that will cover technical studies for the project's pre-development and development phases, environment and social studies, financial and economic aspects, project schedule and implementation and risks assessment.

The Company is currently looking for farm-in partners to explore and develop the Mabini, Batangas geothermal area.

Ethanol Project

The Ethanol Project of the Company is still on the feedstock development stage. After the acquisition by the Company of Zambo Norte Bioenergy Corporation (ZNBC, now Basic Biofuels Corporation, BBC), a corporation undertaking a planned integrated ethanol production plant in Gutalac, Zamboanga del Norte, and the development of a dedicated feedstock farm in the neighboring areas in 2007, BBC commenced the preparation and development of the feedstock farm component of the ethanol plant.

The Company put up a nursery farm at the plant site located in Gutalac, Zamboanga del Norte. Initially, various varieties of sugarcane were test planted, then cassava and sweet sorghum. In 2008, the decision to propagate cassava as feedstock was made. In 2009, the Company through a farm development subsidiary, Basic Ecomarket Farms, Inc. (BEF), started the propagation of cassava in the Zamboanga Peninsula.

In 2010, the feasibility study, for which the Company commissioned a Thailand-based consultancy firm to conduct, was completed. The feasibility study was for a cassava-based ethanol plant in Zamboanga del Norte with capacities of 100,000 liters/day and 200,000 liters/day. The study assumed that there would be available feedstock for a continuous operation of an ethanol plant of up to 200,000 liters/day capacity.

For 2011, the Company will still focus on the development of its capability to produce the most suitable feedstock to sufficiently supply its planned ethanol plant through its wholly owned subsidiary, Basic Ecomarket Farms, Inc., while the Company continues to look for strategic and financial investors or partners for the ethanol plant project.

Cassava Project

The propagation of cassava in the Zamboanga peninsula as the initial project of the wholly owned farm development subsidiary of the Company, BEF, continued in 2010.

The majority of the 300 hectares planted in 2009 were harvested in 2010. The wet tubers, which were then dried and granulated were sold to San Miguel Foods, Inc. (SMFI). BEF was granted by SMFI an accreditation as an area assembler, securing a stable market for its dried granules. BEF is also registered with the Board of Incentives, on a non-non-pioneer status, as a new producer of dried cassava granules and entitled to income tax holiday and other incentives.

After analyzing the results of operations, the Company decided to concentrate its farm and feedstock development efforts in Zamboanga del Norte. Increased logistics and administrative costs in view of rising fuel prices and considerable distances between farms as the operations expanded per province, were the primary factors in the decision to focus on one province only.

Further analysis of the causes for the less than expected yields prompted the Company to likewise defer the expansion of the cassava plantations and focus on a pilot 34 hectares. Agronomical practices implemented by BEF initially were revised and improved to achieve higher yields. Based on the results of the pilot 34 hectares, which will be known in 2011 when the new farms will be harvested, the Company will decide if it should explore other feedstock alternatives or expand the cassava farms as originally planned.

Risk Management

In the Oil and Gas and Geothermal Operations, the Company is faced with the following risks, in order of importance:

(a) *Probability of Exploration and Development Success.* Oil and gas exploration and geothermal projects are inherently high-risk undertakings. There can be no assurance that the Company's activities will be successful in discovering commercially viable oil and gas reservoirs and/or a viable geothermal resource. Even if an apparently feasible resource is determined, there is no guarantee that it can be economically exploited. Despite the Company's reliance on advanced technology such as 3-D seismic data to improve the probability of success of discovery, oil and gas exploration and geothermal is still a speculative business. Advanced technology, even with the correct interpretation, only assist geologists in identifying subsurface structures and does not ensure the certainty of the presence of hydrocarbons if drilled. Moreover, 3-D seismic data and other advanced technology require higher investments that may result in higher losses, should the drilling prove unsuccessful.

Risk of heavy financial losses if prospects would prove unsuccessful could be mitigated through:

Farm-Out of Interest. A Farm-Out Agreement is a contract whereby a third party agrees to acquire from a licensee an interest in a production license and the corresponding operating agreement for a consideration normally comprising of an undertaking to perform a specified work obligation in the drilling of one or more wells. Farming out is usually undertaken by the seller of interest as a source for funding or as part of the rationalization of a licensee's interests. The seller may want to dispose of areas or interests which are peripheral to its main operations or in which it has small equity holdings but would take up as much management time as a larger holding.

Spreading Exploration Risks through Joint Ventures in Several Exploration Blocks. Forming alliances and jointly bidding for the development of a range of opportunities in oil and gas exploration and geothermal projects, mitigates exploration risks of a corporation as there is risk-sharing - the cost and responsibilities of drilling and production are spread over a number of entities. Joint ventures also enable companies to free up funds otherwise tied up in a single drilling project and enable these companies to build a portfolio of prospects.

Exploring in Geological Proven Petroleum Areas. The Company has been making investments and will continue to invest in geologically proven petroleum provinces only.

(b) Operating Hazards of Exploratory Drilling Activities and Environmental Risks. Drilling operations may be delayed, curtailed or subjected to operating and technical difficulties. Unexpected drilling conditions, adverse weather conditions, unanticipated pressure or formations, equipment breakdowns, industrial and environmental accidents and other such events may occur which may have adverse effects on the Company's operations and correspondingly on its financial performance and condition. Oil and gas and geothermal exploration and drilling activities will be subject to Philippine environmental laws and regulations. Normal exploration and drilling operations involve certain operating hazards such as explosions, craterings, well blowouts, uncontrollable flows of oil, natural gas or well fluids, releases of toxic gas, accidental leakages, formations with abnormal pressures, fires, pollution and other environmental perils and risks, any of which may subject the Company to extensive liability or loss of assets.

