BASIC ENERGY
CORPORATION

March 31, 2010

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

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

Dear Atty. Callangan/Ms Encarnacion:

Please find enclosed herewith is the preliminary draft of Proxy Statement of Basic Energy Corporation. The said preliminary draft does not include the Audited Financial Statements as of December 31, 2009, Quarterly Report for March 31, 2010, Certification of Independent Directors and the Management Statement's Responsibility for Financial Statements which will be submitted before the submission of our Definitive Proxy Statement.

Thank you for your usual prompt attention.

Very truly yours,

ATTY. ANGEL P. GAHOL
Asst. Corporate Secretary/
Compliance Officer

7F Basic Petroleum Building, 104 Carlos Palanca Jr. Street, Legaspi Village, Makati City 1229, Philippines
(632) 817-8596 and 98 (632) 817-0191 www.basicenergy.ph

COVER SHEET

3 6 3 5 9

SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

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

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

Atty. Angel P. Gahol

(Contact Person)

(632) 817-8596 & 98

(Company Telephone Number)

1 2 — 3 1

Month *Day*

(Calendar Year)

S R C 2 0

(Form Type)

0 5 — any

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Corporate Finance

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

NA	NA
Domestic	Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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 Friday, June 18, 2010 at 2:00 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 Stockholders Meeting Held on June 30, 2009
4. Presentation of the 2009 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 May 26, 2010 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 May 26 to June 18, 2010.

In case you cannot attend in person, please accomplish the attached Proxy Form and deliver at the office of the Corporate Secretary at the Corporation's address mentioned below, on or before June 3, 2010 at 3:00 p.m.

Minutes of the 2009 Annual Stockholders Meeting are available for your perusal at the office of the Corporation during business hours.

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

Makati City, May 23, 2010.

CORAZON M. BEJASA
Corporate Secretary

PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
June 18, 2010 – 2:00 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 June 18, 2010, at 2:00 P.M., and any postponements or adjournment(s) thereof, and hereby ratifying and confirming any and all action taken by said proxy on matters which may properly come before such meeting or its postponements or adjournment(s) thereof. In particular, the undersigned hereby directs the proxy to vote the shares on the following agenda items in the manner indicated below, or if not so indicated, the proxy shall exercise full discretion in acting thereon.

AGENDA ITEMS		**ACTION**			
		Approve	**Disapprove**	**Abstain**	
1.	Approval of the Minutes of the June 30, 2009 Meeting				
2.	Notation of the 2009 Annual Report				
3.	Ratification of all acts of the Board and Management for 2009				
4.	Election of Directors				**Authority to Vote Withheld**
	Oscar C. De Venecia				
	Francis C. Chua				
	Ramon L. Mapa				
	Oscar L. De Venecia, Jr.				
	Ma. Florina M. Chan				
	Eduardo V. Manalac				
	Jaime J. Martirez				
	Gabriel R. Singson, Jr.				
	Isidoro O. Tan				
	Dennis D. Decena (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5.	Appointment of SGV & Co. as External Auditor				
6.	Extension of Exercise Period of SOP				

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 ____ of June, 2010 at _______________.

______________________________ ______________________________

Name of Stockholder Signature of Authorized Signatory

Notes:

(a) All proxies for the meeting should be received by the Corporate Secretary on or before June 3, 2010 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)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20
PROXY STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Filed by the Registrant BASIC ENERGY CORPORATION

2. Filed by a Party other than the Registrant N/A

3. Check the appropriate box:
   ✓ Preliminary Proxy Statement

   ____ Definitive Proxy Statement

   ____ Additional Materials

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

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

6. SEC Identification Number 36359

7. BIR Tax Identification Code 000-438-702

8. 7/F Basic Petroleum Bldg., C. Palanca St., Legaspi Vill., Makati City 1229

   Address of principal office Postal Code

9. Registrant's telephone number, including area code 817-8596 & 98

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

    NONE

    Address ____

    Phone Number ____

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,410,675,330

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

GENERAL INFORMATION

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

The 2010 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Friday, June 18, 2010, at 2:00 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:

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

RECORD DATE

The record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Meeting is May 26, 2010.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: May 24, 2010

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 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.

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON THE DATE, TIME AND PLACE AFOREMENTIONED.

PART II

SOLICITATION INFORMATION

ITEM III– 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 proxy shall be executed in favor of the Chairman of the Board or in his absence, the Secretary of the meeting.

The Corporation has not received any written information by any director of any intention to oppose any action intended to be taken up by the Corporation in the annual meeting of stockholders.

The Corporation intends to utilize couriers and messengers and the services of the Philippine Post Office to undertake the personal delivery of the proxy statements and proxy forms. Costs will be limited to the normal costs of such services and mailing, estimated at about Php250,000.00 and will be shouldered by the Corporation.

