

Subject: ODiSy - Disclosure Status  
From: no-reply@pse.com.ph (no-reply@pse.com.ph)  
To: disclosure@pse.com.ph;  
Date: Thursday, April 4, 2013 2:02 AM

Dear Sir/Madam:

We would like to inform you that as of APR 03, 2013 11:02:12 AM today,

Reference Number: WLIST\_\_2013000025117  
Company Name: Basic Energy Corporation  
Disclosure Subject: Preliminary Proxy Statement for Annual Stockholders' Meeting on May 29, 2013, Record Date on April 29, 2013  
Status: APPROVED

Should you need further assistance, please e-mail us at

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

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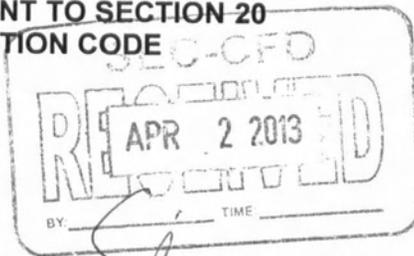
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Philippine Stock Exchange, PSE Plaza, Ayala Avenue, Makati City.



**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. May 29, 2013 at 2:00 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, 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. May 8, 2013

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
<u>Common</u>	<u>2,469,193,512</u>

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 2013 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Wednesday, May 29, 2013, at 2:30 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City.

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

7<sup>th</sup> 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 April 29, 2013.

#### **APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM**

Date: May 7, 2013

#### **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** – 4,404,993,512 shares (inclusive of subscribed and unpaid shares), as of February 28, 2013. 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** – April 29, 2013.

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 February 28, 2013 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, Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	2,038,369,235 (Record)	82.55%

\*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.

Three (3) PCD participants hold more than five percent (5%) of the Corporation's total outstanding and issued common shares of stock, namely: COL Financial Group, Inc., (214,506,780 shares); Yu & Company, Inc. (148,271,683 shares) and King's Power Securities, Inc. (125,948,996 shares). None of the clients of said participants were reported to own more than five percent of the Corporation's total outstanding and issued 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 February 28, 2013:

**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) 3,000,000 (indirect)	Filipino	0.328% 0.121%
Common	Francis C. Chua	10,000 (direct) 4,999,998 (indirect)	Filipino	0.0004% 0.202%
Common	Ramon L. Mapa	268,635 (direct)	Filipino	0.011%
Common	Oscar L. De Venecia, Jr.	516,334 (direct) 1,500,000 (indirect)	Filipino	0.021% 0.061%
Common	Ma. Florina M. Chan	10,000 (direct) 3,000,000 (indirect)	Filipino	0.0004% 0.121%
Common	Eduardo V. Manalac	10,000 (direct) 3,000,000 (indirect)	Filipino	0.0004% 0.121%
Common	Jaime J. Martinez	10,000 (direct) 3,000,000 (indirect)	Filipino	0.0004% 0.121%
Common	Gabriel R. Singson, Jr.	10,000 (direct) 3,000,000 (indirect)	Filipino	0.0004% 0.121%
Common	Isidoro O. Tan	24,822,276 (direct) 3,000,000 (indirect)	Filipino	1.005% 0.121%
Common	Oscar S. Reyes	10,000 (direct) 3,000,000 (indirect)	Filipino	0.0004% 0.121%
Common	Dennis D. Decena	10,000 (direct) 400,000 (indirect)	Filipino	0.0004% 0.016%
	<b>TOTAL</b>	<b>61,687,243</b>		<b>2.538%</b>

**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) 100,000 (indirect)	Filipino	0.063% 0.004%
Common	Corazon M. Bejasa	100,000 (indirect)		0.004%
Common	Marietta V. Villafuerte	100,000 (indirect)		0.004%
	<b>TOTAL</b>	<b>1,854,121</b>		<b>0.075%</b>

**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	33,787,245(direct) 27,899,998(indirect)	Filipino	1.368% 1.129%
	Executive Officers as a Group	1,554,121(direct) 300,000 (indirect)	Filipino	0.062% 0.012%
	<b>Total</b>	<b>63,541,364</b>		<b>2.57%</b>

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**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:

<u>Name</u>	<u>Period of Service</u>
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 2013-2014:

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

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

<u>Nominee</u>	<u>Nominating Party</u>	<u>Relationship</u>
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. Martinez	-	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. Martinez	-	Member
Isidoro O. Tan	-	Member
Dennis D. Decena (Independent Director)	-	Member

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**, 63 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. 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**, 69 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.**, 45 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed as President & CEO of the Corporation in August, 2011. 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 Geothermal Energy Corporation, Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic Diversified Industrial Holdings, Inc., the Chairman and President 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**, 57 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**, 61 years old, Filipino, is an independent director of the Corporation since August 8, 2008. He is currently the Chief Finance and Administration Officer of New San Jose Builders Inc., a leading property developer specializing in condominium projects, and an independent director of the Rural bank of Cavite, Inc. 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**, 67 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 honoured 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**, 58 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**, 67 years old, Filipino, and a director of the Corporation and its subsidiaries since June, 2007. He is presently the President of the Manila Electric Corporation. Among his other positions are: Chairman of Meralco Industrial Engineering Services, Inc., Meralco Energy, Inc., CIS Bayad Center, Inc., Link Edge, Inc., MRL Gold Phils., Inc. and Pepsi Cola Products, Inc.; Member of the Board of Directors of Philippine Long Distance Telephone Company, Smart Communications Inc., Bank of the Philippine Islands, and Ayala Land, Inc.; Independent Director of Manila Water Co., Alcorn Gold Resources Corporation, Pepsi Cola Products Philippines Inc., Sun Life Financial Plans, Inc., Sun Life Prosperity Fruits, 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.**, 47 years old, Filipino, is a Director of the Corporation and its subsidiaries since April 3, 2008. 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**, 64 years old, Filipino, is a director of the Corporation and its subsidiaries since 1993. He is also the President & Director of Filspin, Inc. for the last six (6) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

## **2. OFFICERS**

**CORAZON M. BEJASA**, 65 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 8<sup>th</sup> Place in 1972 Bar Examinations.

**ALBERTO P. MORILLO**, 57 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**, 66 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.

**ANGEL P. GAHOL**, 59 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 & CEO, is the son of Mr. Oscar C. De Venecia, the Chairman 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 Feb 28, 2013.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In April, 2012, Dra. Teresita De Venecia, a fourth degree relative (cousin-in-law) of the Chairman, assigned her rights in certain properties registered in the name of Pan Phil Aqua Culture Corporation located in San Fabian, Pangasinan with an aggregate lot area of 185,081 square meters, to the extent of 2.3% interest, for a consideration of Php 1.5 Million, subject to a right to repurchase the assigned rights within one (1) year.