Operating risks in the exploration and development drilling and production phases are generally directly driven by standards in design, procurement and installation, operating procedures and contingency planning. The Company, in its investment evaluation process, considers the presence and implementation of the following measures and strategies to mitigate risk exposures: (i) hiring of technically competent staff that are adept in utilizing state-of-the-art technology and could conduct effective evaluation work; and (ii) ensuring adherence to the various environmental laws and regulations, taking into account not only local but international expectations as well.

(c) *Volatility of Oil and Gas Prices and Exchange Rate Risks.* Revenues derived from successful exploration and drilling activities depend on the world price of oil. The price of oil is sensitive to minor changes in the global supply and demand conditions, quality of oil, forward selling activities, domestic and foreign government regulations, environmental trends, overall global economic condition and other macroeconomic and political factors that are beyond the Company's control. Furthermore, revenues from drilling activities are pegged to the US dollar, hence, the Company is exposed to exchange rate risks given the volatility of the rate of exchange between the US dollar and Philippine peso.

(d) Government Regulations and Approvals. Government action such as changes in regulations may affect the Company's business and eventual operating and financial performance. Government may limit access to prospective development areas, implement stricter environmental laws to protect human health and the environment, impose higher taxes and royalties, all of which may adversely affect the Company's financial performance.

For the risks mentioned in items (c) and (d) above, these risks could be mitigated through early identification systems of risk exposures to external threats such as changes in government regulations and changes in the geo-political environment of operating locations. The Company will continue to negotiate oil price agreements with inputs from experts. The Company, as a member of a consortium, adheres to its policy of involving competent technical professionals in the preparation and negotiations of oil price agreements. The Company will also continue to involve competent technical professionals in the preparation and negotiations of power purchase agreements for its geothermal projects.

Since the Ethanol Plant project is still pending on the success of the Cassava Project Operations, the Company is faced with the following risks, in order of importance:

(a) Since the lands identified for the growing of cassava to be used as feedstock for the ethanol plant have not been planted with the crop on a large scale basis, productivity in terms of amount of cassava that can be produced per hectare is uncertain. To determine the maximum yield per unit area, the Company must establish actual agronomic data on crop yields using a variety of available technologies and farming methodologies. Initial harvests have yielded less than expected results. Further testing and adjustments in agronomic practices employed and technologies used would require additional investment in land development and preparation, fertilization and maintenance which may further affect the Company's development timetable and ultimately, the ethanol project's viability.

The Company manages this risk by limiting the investment requirement for the extended testing period. The new pilot farm was scaled down to 34 hectares to better focus the efforts on pinning down the agronomic factors and operating processes that would be most suitable for a target yield, efficiency and budget.

(b) The farm and plant sites may have unknown environmental and topographical, social, security and political problems that may be costly and time consuming to remedy or may be beyond the Company's control to correct.

To manage this risk, the Company through its subsidiary, BEF has been diligently documenting environmental and topographical, social and security-related patterns, happenings and incidents. The Company has likewise implemented policies, measures and processes to address these factors so that their unfavorable effects will be diminished.

(c) The Company has no direct experience in ethanol production, which may result in mis-judgments and operating errors, materially affecting projected profitability.

(d) The Company may fail to finalize critical agreements such as off-take agreements or supply contracts or the final contracts may be unfavorable compared to what the Company envisions these to be. Supply contracts with prospective customers are material basis for projecting revenues and the definitive versions of such agreements may contain terms or conditions that may be significantly different from what were assumed in the project's financial model.

For the risks mentioned in items (c) and (d) above, the Company set as policy to seek out a strategic and financial partner that has a proven track record worldwide in the construction and operation of the ethanol plant. The prospective strategic partner shall co-invest with the Company in the ethanol project, to minimize the Company's risk exposure. The applications for the necessary government permits and clearances have been put on hold but will resume as soon as the feedstock development phase is successfully hurdled. Agreements in preparation for the off-take arrangements with the major oil companies have already been signed and executed, specifically for the undertaking of the necessary studies for the terms of the definitive off-take arrangements. Seeing through the completion of these studies in time for the operation of the ethanol plant will be undertaken in due time.

(3) Employees

The Company has 20 officers and employees, of which 8 are executive officers, 8 are assigned as accounting, administrative and support staff and four (4) are assigned for utility and service staff. The Company expects to hire additional personnel in 2011 as may be needed as technical staff for its various projects. When the Company will pursue additional alternative fuels and renewable energy projects, with the entry of strategic and financial funders or investors, project managers, and engineering, technical and other support personnel may be required for the project.

B) Description of Properties

The Company owns one floor (7th Floor) of the Basic Petroleum Building located at 104 C. Palanca, Jr. St., Legaspi Village, Makati City, consisting of 461 square meters, which the Company uses as its office premises.

The Company and its subsidiaries own several parcels of land located in Bolinao, Pangasinan, containing an aggregate area of 415,895.80 square meters. The property is located approximately 4.3 kilometers southwest from the Bolinao-Bani Provincial Road and is best suited for agro-industrial land development. The Company, through a subsidiary, also owns a major interest (58%) in a real estate property located at Barangay Bolasi, San Fabian, Pangasinan with an aggregate area of 178,634 square meters, beside the San Fabian PTA Beach Resort managed by the Philippine Tourism Authority. The beachfront is suitable for beach resort development while a portion of it is suitable for a residential development. The Company also owns a property located at Tanay, Rizal with an area of 35,000 square meters, near the town proper with good roads and is suitable for residential housing development or for an agricultural farm project.