Proxies should be submitted to the Corporate Secretary of the Corporation on or before 3:00 p.m. of June 3, 2010.

ITEM IV - 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 election to office as directors.

PART III
CONTROL AND COMPENSATION INFORMATION

ITEM V - VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) **Number of common shares** – 3,873,175,330 shares (inclusive of subscribed and unpaid shares), as of February 28, 2010. 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** – May 26, 2010.

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, 2010 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)Citizen-ship of ecord Owner	(5) No. of Shares Held & Nature of Ownership (Record/Beneficial)	(6) Percentage
Common Shares	PCD Nominee Corp.* 37/F Tower I Enterprise Center Ayala Avenue cor. Paseo de Roxas Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	1,812,286,540 (Record)	75.18%

*PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (PCD), 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. None of the participants of PCD holds more than five percent of the Corporation's total outstanding common shares of stock.

(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, 2010:

DIRECTORS

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

EXECUTIVE OFFICERS

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

DIRECTORS AND OFFICERS AS A GROUP

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

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 VI - DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors of the Corporation:

Name	**Period of Service**
Oscar C. De Venecia	1972 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
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
Dennis D. Decena	August 8, 2008 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 2010:

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

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

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

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

Board Committees

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

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

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

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

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

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

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

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

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

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

The following are the incumbent officers of the Corporation:

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

BACKGROUND INFORMATION

The following are the names, ages, positions and period of service in the Corporation of the incumbent directors, who were nominated for election as directors for the term 2010-2011, and key officers of the Corporation:

1. DIRECTORS

OSCAR C. DE VENECIA, 77 years old, Filipino, is the Chairman of the Board, effective February 12, 2009. Prior thereto, he was the Chairman of the Advisory Board since July 12, 2007, and was the Chairman of the Board from 1988 to July 12, 2007. He is the Vice-Chairman of Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, wholly-owned subsidiaries of the Corporation, and the Chairman of the other subsidiaries of the Corporation, namely: iBasic, Inc., Basic Diversified Holdings, Inc., Southwest Resources, Inc. and Pan-Phil Aqua Culture Corporation. He is also the Vice-Chairman, International Relations – in charge of Business Councils, Philippine Chamber of Commerce and Industry, Director of Pangasinan Economic Development Foundation, Inc. and Trustee of the Free Rural Eye Clinic Foundation, Inc. He is the Honorary Consul General of Ukraine in the Philippines and past Dean of the Consular Corps of the Philippines. He was Rear Admiral (Honorary) of the Philippine Coast Guard Auxiliary, Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc., and the Past Chairman & President, Petroleum Association of the Philippines. He was a director of the Manila Economic & Cultural Office (MECO), was an Independent Director of Export & Industry Bank, and Past District Governor of Rotary International, District 3830. He is a member of the Management Association of the Philippines and the Rotary Club of Makati West. He was the recipient of various awards from private and government institutions and professional and civic organizations. He obtained his degree in Bachelor of Science in Civil Engineering at the Mapua Institute of Technology, Manila and his Bachelor of Science in Industrial Engineering at Syracuse University, Syracuse, New York, USA. He obtained his Graduate Studies on Executive Program at Stanford University, Stanford, California, USA and on Petroleum Management Program at Institute Francais Du Petrole, Paris, France.

FRANCIS C. CHUA, 60 years old, Filipino, is a director of the Corporation since 1998 and the second Vice Chairman of the Board of the Directors effective November, 2007. He is the Special Envoy on Trade and Investments of the Department of Foreign Affairs since June, 2007 and was Special Envoy on Trade and Investments (China) from 2006 to May, 2007. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002 up to the present. He is also the Consul General, Honorary Consulate General of the Republic of Peru in Manila, since 2006. He is a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines, since 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority (since 2006). He is the Chairman and President of BA Securities; President of the Philippine Satellite Corporation; Vice-Chairman/Treasurer of Mabuhay Satellite Corporation.; and Director of the subsidiaries of the Corporation. He was a member of the Board of Governors and Treasurer of the Philippine Stock Exchange from 2000 to 2002. For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, President Emeritus of the Chamber of Commerce of the Philippines Foundation; and Eminent Director of the Philippine Chamber of Commerce & Industry. He obtained his degree in Bachelor of Science in Industrial Engineering (Cum Laude) from the University of the Philippines, in 1967.

RAMON L. MAPA, 66 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors effective October, 2007. He is the President of Wise Securities, Inc. since 1999, and Director of the subsidiaries of the Corporation. He is a Director of Sta. Elena Properties, Inc., since 2002 and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002. He was a Director of Wise Holdings, Inc. from 2002 to 2006. 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., 42 years old, Filipino, is a director and the President and COO of the Corporation since July, 2007. Prior thereto, he was the Executive Vice President & COO of the Corporation since April 04, 2007. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic Diversified Industrial Holdings, Inc., the Chairman and President of of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc. He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996 and a Master in Entrepreneurship from the Asian Institute of Management in 2000.