Other than this transaction, 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
<b>Oscar C. De Venecia</b> Chairman & CEO				
<b>Oscar L. de Venecia, Jr.</b> President & COO				
<b>Marietta V. Villafuerte</b> VP-Treasurer				
<b>Corazon M. Bejasa</b> VP & Corporate Secretary				
<b>Alberto P. Morillo</b> VP-Operations				
<b>Total</b>	<i>2013</i>	8,537,760 (estimated)	1,422,960 (estimated)	0
	<i>2012</i>	8,271,656	2,587,200	0
	<i>2011</i>	4,929,650	777,400	0
<b>All Other Officers as a Group Unnamed</b>	<i>2013</i>	1,727,880 (estimated)	287,980 (estimated)	0
	<i>2012</i>	1,528,500	523,600	0
	<i>2011</i>	1,423,375	191,425	0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php11,000.00 and Php5,500.00 per attendance, respectively. Except for the stock option plan discussed below and the existing retirement plan for officers and employees of the Corporation, and the Management Contract of the President & CEO, there is no other 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 unissued capital stock at par value, and exercisable on the 3<sup>rd</sup> 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 (SOP shares). On June 18, 2010, the stockholders approved the extension of the exercise period from July 12, 2010 to July 11, 2013. The details and mechanics of the plan have been approved by the Board of Directors on July 29, 2011. The SEC has issued its Certificate of Exemption from Registration requirements on September 8, 2011. Out of said SOP shares, shares consisting of 26,700,000 shares have been paid and listed in the Philippine Stock Exchange on January 21, 2013.

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 2012. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2013 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, 2012 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 2011 and 2012 were Php 765,000.00 and Php 740,000.00, respectively. The audit fee for 2011 was fully paid on June 27, 2012, while partial payment was made on March 18, 2012, for the audit fees for 2012 in the amount of Php 280,000.00.

In addition to the audit related services, in 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 2013, subject to approval by the stockholders. In compliance with SRC Rule 68, paragraph 3(b)(iv) (Rotation of External Auditors), a new partner-in-charge will be assigned for the 2013 audited financial statements. The present partner-in-charge, Ms. Aileen L. Saringan, has been assigned as partner-in-charge for the Corporation for the past five (5) fiscal years: 2008 to 2012.

## **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) 2012 Audited Financial Statements**

The 2012 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. 3670024 dated January 2, 2013.

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2012 are attached as part of this Information 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 2012 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 will adopt when these become effective in 2013. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

- i) PAS 1, Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
- ii) PFRS 10, Consolidated Financial Statements, replaces the portion of PAS 27, Consolidated and Separate Financial Statements
- iii) PFRS 11, Joint Arrangements, replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-Controlled Entities (JCEs) – Non-monetary Contributions by Venturers
- iv) Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- v) PFRS 12, Disclosure of Interests with Other Entities
- vi) PFRS 13, Fair Value Measurement
- vii) Amendments to PAS 19, Employee Benefits
- viii) PAS 27, Separate Financial Statements (as revised in 2011)

- ix) PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
- x) Annual Improvements to PFRSs (2009-2011 cycle – contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.
  - a. PAS 1, Presentation of Financial Statements –Clarification of the Requirements for Comparative Information
  - b. PAS 16, Property, Plant and Equipment-Classification of Servicing Equipment
  - c. PAS 32, Financial Instruments: Presentation-Tax Effect of Distribution to Holders of Equity Instruments
  - d. PAS 34, Interim Financial Reporting-Interim Financial Reporting and Segment Information for Total Assets and Liabilities
    - a. PAS 34, Interim Financial Statements
    - b. Philippine Interpretation IFRIC 13, Customer Loyalty Programmes
    - c. Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2012, 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 Information Statement:

- (1) Notice of Annual Stockholders Meeting and Proxy Form;
- (2) 2012 Management Report
- (3) Audited Financial Statements of the Corporation as of December 31, 2012; and
- (4) SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2013.

**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 2012 Annual Stockholders' Meeting held on May 30, 2012.

The Minutes contain the following:

- Approval of the Minutes of the 2011 Stockholders' Meeting.
- Notation of the 2011 Management Report and the 2011 Audited Financial Statements.
- Ratification of all acts done by the Board of Directors and Management for the term 2011-2012.
- Election of the Directors of the Corporation for the term 2012-2013; and
- Appointment of SGV & Co. as the external auditor for the fiscal year 2012; and

- (b) Notation of the 2012 Management Report and the Audited Financial Statements for the year ending December 31, 2012.

- (c) Ratification of all acts of the Board of Directors and Management for the period covering the term 2012-2013, 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 2012-2013.
- Approval of the schedule of the Annual Stockholders' Meeting of the corporation on Wednesday, May 29, 2013 at 2:00pm at the Manila Golf and Country Club, Makati City.
- Approval of the Compromise Agreement between the Corporation and Forum Energy Philippines (Forum) covering the payment by Forum of the balance of USD2.4 Million for the share of the Corporation in the historical cost recoveries received by Forum on the oil assets sold to Forum, and the payment of USD2 Million in two (2) equal tranches due on December, 2012 and December, 2013.
- Approval of the joint venture with Petrosolve Sdn Bhd and the establishment of a joint venture company in Hong Kong, which will serve as the corporate vehicle of the joint venture in entering into business opportunities in connection with the management and operation of oil wells.
- Other acts which will be summarized in the list of resolutions adopted/actions taken by the Board up to May 29, 2013, 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; and

- (e) Appointment of External Auditors for the fiscal year 2013.

### **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 and By-Laws of the Corporation.

## **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) VOTE REQUIRED**

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 ( $\frac{2}{3}$ ) of the outstanding and issued capital stock of the Corporation.

### **(b) ELECTION OF DIRECTORS**

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 2012 Management Report, the 2012 Consolidated Audited Financial Statements of the Corporation and SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2013.

**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 2012 (SEC Form 17-A). Such written request should be directed to the:**

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

Copies of resolutions of the Board of Directors, since the 2012 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 SOLICITING PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 29, 2013, 2:30 P.M. AT THE MANILA GOLF AND COUNTRY CLUB, 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 May 22, 2013.
- g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on May 24, 2013 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 to be taken up 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 and on behalf of the Corporation, we certify that the information set forth in this report is true, complete and correct.

Signed on April 1, 2013, at Makati City.

  
**OSCAR L. DE VENECIA, JR.**  
President & CEO

  
**MARIETTA V. VILLAFUERTE**  
Treasurer

  
**CORAZON M. BEJASA**  
Corporate Secretary

## 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 **MANILA GOLF AND COUNTRY CLUB, Harvard Road, Forbes Park, Makati City, on Wednesday, May 29, 2013 at 2:30 p.m.**, with the following agenda:

### A G E N D A

1. Call to Order
2. Certification of Due Notice of Meeting and Existence of Quorum
3. Approval of Minutes of the Annual Stockholders Meeting Held on May 30, 2012
4. Presentation of the 2012 Annual Report
5. Ratification of All Acts of the Board and Management
6. Election of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

Only stockholders of record at the close of business on April 29, 2013 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 April 29 to May 29, 2013.

In case you cannot attend in person, please accomplish the Proxy Form and deliver at the office of the Corporate Secretary at the principal office of the Corporation, on or before May 22, 2013 at 3:00 p.m. Validation of proxies will be conducted on May 24, 2013 at 3:00 p.m. at the principal office of the Corporation.

Minutes of the 2012 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, April 2, 2013.