To date, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

C) Legal Proceedings

The San Fabian property, which is registered in the name of Pan-Phil Aqua Culture Company and in which the Company has a majority interest, is the subject of a pending administrative case filed by Pan-Phil Aqua Culture Company against one Warlito Pedral with the Land Management Bureau of the Department of Environment and Natural Resources (DENR), Regional Office No. 1, San Fernando, La Union. The case is docketed as Claim Case No. 01-Pang-101 for the denial of the application for titling of a parcel land being claimed by said Warlito Pedral, as it falls within 20 meters legal easement or salvage zone of the foreshore area fronting the subject property. The Regional Office-DENR, La Union rendered a decision in favor of Pan-Phil, declaring the contested area as a salvage zone and giving Pan-Phil the preference to file for a lease application over the contested area. The decision was appealed with the Office of the Secretary of Department of Environment and Natural Resources (DENR), which appeal was dismissed in an Order dated November 10, 2010, affirming the Resolution of the Regional Executive Director dated August 3, 2010. On February 18, 2011, Mr. Pedral filed a Motion for Reconsideration of the Order dismissing the appeal, which is now pending resolution.

On June 5, 2008, the Company declared Forum Energy Plc (Forum) in default for non-payment of the Company's share in the utilization of the historical cost recovery accounts sold to forum under the Sale and Purchase Agreement (SPA) dated April 3, 2006 covering the sale by the Company of its 100% interest in Basic Petroleum Minerals, Inc. including its participating interests and costs recovery accounts in certain geophysical Survey and Exploration and Service Contracts. The amount due from and unpaid by Forum as of December 31, 2008 is US Dollars: 947,840.49 based on the reports furnished to the Company by Forum on the Nido and Matinloc liftings. As a consequence of said default, the Company submitted the dispute for arbitration. The case is now pending arbitration with the Ad-Hoc Arbitration Tribunal headed by former Justice Jose Vitug, with former Justice Hector Hofilena, Sr. and Atty. Teodoro Penarroyo as members. As of December 31, 2010, the amount due from Forum is US Dollars:1,738,147.75.

Except for the above proceedings, the Company or its subsidiaries and affiliates are not involved in any pending legal proceeding relative to the other properties or property interests of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

(1) **Plan of Operation for 2011**

Oil and Gas Operations

For 2011, the Company will continue with its business in oil and gas exploration, being a party, together with other oil exploration companies, to service contracts for the exploration, development and exploitation of certain contract areas situated in offshore Mindoro (Service Contract 53) and onshore Mindoro (Service Contract 47).

In Service Contract 47, the processing and interpretation works on the newly acquired seismic data have resulted in the identification of some leads and prospects, and more detailed studies will be undertaken by the consortium in 2011. In Service Contract 53, further studies and evaluation will be undertaken in 2011 on the 2D seismic data acquired in 2010, which was designed to delineate and assess the hydrocarbon potential of the Progresso-IX in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental. The Company is carried free in the 2D seismic program.

The Company's cash requirements for the operations of its oil and gas business for the whole year of 2011 is budgeted at about Php 1.0 Million, which will be adequately funded by its cash and short-term investments. There is no need for the Company to raise additional funds for its existing oil and gas projects, and there is no plan to increase its present manpower staff nor acquire any significant equipment for these projects.

Geothermal Energy Operations

The Company will continue discussions with other companies interested in the exploration and development of geothermal resources for the formation of a consortium to jointly undertake exploration and development activities at the Mabini, Batangas Geothermal area. In the meantime, the necessary exploratory works are being undertaken as a commitment under the service contract approved by the DOE. Once successful exploration and the steam resource is determined, the Company, together with possible investors, will consider setting up a geothermal power plant in the Mabini, Batangas area. Initial assessment of the steam resource in the area is about 20 megawatts. Power from the plant would be sold to the local cooperatives and the Wholesale Electricity Stock Market (WESM).

The Company has allocated a budget of US$ 10 Million for 2011, for feasibility studies that will cover technical studies for the project's pre-development and development phases, environment and social studies, financial and economic aspects, project schedule and implementation and risks assessment. The budget will be funded from the cash and short-term investments of the Company. Subject to positive results of the pre-feasibility study, the Company plans to raise funds within the next twelve (12) months from strategic or financial investors, or otherwise, pursue its search for farm-in partners in the project. It is expected that at most two (2) additional technical staff will be required if this project proceeds to its next phase of development as committed to the Department of Energy. There is no plan to acquire any significant equipment this year for this project.

Cassava Operations

For 2011, the Company will continue its focus on the development of its capability to produce sufficient cassava feedstock to supply its planned ethanol plant through its wholly owned subsidiary, BEF.

BEF's operations will now be focused in Zamboanga del Norte, and a new pilot farm of 34 hectares. The new farms were grown using better agronomic practices to increase yields. Expansion of the cassava farmlands will resume only after yields from the new farms improve and overall operations show favorable results.

The cassava produced from the new farms will still be dried, granulated and sold mainly to San Miguel Foods, Inc. (SMFI) and any excess production to other feeds manufacturers. The Company, through BEF, will also study other applications of the wet tubers to explore higher-margin markets.

The Company's cash requirement to support the cassava operations of BEF for 2011 is initially budgeted at Php1.5 Million, which will be adequately funded by its cash and short-term investments. BEF operations will mainly be supported by its revenues from the sale of cassava granules to SMFI. The Company has no plans of raising funds for this cassava development project within the year, but is open to discussions with strategic and/or financial investors for the expansion of this cassava development project and development of a feedstock program for a cassava-based ethanol plant. With such expansion, the increase in manpower requirements will happen at BEF, the Company's subsidiary responsible for this project, the number of which will depend on the extent of expansion and degree of acceleration required for this project by the investors.