MA. FLORINA M. CHAN, 54 years old, Filipino, is a Director of the Corporation since April 3, 2008. She is the President & COO of Philippine Commercial Capital, Inc., with which she has been employed since 1988, and a director of PCCI Insurance Brokerage, Inc., ICC Leasing and Finance 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, 58 years old, Filipino, is an independent director of the Corporation since August 8, 2008. 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 1996, he held various responsible positions in the Jaka Group of Companies, Urban Bank, Union Bank, RCBC, UCPB and FEBTC. He is presently a director of Club Punta Fuego, Inc., Fuego Development Corporation, Fuego Land Corporation and Roxaco-ACM Development Corporation. He was and still is active in various professional and civic organizations such as the FINEX Foundation, Rotary International and the Debbie Decena Memorial Educational Foundation. He is an active member of the Rotary Club of Makati West, FINEX, MAP, SHDA, among others. He obtained his degree in Bachelor of Arts in Economics (Cum Laude) from the Ateneo de Manila University in 1974 and his Master Degree in Business Administration from the University of the Philippines in 1976. He is a Postgraduate Fellow of the Fletcher School of Law and Diplomacy, TUFTS University, at Massachusetts, U.S.A., where he obtained his postgraduate certificate in International Business in 1989.

JAIME J. MARTIREZ, 55 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Majalco Finance & Investments, Inc., Senior Vice President, Treasurer and Director of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He holds other director positions, in Majalco, Inc., a diversified holding corporation, Malayan Savings Bank, CCC Insurance Corporation, HMR PTY Ltd of Australia, and 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.

EDUARDO V. MANALAC, 64 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2009. He is presently the President of TransEnergy International Limited and Chairman of Wellex Industries. He was Undersecretary of the Department of Energy (DOE) from 2003 to late 2004, where he promoted the standardization and use of coconut biodiesel that culminated in a Memorandum Order for the blending of 1% biodiesel for all government vehicles and led the DOE's efforts in developing the "Biofuels Law." 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. He was responsible for 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 joined the Phillips Petroleum Company and affiliates with assignments in China, Pakistan, Indonesia and the US. He attended the University of the Philippines in Diliman, Q.C. Philippines where he received a Bachelor of Science degree in Geology in 1967, and where he completed post-Graduate studies in petroleum geology through 1969. He is also a graduate of the U.P. Preparatory High School in Manila.

OSCAR S. REYES, 64 years old, Filipino, and a director of the Corporation and its subsidiaries since June, 2007. He is presently a Director of various listed corporations, like the Bank of the Philippine Islands, Manila Water Co., Pepsi Cola Products Phiippines, Inc., Philippine Long Distance Telephone Co., and Universal Robina Corporation, and of various non-listed companies such as Sun Life of Canada (Phils.), Inc., Link Edge, Inc., Unicapital Securities Co., Inc., Smart Communications, Inc., Sun Life Financial Plans, Inc., Petrolift, Inc. among others. He is the Chairman of Link Edge, Inc. and MRL Gold Philippines, Inc. He is also a Trustee of the Pilipinas Shell Foundation, Inc., El Nido Foundation, Inc. and the Knowledge Institute. He was a Director of Pilipinas Shell Petroleum Corporation from 2002 to 2006, Managing Director of Shell Phils. Exploration B.V. from 2002 to 2004, Country Chairman of the Shell companies in the Philippines from 1997 to 2001. He obtained his degree in Bachelor of Arts, major in Economics (Cum Laude) from the Ateneo de Manila University in 1965, completed academic units for a Master of Business Administration degree from the Ateneo Graduate School of Business Administration in 1971, a Program for management development at the Harvard Business School in Boston, U.S.A. in 1976 and had undergone a Commercial Management Study program at the Lensbury Centre, Shell International Petroleum Co., at the United Kingdom in 1986.

GABRIEL R. SINGSON, JR., 44 years old, Filipino, is a Director of the Corporation since April 3, 2008 and director of the subsidiaries of the Corporation. 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 Telemodial 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, 61 years old, Filipino, is a director of the Corporation since 1993 and director of the subsidiaries of the Corporation. He is also the President & Director of Filspin, Inc.; Vice-President & Director of Filtex Manufacturing Corporation and Foremost Integrated Corporation, for the last five (5) years at least. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

2. OFFICERS

CORAZON M. BEJASA, 62 years old, Filipino, is the Corporate Secretary of the Corporation since July 12, 2007, with the rank of Vice President. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, Magna Cum Laude, in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 54 years old, Filipino, 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 until he 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, 63 years old, Filipino, is the Vice President for Finance of the Corporation since January, 2008. She was the Senior Vice President & Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

MARY JEAN G. ALGER, 39 years old, Filipino, is the Assistant Vice President for Corporate Planning of the Corporation. She has been involved in financial advisory and investment banking in the last eight years and is also currently connected with BancPros, Inc. (a financial and management services Corporation) as Asst. Vice President. She also served as the Investment Officer of BancLife Insurance Co., Inc. and ValueGen Financial Insurance Corporation, Inc., the wholly owned life and non-life insurance companies of Export and Industry Bank (EIB), respectively from 2002 to 2007. She obtained her Bachelor of Science in Business Economics degree from the University of the Philippines in 1991.