  
**CORAZON M. BEJASA**  
Corporate Secretary

**PROXY FORM**  
**ANNUAL STOCKHOLDERS' MEETING**  
 May 29, 2013 – 2:30 P.M.  
 MANILA GOLF AND COUNTRY CLUB  
 Harvard Road, Forbes Park, 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 May 29, 2013 at 2:30 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	
1. Approval of the Minutes of the May 30, 2012 Meeting				
2. Notation of the 2012 Annual Report				
3. Ratification of all acts of the Board and Management for 2012-2013				
4. Election of Directors				<b>Authority to Vote Withheld</b>
<b>Oscar C. De Venecia</b>				
<b>Francis C. Chua</b>				
<b>Ramon L. Mapa</b>				
<b>Oscar L. De Venecia, Jr</b>				
<b>Ma. Florina M. Chan</b>				
<b>Eduardo V. Manalac</b>				
<b>Jaime J. Martirez</b>				
<b>Gabriel R. Singson, Jr.</b>				
<b>Isidoro O. Tan</b>				
<b>Dennis D. Decena (Independent Director)</b>				
<b>Oscar S. Reyes (Independent Director)</b>				
5. Appointment of SGV & Co. as External Auditor				

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 \_\_\_\_\_, 2013 at \_\_\_\_\_.

\_\_\_\_\_  
Stockholder

By:

\_\_\_\_\_  
Authorized Signatory

**NOTES:**

- (a) All proxies for the meeting should be received by the Corporate Secretary on or before **May 22, 2013 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)**

**INDEPENDENT DIRECTORS' CERTIFICATES**

( D.D. Decena and O.S.Reyes)

(to follow)

## 2012 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 holds equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Ecomarket Farms, Inc., which is into agriculture, focusing initially on cassava development, and Basic Geothermal Energy Corporation, which is into geothermal energy development, and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company.

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.

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\$ 10,000,000.00 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US\$2,000,000 shall be due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI. The receivables of the Company from FEP had been the subject of arbitration proceedings between the Company and FEP, which was decided in favor of the Company on June 14, 2012.

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 Php500 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, 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 within the Zamboanga peninsula, 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. Results of the pilot 34 hectares obtained in the 1<sup>st</sup> quarter of 2011 showed that higher yields were achieved, but costs of production relatively increased. In view thereof and with the slowdown in the local and global biofuels markets, the Company decided to suspend the operations of BEF in August, 2011.

On July 10, 2008, the Department of Energy (DOE) 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 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 study showed 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. The Company is committed under its work program as approved by the DOE to drill one (1) well by 2014. 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.

On February 13, 2012, the Company filed its applications for geothermal energy service contracts in four areas in the country classified as frontier areas, and its letters of intent for run-of-river mini hydro areas in Negros Occidental. Three (3) of the Company's applications for geothermal energy service contracts, in the East Mankayan, Mt. Mariveles and Mt. Iriga areas, have passed the legal, technical and financial evaluation standards set by the DOE, while the application for geothermal energy service contract in West Bulusan and the mini-hydro applications are still pending evaluation by the DOE.

On February 11, 2013, the Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture entailed the establishment of a joint venture company in Hong Kong which is 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd, which shall

serve as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells.

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

## **(2) Business of the Company and its Subsidiaries**

### **Oil and Gas Operations**

The Company is 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 (DOE), 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, Southwest Resources, the Company used to be involved in Service Contract 41 (Sandakan Basin). Its Operator, Tap Oil (Philippines) Pty. Ltd., had requested the DOE on May 12, 2010, that the Wildebeest-I be classified as a discovery well based from the oil samples recovered by MDT sampling and the interpretation of the 3D seismic data acquired in 2008. This request was not approved by the DOE, in view of which, in July, 2010, the consortium decided to withdraw from 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). Upon Petronas' withdrawal in January 2008, PNOC-EC's 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 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 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. For 2012, PNOC-EC pursued a new seismic program, as the DOE has advised that the extension of the term of Sub Phase 2 of the service contract shall be acted upon when there is already a commitment to drill a well in the service contract area. PNOC-EC is also in discussions with prospective participants for this service contract.

#### 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. 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.

The consortium entered into a Farm-In Agreement with Pitkin Petroleum Ltd. (Pitkin) which was approved by the DOE on June 11, 2008. The DOE also approved the 1 year extension of Sub Phase 1. Under the Farm-In Agreement, Pitkin completed a magneto-telluric survey in onshore Mindoro and acquired in May, 2010, over 200 kilometers of 2D seismic designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental.

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin Petroleum to acquire 35% from its 70% participating interest. In a consortium meeting last November 11, 2011, Pitkin reported that the Sub-Phase 1, which ended March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 shall end on July 8, 2014 and carries a minimum work obligation of 2 wells at a minimum cost of US\$ 2 million.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well commitments with the DOE. The environmental impact assessment has been recently commenced, while collation of seismic and other data and the tendering of long lead items are on-going. The Company has a 3% participation in this service contract.

### **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 kilometers 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. The study identified the geothermal resource based on the anticipated resource temperatures of 180-220°C and that two (2) production pads with a reinjection pad at much lower elevation were located where the wells could be drilled. Binary and hybrid type (combined cycle) power plants, depending on the temperatures to be encountered, will most likely be suitable to generate 20 MW. The power generated could be connected via a 60 KV transmission line located 9 kilometers from the power plant.

Potential customers are industrial plants such as Petron Corporation, Engineering Equipment, Inc., AG&P, Keppel Batangas Shipyard, Keppel Batangas Shipyard, and Babcock-Hitachi Phils, companies able to absorb the full 20MW output of the plant. Other potential customers in the future will be Taisan Mining which may require 85 MW when they become operational in 2014.

The results of the financial modeling showed good indications of commercial viability. The confirmation of 180C geothermal resource can best be developed and would yield: Equity IRR of 16% and NPV of P1,508 million at electricity selling price of P5.228/kwh, Or, 14% Equity IRR and NPV of P1,065 million at electricity price of P4.808/kwh. If at 220C geothermal resource is confirmed, the Project can be developed at 16% EIRR and NPV of P1,445 million at P5.102/kwh, or, 14% EIRR and NPV of P1,032 million at P4.682/kwh electricity selling price.

On September 20, 2011, the Company signed a Heads of Agreement with New World Energy (NWE), an Australian company which is likewise into geothermal energy development, which, however, expired on January 31, 2012. The Company is currently in discussions with prospective farm-in partners to explore and develop the project.

### **Ethanol and Cassava Projects**

In August, 2011, the Company decided to suspend the operations of its farm development subsidiary, Basic Ecomarket Farms, Inc. (BEF). BEF was established in 2009 to implement the feedstock development program of the Company preparatory to embarking on its Ethanol Project.

BEF was tasked to plant and propagate cassava as the preferred feedstock of the Company's planned ethanol project. The growth of the local and global biofuels market, however, significantly slowed down prompting the Company to re-assess the timing of the implementation of its plans to enter fully the biofuels industry. Thus, it was decided that the Company should wait for a more appropriate time to implement both its feedstock development program and its Ethanol Project.

The Company will continue to monitor the technological advances in both the feedstock and technical components of the biofuels industry, as well as developments in the overall biofuels market condition that would greatly improve the economics of the Ethanol Project.

### **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.

### **(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 2013 as may be needed as technical staff for its various projects. When the Company will pursue additional oil and 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 these projects.

## **B) Description of Properties**

The Company owns one floor (7<sup>th</sup> 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 (59%) 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**

(1) The San Fabian property, which is registered in the name of Pan-Phil Aqua Culture Corporation (Pan Phil) and in which the Company has a majority interest, is the subject of a pending administrative case filed by Pan-Phil Aqua Culture Corporation against a certain 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, and in July 2011, the DENR Secretary issued an Order dismissing the Motion for Reconsideration and affirming the Decision of the Regional Executive Director. Proceedings have already been initiated for the execution of the DENR decision in favor of Pan Phil.