(2) Management's Discussion and Analysis of Financial Condition and Results of Operations for 2010

(a) Full Fiscal Years (Three Years)

2010

For 2010, total assets of the Company stood at Ph 461.960 Million down by PhP13.835 Million compared to 2009's level of PhP475.795 Million. Current assets amounting to PhP209.320 Million were mainly in cash and cash equivalents amounting to PhP191.210 Million which increased by PhP91.024 Million compared to last year's balance of PhP100.186 Million. The increase in cash and cash equivalents was mainly due to the payments made by Forum Energy Plc during the last quarter of the year for the company's cost recoveries from S. C. 14-C (Galoc) liftings in the total amount of USD 1.796 million. The increase in Cash and Cash Equivalents was partly offset by a decrease in Biological Assets of PhP 16.414 million from PhP 23.522 million in 2009 to PhP 7.108 million in 2010 due to the harvest of the plants resulting in the transfer of all proportionate costs pertaining to the harvested volume to Agricultural Produce and subsequently to Cost of Sales. Non-current Assets closed at PhP 252.640 million in 2010 posting a decline of PhP 85.708 Million from 2009's balance of PhP 338.348 million. The decline was mainly in Available for Sale Financial Assets (AFS) which decreased byf PhP 40.149 Million from PhP 44.549 Million in 2009 to PhP 4.400 million in 2010 due to the sale of most of the company's investment in Forum Energy shares. Project Development and Deferred Charges decreased in 2010 compared to the balance in 2009 mainly due to Provisions for Impairment Losses booked for the year. Property and Equipment likewise decreased in 2010 compared to 2009 due to depreciation booked for the year and a portion of the assets of a subsidiary given up due to the termination of a joint venture agreement.

Total liabilities of PhP21.393 Million in 2009 decreased by PhP5.993 Million compared to 2010's balance of PhP15.400 Million. Current liabilities were in accounts payable and accrued expenses amounting to

PhP3.858 Million in 2010 which decreased by PhP1.115 Million from last year's figure of PhP4.973 Million due to the payment of certain liabilities. Non-current liabilities amounted to PhP 11.542 Million in 2010 which decreased by PhP4.877 Million compared to last year's level of PhP16.419 Million. This was due mainly to the decrease in deferred income tax liabilities due to the realized gain in AFS financial assets which was partly offset by an accrual of retirement benefits resulting from an updated actuarial valuation of the company's pension plan.

Total stockholders' equity stood at PhP446.560 Million composed of capital stock amounting to PhP610.623 Million, additional paid in capital of PhP32.699 Million, revaluation increment in office condominium of PhP11.596 Million and net unrealized income on increase in value of financial assets amounting to PhP0.744 Million. These were partly offset by a deficit as of year-end 2010 of PhP209.142 Million. The increases recorded in capital stock and additional paid in capital for the year totalling PhP13.586 Million were due to additional capital stock issued for the year which were recorded as deposit for future subscriptions in 2009 amounting to PhP13.586 Million. Deposits for future subscriptions amounting to PhP24.386 Million recorded in 2009 were closed in 2010 partly due to the above stated additional capital stock issuance and the reversal of the PhP 10.8 Million intended for additional subscriptions due to the termination of the joint venture agreement as earlier mentioned.

For the year ended December 31, 2010, the Company posted revenues of PhP112.962 Million mostly from historical cost recoveries amounting to PhP 78.236 Million and realized fair value gain on AFS financial assets amounting to PhP 17.064 Million. Other sources of revenue for the year were from gain on sale of AFS financial assets amounting to PhP 6.993 Million, sale of agricultural produce amounting to PhP 5.761 Million and from interest on cash and placements amounting to PhP 4.918 Million.

Costs and expenses were mostly in general and administrative expenses of PhP31.531 Million which registered an increase of PhP 4.876 million compared to 2009's balance of PhP 26.655 Million mainly due to retirement benefits booked for the year and expenses booked due to the termination of a joint venture agreement of a subsidiary. Other Costs and Expenses for the year were Cost of Sales amounting to PhP 9.592 million, Provisions for Impairment Loss on Deferred Charges amounting to PhP 20.542 Million, Fair Value Adjustments on Agricultural Produce of PhP 16.445 Million and Foreign Exchange Loss of PhP2.901 Million. After deducting provisions for and adding benefit from income tax, the Company recorded a Net Income of PhP14.752 Million as compared to the Net Loss of PhP 13.348 Million in 2009. Including a reclassification adjustments resulting from fair value changes of AFS financial assets removed from equity and recognized in profit or loss through sale of investments and unrealized gain on AFS financial assets net of income tax effects thereon the Company resulted to a total comprehensive income of PhP 2.957 million in 2010 compared to a total comprehensive income of PhP 179 thousand in 2009.

2009

For 2009, total assets of the Company stood at Ph 475.796 Million up by PhP1.623 Million compared to 2008's level of PhP474.172 Million. Current assets amounting to PhP122.148 Million were mainly in cash and cash equivalents amounting to PhP100.186 Million which decreased by PhP54.847 Million compared to last year's balance of PhP155.033 Million. The decrease in cash and cash equivalents was mainly due to operating expenses and additional advances booked for the year. Non-current assets amounting to PhP353.648 Million were mainly in investment properties of PhP120.086 Million, project development costs of PhP62.379 Million, available for sale financial assets of PhP44.550 Million which increased significantly by PhP17.557 Million due to the increase in fair value, and property and equipment amounting to PhP44.051 Million. Biological assets representing standing crops of an agricultural activity amounting to PhP22.773 Million were also booked for the year. Deferred exploration costs amounting to PhP36.300 Million increased by PhP4.618 Million compared to last year's balance of PhP31.681 Million due to additional costs recorded for the year. Deferred income tax assets of PhP 15.189 Million increased by PhP6.565 Million over last year's balance of PhP8.624 Million mainly due to the movement in fair value of the financial assets.

Total liabilities of PhP21.393 Million decreased by PhP9.356 Million compared to last year's balance of PhP30.749 Million. Current liabilities were in accounts payable and accrued expenses amounting to PhP4.973 Million which recorded a decrease of PhP10.714 Million from last year's figure of PhP15.687 Million due to the payment of certain liabilities. Non-current liabilities amounted to PhP 16.419 Million which increased by PhP1.358 Million compared to last year's level of PhP30.749 Million. This was due to an increase in deferred income tax liabilities due to fair value adjustments of financial assets which was partly offset by the reversal of accrued retirement benefits resulting from an updated actuarial valuation of the company's pension plan.

Total stockholders' equity stood at PhP454.403 Million composed of capital stock amounting to PhP602.669 Million, additional paid in capital of PhP27.067 Million, deposits for future stock subscriptions of PhP24.386 Million, revaluation increment in office condominium of PhP12.756 Million and net unrealized income on increase in value of financial assets amounting to PhP12.539 Million. These were partly offset, however, by a deficit amounting to PhP225.655 Million. The increases recorded in capital stock and additional paid in capital for the year totaling PhP53.175 Million were due to additional capital stock issued for the year which were recorded as deposit for future subscriptions in 2008 amounting to PhP53.175 Million. Deposits for future subscriptions amounting to PhP24.386 Million decreased by PhP 42.375 Million compared to last year's balance of PhP66.762 Million due to the above stated additional capital stock issuance amounting to PhP53.175 Million which was partly offset by an additional subscription of PhP10.8 Million which has not been issued pending approval of the listing of the shares by the Philippine Stock Exchange.

For the year ended December 31, 2009, the Company posted revenues of PhP9.661 Million mostly in interest on cash and placements and gain on sale of financial assets. Costs and expenses amounted to PhP27.066 Million composed of general and administrative expenses of PhP26.655 Million and foreign exchange loss of PhP0.410 Million. General and administrative expenses significantly decreased by PhP38.0 Million compared to last year, due to certain organizational changes implemented during the 1st quarter of the year by reduction of manpower complement and alignment of salaries, among others, to preserve cash and capital during the current global and local economic downturn. After deducting provisions for and adding benefit from income tax, the Company recorded a net operating loss of PhP13.348 Million for the year. For 2010, the Company shall continue to monitor its administrative and general expenses, to stay within the approved budget. Including other comprehensive income of unrealized gain on financial assets net of income tax effects thereon amounting to PhP13.527 Million, the Company resulted to a total comprehensive income of PhP179.492 thousand in 2009 compared to a total comprehensive loss of PhP108.789 Million in 2008.

2008

For 2008, total assets of the Company stood at PhP474.172 Million down by PhP 56.191 Million compared to 2007's level of PhP 530.363 Million. Current assets were mainly in cash and cash equivalents amounting to PhP 155.033 Million decreasing by PhP 36.362 Million compared to last year's balance of PhP 191.395 Million mainly due to operating expenses and additional investments booked for the year. Non-current assets were mainly in investment properties amounting to PhP 120.086 Million and project development costs amounting to PhP 63.284 Million. Deferred oil exploration costs amounting to PhP 31.681 Million decreased by PhP 38.200 Million compared to last year's figure of PhP 69.881 Million mainly due to the provision for impairment loss booked for the year. Deferred income tax assets of PhP 8.624 Million likewise, registered a decline of PhP 30.006 Million compared to last year's balance due to the provision for deferred income tax booked for the year.

Total liabilities of PhP 30.749 Million slightly decreased compared to last year's balance of PhP 30.746 Million. Current liabilities were in accounts payable and accrued expenses which for the year amounted to PhP 15.688 Million which increased by PhP 9.616 Million from last year's figure due to a payable for an additional investment. Non-current liabilities totaled PhP 15.062 Million composed of deferred income tax liabilities amounting to PhP 9.854 Million and accrued retirement benefits amounting to PhP 5.297 Million. Deferred income tax liabilities decreased by PhP 13.055 Million due to an adjustment in the tax rate in relation to the companies investment properties. Additional accruals for retirement benefits amounting to PhP 3.441 Million accounted for the increase in this account.

Total stockholders' equity stood at PhP 443.423 Million composed mainly of capital stock amounting to PhP 572.455 Million, deposits for future stock subscriptions of PhP 66.762 Million and revaluation increment in office condominium of PhP 13.916 Million. These were partly offset however by a deficit amounting to PhP 213.543 Million and a net unrealized loss on decrease in value of AFS financial assets amounting to PhP 988 thousand. The increase in deposit on subscriptions amounting to PhP 53.175 Million was due to additional subscriptions which have not been issued pending approval of the listing of the shares by the Philippine Stock Exchange.

For the year ended December 31, 2008, the Company posted revenues of PhP 13.433 Million mostly in interest on cash and placements, gain on sale of financial assets, and foreign exchange gain. Costs and expenses amounted to PhP 103.540 Million composed of general and administrative expenses amounting to PhP 64.666 Million and provision for impairment losses on deferred oil exploration costs and financial assets totalling to PhP 38.874 Million. These, after deducting provision for income tax resulted to a net loss for the year of PhP 108.576 Million.

(b) Interim Period- First Quarter, 2011(Unaudited as of March 31, 2011)

For the quarter ending March 31, 2011, Total Assets stood at PhP489.696 Million, Total Liabilities at PhP15.945 Million and Stockholders' Equity at PhP473.719 Million, with minority interest comprising PhP0.0314 Million.

Total Revenues for the 1st quarter of 2011 was recorded at PhP38.780 Million, while Total Costs and Expenses amounted to PhP11.591 Million, resulting to a Net Income after tax on a consolidated basis of PhP27.196 Million including minority interest. Revenue from historical cost recoveries made up the bulk of revenues for the quarter amounting to PhP 36.456 Million. Total Cost and Expenses for the quarter was mainly composed of general and administrative expenses recorded at PhP6.618 Million.