(2) 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. As a consequence of said default, the Company submitted the dispute for arbitration. On June 14, 2012, the Ad-Hoc Arbitration Tribunal headed by former Justice Jose Vitug, with former Justice Hector Hofilena, Sr. and Atty. Teodoro Penarroyo as members, rendered its decision in favor of the Company and awarded payment by Forum of the balance of the share of the Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Company and other claims under the SPA. Under the agreement, Forum will pay the Company an aggregate amount of approximately USD 4.4 Million, of which USD 3.4 Million has been paid as of December, 2012, with the balance of USD 1 Million payable in December, 2013.

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 2013**

#### Oil and Gas Operations

For 2013, 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 review of the studies have been undertaken by the consortium in 2012. The consortium has been advised that the DOE will grant its request for the extension of the term of Sub Phase 2 of the service contract provided there is a commitment to drill one (1) well. The Company has a 1% participation in this service contract.

In Service Contract 53, the consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations. The environmental impact assessment has been recently commenced, while collation of seismic and other data and the tendering of long lead items are on-going. The Company has a 3% participation in this service contract.

The Company continues to look for opportunities in the oil and gas industry. The Company has entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture entailed the establishment of a joint venture company in Hong Kong which is 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd, which shall serve as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells.

The Company's cash requirements for the operations of its oil and gas business for the whole year of 2013 is budgeted at about Php55.0 Million, which will be adequately funded by its cash and short-term investments. There is no need for the Company to raise additional funds at this time 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 and the other areas applied for by the Company. In the meantime, the necessary exploratory works are being undertaken as a commitment under the Mabini geothermal 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).

For 2013, the Company shall continue to look for farm-in partners in the project, as it has committed to drill one (1) well by July, 2014. There is no plan to hire additional personnel or acquire any significant equipment this year for this project.

#### Cassava Operations

For 2013, the operations of its farm development subsidiary, Basic Ecomarket Farms, Inc. (BEF), shall remain suspended. The Company shall continue to re-assess the timing of the implementation of its plans to enter fully the biofuels industry, and shall wait for a more appropriate time to implement both its feedstock development program and its Ethanol Project.

## **(2) Management's Discussion and Analysis of Financial Condition and Results of Operations for 2012**

### **(a) Full Fiscal Years (Three Years)**

#### 2012

For 2012, total assets of the Company stood at Php 867.177 million, or an increase of Php 289.087 million compared to the balance of 2011 of Php578.090 million. Current assets were mainly in cash and cash equivalents amounting to Php 202.437 million and receivables amounting to Php 45.450 million. Non-current assets were recorded at Php 609.649 million, which significantly increased by Php 354.628 million compared to the balance of 2011 amounting to Php 255.021 million. The significant increases were mainly in Available for Sale (AFS) financial assets recorded at Php 309.056 million due to increases in investments and fair value adjustments, Investment Properties amounting to Php 197.596 million, the increase likewise due to fair value adjustment, and Property and Equipment recorded at Php 24.829 million at revalued amount.

Total Liabilities closed at Php 23.035 million in 2012, recording an increase of Php 3.349 million compared to the balance of 2011 mainly due to additional accruals for deferred income tax liabilities due to the revaluation increases of certain assets and accruals for retirement benefits.

Stockholders' Equity closed at Php 844.142 million in 2012 increasing by Php by Php 285.738 million compared to the balance of 2011 of Php 558.404 million. The increase was mainly due to the net income generated for the year amounting to Php 252.763 million.

For the year ended December 31, 2012, total revenues generated amounted to Php 322.751 from income from a previous sale of a subsidiary amounting to Php 224.956 million, fair value adjustment of investment properties amounting to Php 77.510 million and interests and other income amounting to Php 20.285 million.

Costs and expenses for the year totaled Php 54.305 million, mostly in general and administrative expenses amounting to Php 50.213 million and net foreign exchange losses of Php 4.092 million.

For the year 2012, the company recorded a total comprehensive income of Php 279.063 million or an increase of Php 163.979 million compared to the total comprehensive income of 2011 amounting to Php 115.084 million.

## 2011

For 2011, total assets of the Company stood at Php 578.089 million, up by Php 116.129 million compared to the 2010's level of Php 461.960 million. Current assets of Php 323.068 million were mainly in cash and cash equivalents and short term investments totaling Php 320.522 million or an increase of Php 129.311 million compared to the 2010 balance of Php 191.211 million. The significant increase in cash and placements were from the payments made during the year by Forum Energy from the company's share in cost recoveries and gross revenues from SC 14-C (Galoc) liftings in the total amount of USD 4.588 million. Receivables declined to Php 1.705 million in 2011 from Php 10.191 million in 2010 due to the collection of certain receivables. Biological assets and Agricultural produce were closed in 2011 due to the suspension of operations of a subsidiary. Noncurrent assets closed at Php 255.021 million in 2011 increasing by Php 2.381 million compared to the level of 2010 of Php 252.640 million. Significant variances in Noncurrent assets were in Available for Sale (AFS) financial assets recorded at Php 55.984 million in 2011 or an increase of Php 51.583 million compared to 2010's level of Php 4.401 million due to additional investments made for the year. Property and equipment and Project Development Costs decreased in 2011 compared to the balance in 2010 mainly due to the Provisions for Impairment Losses booked for the year. Deferred costs increased in 2011 compared to 2010 due to additional costs incurred for the Company's projects.

Total liabilities increased in 2011 and closed at Php 19.685 million, or an increase of Php 4.285 million from its 2010 level of Php 15.400 million. The increase was mainly in accounts payable and accrued expenses for taxes and retirement benefits.

Stockholders' equity closed at Php 558.404 million or an increase of Php 111.844 million from the 2010 level of Php 446.560 million. A significant variance recorded was in the deficit account which decreased from Php 209.142 million to Php 91.624 million mainly due to the net income from operations booked for the year of Php 116.338 million.

For the year ended December 31, 2011, the Company recorded total revenues of Php 221.318 million or an increase of Php 108.355 million compared to the total revenues recorded in 2010 of Php 112.963 million. Revenues for the year were mostly in cost recoveries and gross proceeds from SC 14-C amounting to Php 198.468 million. Other sources of revenue amounted to Php 11.317 million from interests on cash and placements, gain on settlement of Php 8.225 million, net foreign exchange gain of Php 1.576 million and sales of cassava granules of Php 1.732 million.

Costs and expenses for the year totaled Php 102.592 million mostly in general and administrative expenses amounting to Php 42.596 million and Provision for Impairment Losses totaling Php 49.321 million. Other costs and expenses were Cost of Sales amounting to Php 7.201 million and costs on biological assets due to the suspension of operations of a subsidiary.

For the year ended December 31, 2011, the Company recorded a comprehensive income of Php 115.084 million, an increase of Php 112.127 million compared to the comprehensive income recorded in 2010 of Php 2.957 million.