(c) Key Performance Indicators

The following table shows the top Key Performance indicators for the past three (3) years:

Key Performance Indicators	Year 2010	Year 2009	Year2008
Return on Investment (ROI) (Net Income / Ave. Stockholders' Equity)	3.275%	-2.973%	-23.03%
Net Profit Margin (Net Income / Net Revenue)	13.06%	-138.17%	-808.29%
Investment in Projects (Non-Petroleum) (As a % of Total Assets)	36.11%	38.35%	38.67%
Investment in Wells and Other Facilities (As a % of Total Assets)	6.77%	7.63%	6.68%
Current Ratio (Current Assets / Current Liabilities)	53.67:1	24.56:1	11.32:1
Asset Turnover (Net Revenue / Average Total Assets)	24.092%	2.034%	2.67%

ROI (Net Income/Average Stockholders' Equity) measures the profitability of stockholders' investment. Profit Margin (Net Income/Net Revenue) measures the net income produced by each peso of revenue. Investment in Projects as a % of Total Assets, measures how much the Company invested in its committed work programs. Current Ratio (Current Assets/Current Liabilities) measures the short-term debt paying ability of the Company. Asset Turnover (Net Revenue/Average Total Assets) measures how efficiently assets are used to produce profit.

ROI (3.275%) and Profit Margin (13.06%) show both positive rates due to the net operating income during the year 2010, primarily due to the revenues generated for the year.

Investment in Non-Petroleum Projects as a % of Total Assets of 36.11% in 2010 slightly decreased compared to 38.35% in 2009 due to provisions for impairment losses booked in 2010.

Investment in Wells and Other Facilities as a % of Total Assets decreased from 7.63% in 2009 to 6.77% in 2010 due to provisions for impairment losses booked in 2010.

The Company's investments in Wells and Other Facilities include the exploration, development and exploitation of the contract areas situated in offshore and onshore Mindoro (SC 47, Offshore Mindoro and SC 53, Onshore Mindoro). Another service contract, SC 41 is tied up with Tap Oil, an Australian Company that will test the hydrocarbon potential of the service area.

Current ratio increased to 53.67:1 in 2010 from 24.56:1 in 2009 due to the increase in current assets and a decrease current liabilities in 2010 compared to 2009.

Asset Turnover in 2010 increased to 24.092% compared to 2.03% in 2009 due to the increase in revenue and the decrease in the average total asset base in 2010 compared to 2009.

There are no known events or trends that will affect or trigger direct or contingent financial obligations on the part of the Company or will result in any default or acceleration of an obligation of the Company.

There are no material off-balance sheet transactions, arrangements or obligations, including contingent obligations of the Company with unconsolidated entities or other persons created in 2010.

(d) Comparative Analysis

First Quarter of 2011 (Interim Unaudited) vs. Fiscal Year 2010 Results of Operations

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Total Assets as of end March 2011 stood at PhP489.696 Million, up by PhP27.736 Million compared to end December 2010 level of PhP461.960 Million. The increase was due primarily to the receivable booked for the quarter from the company's cost recoveries from SC 14-C (Galoc) liftings, the balance of which closed at PhP33.387 Million as of end March 2011 compared to the balance as of end December 2010 of PhP10.191 Million. Other increases in total assets were in cash and cash equivalents which increased from PhP191,210 Million in December 2010 to PhP 196.309 Million in March 2011 due to payments made for the quarter for cost recoveries also from SC 14-C (Galoc) liftings.

Total Liabilities increased by PhP0.545 Million settling at PhP15.945 Million as of end March 2011 compared to PhP15.400 Million as of end December 2010 due to accruals for certain operating expenses for the quarter.

Stockholders' Equity as of end March 2011 increased by PhP27.198 Million and closed at PhP 473.719 Million from the December 2010 level of PhP446.521 Million attributable mainly to the Net Income recorded for the quarter ending March 2011 amounting to PhP 27.195 Million.

First Quarter, 2011 (Interim Unaudited) vs. First Quarter, 2010 Results of Operations

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The Company recorded Total Revenues of PhP38.780 Million for the quarter ending March 2011 up by PhP15.255 Million from the balance as of the same quarter of 2010 of PhP23.524 Million. Income from historical cost recoveries made up the bulk of Total Revenues for the quarter recorded at PhP36.456 Million.

Cost and expenses for the first quarter of 2011 were recorded at PhP11.591 Million up by PhP 4.225 Million compared to the same quarter of 2010's level of PhP7.366 Million. The increase was mainly due to the increase in cost of sales and other expenses booked in relation to the termination of joint venture agreement of a subsidiary.

For the first quarter of 2011, the Company recorded a Net Income of PhP27.196 Million compared to the Net Income for the quarter ending March 2010 of PhP15.717 Million.

Total Assets stood at PhP489.696 Million as of end March 2011 up by PhP14.376 Million compared to end March 2010 level of PhP475.320 Million. The increase was attributable to the increase in current assets mainly in cash and cash equivalents which recorded an increase of PhP 61.834 million from the PhP 134.475 Million as of March 2010 to PhP 196.309 Million as of March, 2011 from payments received for the Company's cost recoveries from SC 14-C (Galoc) liftings as earlier mentioned. The increase in current assets was however, partly offset by the decrease in non-current assets of PhP 46.652 Million from PhP 301.470 Million as of March 2010 to PhP 254.818 Million as of March 2011. The decrease in non-current assets was mainly due to provisions for impairment losses booked for certain deferred costs and the transfer of some assets in relation to the termination of the joint venture agreement of a subsidiary, as earlier mentioned.

Total Liabilities as of end March 2011 was recorded at PhP15.945 Million down by PhP1.446 Million compared to end March 2010's level of PhP17.391 Million. The decrease was mainly due to the payment of certain liabilities partly offset by the accrual of retirement benefits for the quarter.

Stockholders' Equity as of end March 2011 stood at PhP473.750 Million up by PhP15.822 Million compared to the level of March 2010 of PhP457.928 Million. The increase was attributable mainly to the income booked for the 1st quarter of 2011 as earlier mentioned.

2010 vs. 2009 Results of Operations

For the year ended December 31, 2010, the Company posted revenues of PhP112.962 Million mostly from historical cost recoveries amounting to PhP 78.236 Million and realized fair value gain on AFS financial assets amounting to PhP 17.064 Million. Other sources of revenue for the year were from gain on sale of AFS financial assets amounting to PhP 6.993 Million, sale of agricultural produce amounting to PhP 5.761 Million and from interest on cash and placements amounting to PhP 4.918 Million. Compared to 2009, revenues increased by PhP 103.301 million as revenues in 2009 were mostly in interest on cash and placements amounting to PhP5.607 million and gain on sale of financial assets of PhP3.250 Million.

Costs and expenses were mostly in general and administrative expenses of PhP31.531 Million which registered an increase of PhP 4.876 million compared to 2009's balance of PhP 26.655 Million mainly due to retirement benefits booked for the year and expenses booked due to the termination of a joint venture agreement of a subsidiary. Other Costs and Expenses for the year were Cost of Sales amounting to PhP 9.592 million, Provisions for Impairment Loss on Deferred Charges amounting to PhP 20.542 Million, Fair Value Adjustments on Agricultural Produce of PhP 16.445 Million and Foreign Exchange Loss of PhP2.901 Million. After deducting provisions for and adding benefit from income tax, the Company recorded a Net Income of PhP14.752 Million as compared to the Net Loss of PhP 13.348 Million in 2009. Including a reclassification adjustments resulting from fair value changes of AFS financial assets removed from equity and recognized in profit or loss through sale of investments and unrealized gain on AFS financial assets net of income tax effects thereon the Company resulted to a total comprehensive income of PhP 2.957 million in 2010 compared to a total comprehensive income of PhP 179 thousand in 2009.

2009 vs. 2008 Results of Operations

For the year ended December 31, 2009, the Company reported a Net Loss on a consolidated basis of Php 13.348 Million compared to the Net Loss booked for the year ended December 31, 2008 of PhP 108.576 Million. Adding other comprehensive income totaling PhP 13.527 Million, the company resulted to a Total Comprehensive Income of PhP 179.536 thousand as of year-end 2009 compared to a Total Comprehensive Loss of PhP 108.789 Million as of year-end 2008. Net Loss for the 2009 decreased significantly compared to the Net Loss for the year 2008 mainly because of the decrease in general and administrative expenses due to the organizational changes implemented in March 2009 as previously mentioned. Furthermore, in 2009 no provision for impairment loss on deferred exploration costs was booked compared to 2008 which recorded a provision of PhP 38.2 Million.

For 2009 Total Revenues amounted to PhP 9.661 Million while Cost and Expenses amounted to PhP27.066 Million. Compared to 2008, Total Revenues was recorded at PhP 13.433 Million while Cost and Expenses were PhP 103.540 Million. Revenues in 2009 and in 2008 were both mostly from interests on cash and placements amounting to PhP 5.607 Million in 2009 and PhP 8.989 Million in 2008, and from gain on sale of financial assets amounting to PhP 3.250 Million and PhP 9.778 Million in 2009 and 2008, respectively.

Costs and Expenses for 2009 amounted to PhP 26.066 Million, a significant decline of PhP 76.474 Million compared to 2008 level of PhP 103.540 Million. The decline was mainly due to the decreases in general and administrative expenses and provision for impairment loss on deferred exploration costs as previously mentioned and explained.

2008 vs. 2007 Results of Operations

For the year ended December 31, 2008, the Company reported a Net Loss on a consolidated basis of Php 108.576 Million compared to the Net Loss booked for the year ended December 31, 2007 of PhP 147.680 Million. The decline in Net Loss of PhP 39.104 Million was mainly due to the significant decrease in provisions for impairment losses on financial assets amounting to PhP 132.390 Million which was partly offset by provisions for impairment loss on deferred exploration costs amounting to PhP 38.2 Million and deferred income tax amounting to PhP 16.487 Million.

For 2008 Total Revenues amounted to PhP13.433 Million while Cost and Expenses amounted to PhP103.540 Million. Compared to 2007, Total Revenues was recorded at PhP 12.501 Million while Cost and Expenses were PhP 204.556 Million. Revenues in 2008 and in 2007 were both mostly from interests on cash and placements amounting to Php 8.989 Million in 2008 and PhP 6.649 Million in 2007, and from gain on sale of financial assets amounting to PhP 9.778 ,illion and PhP 1.695 Million in 2008 and 2007, respectively.

Costs and Expenses for 2008 amounted to PhP 103.540 Million, a significant decline of PhP 101.016 Million compared to 2007's level of PhP 204.556 Million. The decline was mainly due to the decreases in provisions for impairment loss on financial assets and foreign exchange loss which however were partly offset by increases general and administrative expenses and provision for impairment loss on deferred exploration costs.

(e) Changes in and disagreements with accountants on accounting and financial disclosures

There were no disagreements with the Company's external auditors on any accounting and financial disclosures in the 2010 audited financial statements of the Company.

PART II. SECURITIES OF THE COMPANY

(A) Market Price and Dividends Information

(1) Market Information

The shares of stock of the Company are traded in the Philippine Stock Exchange.

The Company's high and low closing prices for each quarter of years 2009 and 2010, and the 1st quarter of 2011, are as follows:

	HIGH			LOW		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
1st Quarter	Php0.13	Php0.16	Php0.172	Php0.11	Php0.14	Php0.158
2nd Quarter	0.17	0.15		0.11	0.141	
3rd Quarter	0.19	0.175		0.13	0.145	
4th Quarter	0.19	0.165		0.14	0.159	

Further, the last trading price of shares of the Corporation, as of March 31, 2011 is Php 0.158 per share.

No cash or stock dividends have been declared in 2009 and 2010.