## 2010

For 2010, total assets of the Company stood at Php 461.960 million down by Php 13.835 million compared to 2009's level of Php 475.795 million. Current assets amounting to Php 209.320 million were mainly in cash and cash equivalents amounting to Php 191.210 million which increased by Php 91.024 million compared to last year's balance of Php 100.186 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 by 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 Php 21.393 million in 2009 decreased by Php 5.993 million compared to 2010's balance of Php 15.400 million. Current liabilities were in accounts payable and accrued expenses amounting to Php 3.858 million in 2010 which decreased by Php 1.115 million from last year's figure of Php 4.973 million due to the payment of certain liabilities. Non-current liabilities amounted to Php 11.542 million in 2010 which decreased by Php 4.877 million compared to last year's level of Php 16.419 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 Php 446.560 million composed of capital stock amounting to Php 610.623 million, additional paid in capital of Php 32.699 million, revaluation increment in office condominium of Php 11.596 million and net unrealized income on increase in value of financial assets amounting to Php 0.744 million. These were partly offset by a deficit as of year-end 2010 of Php 209.142 million. The increases recorded in capital stock and additional paid in capital for the year totalling Php 13.586 million were due to additional capital stock issued for the year which were recorded as deposit for future subscriptions in 2009 amounting to Php 13.586 million. Deposits for future subscriptions amounting to Php 24.386 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 Php 112.962 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 Php 31.531 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 Php 2.901 million. After deducting provisions for and adding benefit from income tax, the Company recorded a Net Income of Php 14.752 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.

**(b) Interim Period- First Quarter, 2013 (Unaudited as of February 28, 2013)**

For the two-months period ending February 28, 2013, total assets stood at Php 863.825 million, total liabilities at Php 24.105 million and stockholders' equity at Php 839.712 million, with minority interest comprising Php0.007959 million.

Total revenues as of February 28, 2013 was recorded at Php 3.1 million, while total costs and expenses amounted to Php 7.358 million, resulting to a net loss after tax on a consolidated basis of Php 4.25 million including minority interest. Interests from cash and placements comprise the revenue for the period while costs and expenses were mainly in general and administrative expenses amounting to at Php 6.245 million.

**(c) Key Performance Indicators**

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

<b>Key Performance Indicators</b>	<b>Year 2012</b>	<b>Year 2011</b>	<b>Year 2010</b>
Return on Investment (ROI) (Net Income / Ave. Stockholders' Equity)	36.04%	23.15%	3.27%
Net Profit Margin (Net Income / Net Revenue)	78.32%	52.57%	13.06%
Investment in Projects (Non-Petroleum) (As a % of Total Assets)	22.79%	20.77%	36.11%
Investment in Wells and Other Facilities (As a % of Total Assets)	5.21%	7.04%	6.77%

Current Ratio (Current Assets / Current Liabilities)	102.47:1	46.93:1	53.67:1
Asset Turnover (Net Revenue / Average Total Assets)	44.66%	42.56%	24.09%
Solvency Ratios			
Debt to Equity Ratio	2.73%	3.53%	3.45%
Asset to Equity Ratio	102.73%	103.53%	103.45%
Interest Rate Coverage Ratio	n/a	n/a	n/a

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 (36.04%) and Profit Margin (78.32%) in 2012 both showed positive rates and both increased compared to 2011 due to the increase in net income generated for the year 2012 compared to 2011.

Investment in Non-Petroleum Projects as a % of Total Assets of 22.79% in 2012 slightly increased compared to 20.77% in 2011 due to increase in investments due to fair value adjustments and increase in total assets base in 2012 compared to 2011.

Investment in Wells and Other Facilities as a % of Total Assets decreased from 7.04% in 2011 to 5.21% in 2012 due increase in total assets base in 2012 compared to 2011.

Current ratio increased to 102.47:1 in 2012 from 46.93:1 in 2011 due to the decreases in both current assetsts and current liabilities in 2012 compared to 2011.

Asset Turnover in 2012 increased to 44.66% compared to 42.56% in 2011 due to the increases in both revenue and average total asset base in 2012 compared to 2011.

Debt to Equity Ratio slightly decreased to 2.73% in 2012 compared to 3.53% in 2011 due to increases in both total liabilities and equity base in 2012 compared to 2011.

Asset to Equity Ratio slightly decreased to 102.73% in 2012 compared to 103.53% in 2011 because to the both increases in total assets and equity base in 2012 compared to 2011.

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 2012.

#### **(d) Comparative Analysis**

##### First Quarter of 2013 (Interim Unaudited) vs. Fiscal Year 2012 Results of Operations

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Total Assets as of end February 2013 stood at Php 863.826 million, down by Php 3.351 million compared to end December 2012 level of Php 867.177 million. The decrease was due to the decrease in current assets primarily in cash and cash equivalents and short-term investments which were invested in long-term financial assets. Cash and cash equivalents closed at Php 189.020 million or a decrease of Php 13.417 million from the balance as of December 31, 2012 of Php 202.437 million. Short-term investments meanwhile closed at Php 5.082 million decreasing by Php 3.128 million from the balance as of December 31, 2012 of Php 8.210 million. Non-current assets, however, increased to Php 622.401 million increasing by Php 12.752million from the December 31, 2012 balance of Php 609.649 million. This was primarily due to the increase in investments in available for sale (AFS) financial assets of Php 17.782 million, partly offset by the decrease in long-term cash investments of Php 6.157 million.

Total liabilities increased by Php 1.070 million from Php 23.035 million as of December 31, 2012 million and closed at PhP 24.105 million as of end February 2013 due to accruals for certain payables and accrued expenses. Stockholders' equity as of end February 2013 decreased by Php 4.430 million and closed at Php 839.712 million from the December 2012 level of Php 844.142 million attributable mainly to the net loss recorded for the first 2 months ending February 2013 amounting to Php 4.430 million.

##### First Quarter, 2013 (Interim Unaudited) vs. First Quarter, 2012 Results of Operations

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The Company recorded total revenues of Php 3.101 million for the first two months ending February 2013 down by Php 38.533 million from the balance as of the same quarter of 2012 of Php 41.634 million. In the previous year, revenues came mostly from the income from a previous sale of a subsidiary, while for the first two months of 2013, only interests from cash and placements and dividends comprise the revenues.

Cost and expenses for the first two months of 2013 were recorded at Php 7.359 million down by Php 3.119 million compared to the 1st quarter of 2012's level of Php 10.478 million.

For the first two months of 2012, the company recorded a net loss Php 4.250 million compared to the net income for the quarter ending March 2012 of Php 31.165 million.

Total assets stood at Php 863.826 million as of end February 2013 up by Php 254.420 million compared to end March 2012 level of Php 609.406 million. The increase was attributable primarily to the increase in noncurrent assets mainly in investments in available for sale (AFS) financial assets recorded at Php 326.838 million as of end of February 2013. Other increases in non-current assets were in property and equipment due to revaluation, deferred charges to additional charges for existing and new projects and deferred income tax assets due to

increases in deferred tax liabilities. These increases in non-current assets were partly offset by decreases in current assets particularly in cash and cash equivalents and short-term investments as these were transferred to long-term investments for better yields.

Total Liabilities as of end February 2013 was recorded at Php 24.105 million up by Php 4.375 million compared to end March 2012's level of Php 19.730 Million. The increase was mainly due to accruals for certain liabilities.

Stockholders' Equity as of end February 2013 stood at Php 839.712 million up by Php 250.047 million compared to the level of March 2012 of Php 589.665 million. The increase was attributable mainly to the income booked for the year 2012.