Record of Sales of Unregistered or Exempt Securities As of March 31, 2011

DATE	NO. OF SHARES	PAR VALUE	AMOUNT PAID	SUSBSCRIBERS
Dec. 31, 2005	5,473,907	P1.00	P 5,473,907	Existing directors and stockholders
Dec. 22, 2006	100,000,000	P 0.25	P 25,000,000	New investors and existing stockholders
May 25, 2007	146,400,000	P 0.25	P 36,600,000	Existing directors and stockholders
Jan. 10, 2008	537,500,000	P0.25	P134,375,000	New Investors and Existing stockholders and directors
May 28, 2009	120,853,536	P0.25	P30,213,384	New investor-ZN Biofuels Partners, Inc.
Sept. 22, 2009	31,818,182	P0.25	P7,954,545.50	Shouk Financial Services Ltd.
TOTAL	942,046,225		P 239,616,836.50	

The above issuances of shares arose from private placements and subscriptions to capital increase, which are exempt from registration under Section10.1 (k).

(2) Holders

Top 20 Stockholders as of March 31, 2011:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Fil.)	1,785,642,436	73.11%
Shirley Tan	60,000,000	2.46%
SR Capital Holdings, Inc	50,000,000	2.05%
BA Investments & Holdings, Inc	49,000,000	2.01%
Shouk Financial Services, Ltd	31,818,182	1.30%
Christodel Phils., Inc.	25,736,744	1.05%
Isidoro O. Tan	24,822,276	1.02%
Phases Realtors, Inc.	20,989,439	0.86%
Northwest Traders Corporation	20,745,757	0.85%
PCD Nominee Corporation (For.)	17,396,167	0.71.%
Jose C. De Venecia, Jr.	10,013,225	0.41%
Samuel Uy	10,000,000	0.41%
Jose Ma. L. De Venecia	9,075,833	0.37%
Northwest Investors, Inc.	8,708,890	0.36%
Mark Anthony L. De Venecia	8,363,333	0.35%
Oscar C. De Venecia	8,110,000	0.33%
Ernesto Chiaco Chua	8,000,000	0.33%
JLV Holdings, Inc.	7,200,000	0.29%
Jose Chan Man Chuan	5,512,409	0.23%
MDV Holdings, Inc.	5,070,000	0.21%

CORPORATE GOVERNANCE

Corporate Governance Manual

The Company's Revised Corporate Governance Manual, as amended by the Board on February 28, 2011, was submitted to the Securities and Exchange Commission and the Philippine Stock Exchange, pursuant to the Securities and Exchange Commission (SEC) Memorandum Circular No.6, Series of 2009, on March 23, 2011. The Manual includes provisions for the following:

- Compliance System
- Duties and responsibilities of Compliance Officer
- Plan for Compliance including the general responsibilities and qualifications of:
  - Board of Directors
  - Board Committees
  - Corporate Secretary
  - External Auditor
  - Internal Auditor
- Communication Process
- Training Process
- Reportorial and Disclosure System
- Monitoring and Assessment of Compliance

Corporate Governance Committee

The Committee is responsible for maintaining and ensuring good governance of the Company, and to ensure a high standard of best practice for the Company and its Board of Directors and management, the Committee shall guide the Board of Directors in the exercise of its authority, ensuring compliance with all relevant laws, regulations and codes of best business practices. The Committee is composed of the following:

Gabriel R. Singson, Jr.	-	Chairman
Ma. Florina M. Chan	-	Member
Eduardo V. Manalac	-	Member
Jaime J. Martirez	-	Member
Dennis D. Decena (Independent Director)	-	Member

Evaluation System for Compliance with Leading Practices on Corporate Governance

The Company has adopted the SEC Corporate Governance Self Rating Form to evaluate the level of compliance of the Company with its Manual on Corporate Governance. In addition, the Compliance Officer reviews on a periodic basis the level of compliance of its directors, officers and employees with leading practices contemplated in the Company's Manual. The officers and directors of the Company have attended the seminars on Corporate Governance and Anti-Money Laundering Laws and Regulations. The Board of Directors organized the Corporate Governance Committee to monitor and ensure compliance by the Board and Management of its Manual on Corporate Governance and applicable best corporate governance practices. To date, the Company has substantially complied with the provisions of its Manual on Corporate Governance.

In 2008, the Board of Directors organized the various Board and Management Committees, in addition to the Corporate Governance Committee, namely: the Audit Committee, Nominating Committee, Compensation and Remuneration Committee, and the Finance and Investments Committee. The Company's reportorial and disclosure system has been likewise enhanced to promote close coordination between the Board of Directors and the officers in charge of legal and regulatory compliance, and to ensure transparency of transactions and timely and accurate disclosures to stockholders.

INTERNAL CONTROL

In the performance of their duties, the Directors acknowledge their responsibility for the Company's system of internal financial control. This system is designed in order to promote reasonable assurance against any material misstatement or loss. It aims to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

The Company's books of accounts are prepared and maintained by the Company's designated Accountant, under the oversight and supervision of the Treasurer and Vice-President for Finance. All expenses and disbursements are prepared by a separate unit and prior to booking and approval, these are verified by the Accounting Department. Regular financial and operations reports are prepared for the Chairman & CEO, the President & COO, and the Board and the Finance and Investments Committee, to ensure that top management and the Board of Directors are supplied with all the information required in a timely and accurate manner.

ANTI-MONEY LAUNDERING MANUAL

In compliance with the directive of the Philippine Government and the SEC, and following the SEC Model Manual, the Board adopted its Anti-Money Laundering Manual and submitted the same to SEC last October 14, 2002. The Company is in compliance with its Anti-Money Laundering Manual.

Executed this 15th day of April, 20' 1 at Makati City.

OSCAR L. DE VENECIA, JR.
President & COO

(2010 CONSOLIDATED AUDITED FINANCIAL STATEMENTS)

(SEC FORM 17-Q –INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2011)