#### 2011 vs. 2010 Results of Operations

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For the year ended December 31, 2011, the Company posted revenues of Php 221.318 million, up by Php 108.356 million compared to the revenues generated for the year ended December 31, 2010 of Php 112.962 million. Like in the previous year, revenues were mostly from historical cost recoveries amounting to Php 198.468 million in 2011 compared to Php 78.236 million in 2010. Other sources of revenue for the year were from interest on cash and placements of Php 11.265 million, gain on settlement amounting to Php 8.225 million, net foreign exchange gain of Php 1.576 million and sale of cassava granules amounting to Php 1.731 million.

Costs and expenses for the year ended December 31, 2011 amounted to Php 102.592 million, an increase of Php 10.879 million compared to the balance for the year ended December 31, 2010 of Php 91.713 million. The increase in costs and expenses in 2011 were mostly in general and administrative expenses and provisions for impairment losses on project development costs.

Net comprehensive income on a consolidated basis for the year ended December 31, 2011 amounted to Php 115.084 million, or an increase of Php 112.127 million compared to the net comprehensive income generated for the year ended December 31, 2010 of Php 2.957 million.

#### 2010 vs. 2009 Results of Operations

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For the year ended December 31, 2010, the Company reported total comprehensive income of Php 2.957 million compared to a comprehensive income for the year ended December 31, 2009 of Php 0.179 million.

For 2010, total revenues amounted to Php 112.963 Million or an increase of Php 103.302 million compared to the total revenues generated in 2009 of Php 9.661 million. Revenues in 2010 were mostly in cost recoveries from SC 14-6 while revenues in 2009 were mostly in interest income on cash and placements.

Costs and Expenses for 2010 amounted to Php 91.713 million, or an increase of Php 64.647 million compared to the cost and expenses recorded in 2009 of Php 27.066 million. The increases were mostly in provisions for impairment losses and fair value adjustments on agricultural produce booked in 2010.

## 2009 vs. 2008 Results of Operations

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For the year ended December 31, 2009, the Company reported a net comprehensive income on a consolidated basis of Php 0.179 million compared to the net comprehensive loss recorded for the year ended December 31, 2008 of Php 108.789 million. The comprehensive income recorded in 2009 was primarily due to the unrealized gain on AFS financial assets of Php 18.835 million which offsetted the net loss from operations of Php 13.348 million resulting to a net comprehensive income for 2009 of Php 0.179 million.

For 2009 total revenues amounted to Php 9.661 million while cost and expenses amounted to Php 27.066 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.

Costs and expenses for 2009 amounted to Php 27.066 million, mostly in general and administrative expenses. Costs and expenses for 2008 amounted to Php 103.540 million mostly in general and administrative expenses and provision for impairment loss on deferred charges.

### **(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 2012 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 2011 and 2012, and the 1<sup>st</sup> quarter of 2013, are as follows:

	<u>HIGH</u>			<u>LOW</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1 <sup>st</sup> Quarter	PhP0.17	PhP0.34	PhP0.31	PhP0.15	PhP0.18	PhP0.27
2 <sup>nd</sup> Quarter	0.16	0.31		0.15	0.24	
3 <sup>rd</sup> Quarter	0.33	0.28		0.145	0.24	
4 <sup>th</sup> Quarter	0.21	0.31		0.159	0.25	

Further, the last trading price of shares of the Corporation, as of February 28, 2013, is PhP0.285 per share.

No cash or stock dividends have been declared in 2010, 2011 and 2012.

**Record of Sales of Unregistered or Exempt Securities As of February 28, 2013:**

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.
Sept 8, 2011	500,000,000	P0.25	P125,000,000.00	Existing Directors, Officers & Employees
<b>TOTAL</b>	<b>1,442,046,255</b>		<b>P 364,616,836.65</b>	

The above issuances of shares arose from private placements and subscriptions to capital increase, which are exempt from registration under Section 10.1 (k).

**(2) Holders**

**Top 20 Stockholders as of February 28, 2013:**

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Fil.)	2,038,369,235	82.55%
PCD Nominee Corporation (For.)	40,067,464	1.62. %
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%
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	0.34%
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%
MDV Holdings, Inc	5,070,000	0.21%
Kho Giok En	4,550,000	0.21%

Horacio Rodriquez	4,408,523	0.18%
Northwest Securities	3,998,109	0.17%
Christine Chua	3,149,221	0.13%
East West Commodities, Inc	3,019,498	0.12%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange.

## **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**

The Board of Directors acknowledged its responsibility for the Company's system of internal financial control. This system is designed in order to promote reasonable assurance against any material misstatement, risks 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. Along this line, on February 27, 2013, the Audit Committee and the Board of Directors, approved the Internal Audit Manual of the Company, setting the internal audit policies, internal control systems and procedures and reporting of internal audit results to the Audit Committee and to the Board of Directors. The auditing firm, RS Bernaldo & Associates, has been engaged for the fiscal year 2013 to undertake internal audit functions for the Company.

### **ANTI-MONEY LAUNDERING MANUAL**

The Board of Directors of the Company has adopted its Anti-Money Laundering Manual and submitted the same to the Securities and Exchange Commission on October 14, 2002. The Company is in compliance with the provisions of its Anti-Money Laundering Manual.

Date: April 1, 2013.



**OSCAR L. DE VENECIA, JR.**  
President & CEO

**BASIC ENERGY CORPORATION**

**Statement of Management's Responsibility for 2012 Audited Financial  
Statements**

*(to follow)*

**BASIC ENERGY CORPORATION**

**2012 Audited Financial Statements**

*(to follow)*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SRC AND SRC RULE 17(a)-17(b)(2) THEREUNDER

1. For the quarterly period ended February 28, 2013
2. Commission identification number 168063
- 3.. BIR Tax Identification No. 000-438-702-000
4. Exact name of registrant as specified in its charter  
BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry classification code .....
7. Address of registrant's principal office 7<sup>th</sup> Flr., Basic Petroleum Bldg., C. Palanca St.,  
Legaspi Village, Makati City, Philippines Postal Code 1229
8. Registrant's telephone number, including area code (632) 817-8596 to 98
9. Former name, former address and former fiscal year, if changed since last report  
\_\_\_\_\_
10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of common stock outstanding or amount of debt outstanding</u>
<u>Common Shares</u>	<u>2,469,193,512</u>
<u>Listed with PSE</u>	<u>2,468,745,455</u>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [ x ] No [ ]

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [ x ] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [ x ] No [ ]

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

“Attachment A”

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

“Attachment A”

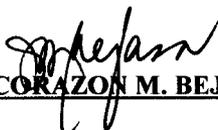
**PART II--OTHER INFORMATION**

“Attachment A”

The registrant may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

**SIGNATURES**

Pursuant to the requirements of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant   
**CORAZON M. BEJASA**  
Signature and Title VP & Corporate Secretary  
Date March 22, 2013

Principal Financial/  
Accounting Officer/Controller   
**MARIETTA V. VILLAFUERTE**  
Signature and Title VP & Treasurer  
Date March 22, 2013

**ATTACHMENT "A"**  
**FINANCIAL INFORMATION**  
**For the Period Ended February 28, 2013**

1. The following unaudited financial statements are contained in this report:
  - 1.1 Statements of Income and Retained Earnings for the Period Ended February 28, 2013 and March 31, 2012;
  - 1.2 Balance Sheets as of February 28, 2013 and December 31, 2012;
  - 1.3 Statements of Cash Flows for the Period Ended February 28, 2013 and March 31, 2012;
  - 1.4 Statements of Changes in Stockholders' Equity for the Period Ended February 28, 2013 and March 31, 2012.
2. Discussion on Financial Condition for the Period December 31, 2012 to February 28, 2013.

**A. Key Performance Indicators**

Management considers the following as key performance indicators of the company: Return on Investment (ROI), Profit Margin, Performance of Committed Work Programs, Current Ratio and Asset Turnover.

The following table shows the Top 5 performance indicators for the past three interim periods:

<b>KEY PERFORMANCE INDICATORS</b>	<b>1st Qtr 2013</b>	<b>1st Qtr 2012</b>	<b>1st Qtr 2011</b>
<b>Return on Investments (ROI)</b> (Net Income/Ave. Stockholders' Equity)	-0.50%	5.43%	7.51%
<b>Profit Margin</b> (Net Income/Net Revenue)	-137.05%	74.86%	75.04%
<b>Investment in Projects(Non-Petroleum)</b> as a % of Total Assets	22.87%	19.71%	33.55%
<b>Investment in Wells &amp; Other Facilities</b> as a % of Total Assets	5.42%	6.98%	6.86%
<b>Current Ratio</b> (Current Asset/Current Liabilities)	80.92:1	54.34:1	60.82:1
<b>Asset turnover</b> (Net revenue/Ave. Total Assets)	0.36%	7.01%	9.68%
<b>Solvency Ratios</b>			
Debt to Equity Ratio	2.87%	3.35%	3.31%
Asset to Equity Ratio	102.87%	103.35%	103.31%
Interest Rate Coverage Ratio	n/a	n/a	n/a

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 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 of -0.50% and Profit Margin of -137.05% both showed negative rates because of the net loss for the first two months of the quarter as compared to the net income during the 1<sup>st</sup> quarter of 2012.

Investment in Projects (Non- Petroleum) as a % of Total Assets increased from 19.71% to 22.87% because the increase in investments due to fair value adjustments in 2013 as compared to 2012.

Investment in Wells & Other Facilities as a % of Total Assets slightly decreased to 5.42% from 6.98% due to the increases in both investments and total assets base in 2013 compared 2012.

Current Ratio increased to 80.92:1 from 54.34:1 due to the decreases in both current assets and current liabilities in 2013 compared to 2012.

Asset Turnover of 0.36% decreased from 7.01% due to the decrease in revenue and the increase in the average total assets base of 2013 compared to 2012.

Debt to Equity Ratio decreased from 3.35% to 2.87% due to increases in both total liabilities and equity in 2013 compared to 2012.

Asset to Equity Ratio decreased to 102.87% from 103.35% due to increases in both total assets and equity base in 2013 compared to 2012.

#### B. Discussion and Analysis of Financial Condition as of February 28, 2013

For the two months period ending February 28, 2013, the company recorded a net loss on a consolidated basis of Php 4.250 million from total revenues of Php 3.100 million and total costs and expenses of Php 7.359 million with minority interest recorded at Php 7.959 thousand.

Total revenue for the period of Php 3.100 million was mainly from interest on cash and placements.

Total Assets as of February 28, 2013 stood at Php 863.826 million decreasing by Php 3.351 million from Php 867.177 million as of December 31, 2012. Current assets decreased by Php 16.103 million primarily from the decreases in cash and equivalents and short-term investments. Non-current assets increased by Php 12.752 million mostly from the increase in investments in available for sale (AFS) asset.

Total Liabilities slightly increased by Php 1.070 million from PhP 23.035 million as of December 31, 2012 to Php 24.105 million as of March 31, 2012 due to the accruals for certain operating expenses.

Total Stockholders' Equity as of February 28, 2013 stood at Php 839.713 million decreasing by Php 4.429 million from Php 844.142 million as of December 31, 2012 due to the net loss generated for the 1<sup>st</sup> two months of 2013.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2012.

The interim operations are not characterized by any seasonality or cyclicity. The nature and amount of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending February 28, 2013.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or those reported in prior financial years.

There are no other issuances, repurchases and repayments of debt and equity securities other than the additional listing of 26,700,000 common shares of Basic Energy Corporation which was approved by the PSE on January 3, 2013.

There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Currently, the company has a single business and geographical segment and therefore, segment disclosures have not been included.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no changes in the composition of the company during the interim period, including business conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since December 31, 2012, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period. There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

There are no material commitments for capital expenditures and no seasonal aspects that have a material effect on the financial conditions or results of operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There are no events that will trigger direct or contingent financial obligations that are material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The causes for any material changes (5% of the relevant accounts or such lower amount, which the company deems material on the basis of other factors) from period to period which include vertical and horizontal analysis of any material item, have been presented in this report.

There were no sales of unregistered or exempt securities, nor were there any issuances of securities constituting an exempt transaction.

Finally, there are no other material information for disclosure during the current interim period, whether under this report or under SEC Form 17-C.

C. Disclosures per SEC Memorandum Circular No. 3, Series of 2011

In compliance with SEC Memorandum Circular No. 3, Series of 2011: Guidelines on the Implementation of PFRS 9, we disclose that:

- (i) After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2012, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2013 reporting;
- (ii) We will however, continue to evaluate the impact of the standard in our financial statements for the year 2013.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of February 28, 2013 and December 31, 2012**

	UNAUDITED February 28, 2013		AUDITED December 31, 2012	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	P	189,020,315	P	202,436,999
Receivables-net		44,911,343		45,450,565
Short Term Investments		5,082,500		8,210,000
Other current assets		2,410,493		1,430,455
<b>Total Current Assets</b>		<b>241,424,651</b>		<b>257,528,019</b>
<b>Non Current Assets</b>				
Long-term cash investment				6,157,500
Available-for-sale (AFS) financial assets		326,838,182		309,056,187
Investment properties		197,595,940		197,595,940
Property and equipment		34,118,649		34,625,999
Deferred charges		46,820,333		45,185,414
Deferred income tax asset		13,270,194		13,270,194
Other noncurrent assets		3,757,602		3,757,602
<b>Total Non Current Assets</b>		<b>622,400,900</b>		<b>609,648,836</b>
<b>TOTAL ASSETS</b>	<b>P</b>	<b>863,825,551</b>	<b>P</b>	<b>867,176,855</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	P	2,983,658	P	2,513,258
<b>Total Current Liabilities</b>	<b>P</b>	<b>2,983,658</b>	<b>P</b>	<b>2,513,258</b>
<b>Non Current Liabilities</b>				
Deferred income tax liabilities		17,236,866		17,236,866
Accrued retirement benefits payable		3,884,513		3,284,513
<b>Total Noncurrent Liabilities</b>		<b>21,121,379</b>		<b>20,521,379</b>
<b>TOTAL LIABILITIES</b>	<b>P</b>	<b>24,105,037</b>	<b>P</b>	<b>23,034,637</b>
<b>Minority Interest</b>		<b>7,959</b>		<b>141</b>
<b>Stockholders' Equity</b>				
Attributable to equity holders of the Company:				
Capital stock[held by 6,853 & 7,035 equity holders as of 2012 & 2011 respectively]		617,298,378		610,623,378
Additional Paid-In Capital		32,699,360		32,699,360
Revaluation increment in office condominium		17,380,421		17,380,421
Deposit for future stock subscription		-		6,675,000
Fair value adjustments on financial assets		17,889,763		18,069,385
Retained Earnings		157,684,633		161,934,533
<b>Total</b>		<b>842,952,555</b>		<b>847,382,077</b>
Treasury stock (at cost)		(3,240,000)		(3,240,000)
<b>Total Equity</b>		<b>839,712,555</b>		<b>844,142,077</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>P</b>	<b>863,825,551</b>	<b>P</b>	<b>867,176,855</b>

**BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**  
For the period ended February 28, 2013 and March 31, 2012

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	As of February , 2013	As of March 31, 2012
<b>REVENUES</b>		
P		P
Income from previous sale of BPMI	-	38,387,996
Interest, Dividends and Others	3,100,970	3,246,131
Sales	-	-
	3,100,970	41,634,127
<b>COSTS AND EXPENSES</b>		
General and administrative expenses	6,245,443	9,601,877
Unrealized Forex Gain/ (Loss)	1,101,199	-
Realized Forex Gain/ (Loss)	12,187	875,946
Others	-	-
	7,358,829	10,477,823
<b>LOSS BEFORE INCOME TAX</b>	<b>(4,257,859)</b>	<b>31,156,303</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	0	0
Deferred	0	0
	0	0
<b>NET INCOME (LOSS)</b>	<b>(4,257,859)</b>	<b>31,156,304</b>
<b>MINORITY INTEREST</b>	<b>7,959</b>	<b>8,371</b>
	<b>(4,249,900)</b>	<b>31,164,675</b>
<b>RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER</b>	<b>161,934,533</b>	<b>(91,624,127)</b>
	-	-
	-	0
<b>RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER</b>	<b>157,684,633</b>	<b>(60,459,452)</b>
<b>Earnings (Loss) Per Share</b>	<b>(0.0017)</b>	<b>0.0128</b>

Formula: Earnings (Loss) Per Share

= Net Income/ No. of shares for the quarter ended Feb 28,2013  
2,469,193,512

= Net Income/ No. of shares for the quarter ended March 31,2012  
2,442,493,512

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Period Ended February 28, 2013 and March 31, 2012**

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	<b>1st quarter 2013</b>	<b>1st quarter 2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income (loss)</b>	P (4,257,859)	P 31,156,304
<b>Adjustment to reconcile net income to net cash provided by operating activities</b>		
Interest income	3,100,970	3,237,702
Depreciation,depletion and amortization	530,824	950,671
Foreign Exchange Gain/Loss	1,113,386	875,946
Operating income (loss) before working capital changes	487,321	36,220,623
<b>Changes in assets and liabilities</b>		
Decrease (Increase) in asset/s		
Receivables	539,222	(517,334)
Prepayments and other current assets	8,320,739	(893,336)
Increase (Decrease) in liabilities		
Accounts payable & accrued expenses	470,400	(555,282)
Accrued retirement benefits payable	600,000	600,000
<b>Cash generated from (used in) operations</b>	<b>10,417,682</b>	<b>34,854,672</b>
Interest received	(3,100,970)	(3,237,702)
Taxes paid	-	-
Net cash flows from (used) in operating activities	P <u>7,316,712</u>	P <u>31,616,970</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of AFS & FVPL Investments	-	-
Additions (Deductions) to:		
AFS Investment	(17,781,995)	P (15,120,442)
Project development cost	-	-
Deferred charges	(1,634,919)	(1,869,291)
Property & equipment	(23,474)	(3,161,668)
Unrealized gain on fair value adjustments	(179,622)	114,896
Net cash from (used in) investing activities	P <u>(19,620,010)</u>	P <u>(20,036,505)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash provided by financing activities	<u>-</u>	P <u>-</u>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH &amp; CASH EQUIVALENT</b>	(1,113,386)	(875,946)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	(13,416,684)	P 10,704,518
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/QUARTER</b>	202,436,999	311,754,005
<b>CASH AND CASH EQUIVALENT AT END</b>	P <u><u>189,020,315</u></u>	P <u><u>322,458,523</u></u>

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Period Ended February 28, 2013 and March 31, 2012**

	Quarters Ended March 31	
	2013	2012
<b>CAPITAL STOCK</b> - P 0.25 par value Authorized - 10,000,000,000 shares		
Issued and Subscribed	2,469,193,512	2,442,493,512
Paid-up Capital Stock at beginning of year	P 617,298,378	610,623,378
Paid-up Capital Stock at end of period/quarter	P 617,298,378	610,623,378
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of year	32,699,360	32,699,360
Balance at end of period	P 32,699,360	32,699,360
<b>DEPOSITS FOR FUTURE SUBSCRIPTION</b>	0	0
<b>REVALUATION INCREMENT IN OFFICE CONDOMINIUM</b>	17,380,421	10,437,004
<b>FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS</b>	17,889,763	(394,697)
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of the year	161,934,533	(91,624,127)
Net Income (Loss) for the period	(4,249,900)	31,164,675
Balance at end of period	P 157,684,633	(60,459,452)
<b>TOTAL</b>	P 842,952,555	592,905,593
<b>Treasury Stock (at cost)</b>	(3,240,000)	(3,240,000)
<b>TOTAL STOCKHOLDER'S EQUITY</b>	839,712,555	589,665,593

Basic Energy Corporation & Subsidiaries Aging of Accounts Receivable As of February 28, 2013									
Type of Accounts Receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - above	Pas due accounts & Items in Litigation
<b>a) Trade Receivables</b>									
1)	-	-	-	-	-	-	-	-	-
2)	-	-	-	-	-	-	-	-	-
3)	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Less: Allow. For Doubtful Acct.	-	-	-	-	-	-	-	-	-
Net Trade receivable	-	-	-	-	-	-	-	-	-
<b>b) Non-Trade Receivables</b>									
1) Forum PLC	40,660,000				40,660,000				
2) Advances to officers/employees	117,087	117,087							
3) Receivables from stockholders	1,718,887							1,718,887	
4) Others	5,148,315	77,691		4,738	1,641,349	163,412	354,685	2,906,440	
Subtotal	47,644,289	194,779	-	4,738	42,301,349	163,412	354,685	4,625,327	
Less: Allow. For Doubtful Acct.	(2,732,947)	(16,348)		(4,738)	(132,493)	(148,873)	(285,923)	(1,960,842)	
Net Non-trade receivable	44,911,343	178,431	-	-	42,168,856	14,539	68,762	2,664,485	-
<b>Net Receivables (a + b)</b>	<b>44,911,343</b>	<b>178,431</b>	<b>-</b>	<b>-</b>	<b>42,168,856</b>	<b>14,539</b>	<b>68,762</b>	<b>2,664,485</b>	

Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

Type of Receivable	Nature / Description	Collection period
1)		
2)		
3)		

Notes: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES**  
**As of February 28, 2013**

Accrued Expense Payables	P	1,399,518
SSS/Philhealth/HDMF/BIR Payables		361,559
Others		<u>1,222,581</u>
<b>Total</b>	<b>P</b>	<b><u><u>2,983,658</u></u></b>