ANGEL P. GAHOL, 57 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation,.and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel. He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

Mr. Oscar L. de Venecia, Jr., President & COO, is the son of Mr. Oscar C. De Venecia, the Chairman & CEO of the Corporation.

INVOLVEMENT IN ANY LEGAL PROCEEDINGS

The Corporation is not aware of any bankruptcy proceedings filed against any of its directors or key officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or on a violation of a securities or commodities law or regulation against any of its directors or key officers during the past five (5) years.

ITEM VII – COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

NAME/POSITION	FISCAL YEAR	SALARIES	BONUSES	OTHER COMPENSATION
Oscar C. De Venecia Chairman & CEO **Oscar L. de Venecia, Jr.** President & COO **Marietta V. Villafuerte** VP-Treasurer **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP-Operations				
Total	*2010* *2009* 2008	4,664,400 (estimated) 5,265,733 10,283,487	388,700 (estimated) 439,979 855,291	0 0 0
All Other Officers as a Group Unnamed	*2010* *2009* *2008*	1,333,800 (estimated) 1,431,856 3,342,473	111,150 (estimated) 127,021 1,313,791	0 0 0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php5,500.00 and Php2,750.00 per attendance, respectively. Except for the stock option plan discussed under Item IX below and the existing retirement plan for officers and employees of the Corporation, there is no existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants 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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except as discussed below, there has been no material transaction during the past two years, nor is there any material transaction currently proposed, to which the Corporation was or is to be a party with any incumbent director and/or officer of the Corporation. In the ordinary course of business, the Corporation may have transactions with other companies in which some of such persons may have an interest.

ITEM VIII. INDEPENDENT AUDITORS

Sycip, Gorres, Velayo & Co. (SGV) was the Corporation's independent auditors for the year 2009. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2010 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, 2009 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 2008 and 2009 were Php468,500.00 and Php580,000.00, respectively. The audit fee for 2008 was fully paid on May 15, 2008, while Php406,000.00 has already been paid on March 23, 2010 as partial payment of the audit fees for 2009.

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

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

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

ITEM IX – COMPENSATION PLANS

A stock option plan was approved by the stockholders at the 2007 annual meeting of stockholders, whereby directors and members of the Advisory Board, officers and selected employees of the Corporation and its subsidiaries, and other persons as determined by the Board of Directors shall be granted the option to purchase shares of stock of the Corporation from its un-issued capital stock at par value, and exercisable on the 3rd year from approval of the plan by the stockholders. However, the details and mechanics of the plan have yet to be submitted for the approval of the Board of Directors. There is no SEC approval yet on the said stock option plan and the Corporation will seek approval by the SEC, when the mechanics thereof are approved by the Board of Directors. The extension of the exercise period from July 12, 2010 to July 11, 2013 shall be submitted for approval of the stockholders at the annual stockholders meeting.

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.

PART IV

ISSUANCE AND EXCHANGE OF SECURITIES

ITEM X - 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 XI - 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 XII - FINANCIAL AND OTHER INFORMATION

(a) 2009 Audited Financial Statements

The 2009 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. 2087572 dated January 4, 2010.

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2009 are attached as part of this Proxy Statement.

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

There are no disagreements with the Corporation's external auditors on any accounting principles or practices, and financial statement disclosures or auditing scope or procedures in the 2009 audited financial statements of the Corporation.

There are, however, changes in accounting policies and disclosures based on the adoption of new Philippine interpretations based on the International Financial Reporting Committee Interpretations, which have been effective January 1, 2009, namely:

i) PAS 1-Presentation of Financial Statements
The Corporation elected to present a single Statement of Comprehensive Income.
ii) Amendment to PFRS 7-Financial Instruments: Disclosures
The fair value hierarchy and liquidity position were included in the Audited Financial Statements
iii) PAS 41-Agriculture
Removed reference to the use of pre-tax discount rate to determine fair value.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2009, attached as part of this Proxy Statement.

(c) Participation of Representatives of External Auditors

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

(d) Incorporation by Reference

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

(1) Notice of Annual Stockholders Meeting and Proxy Form;
(2) 2009 Management Report
(3) Audited Financial Statements of the Corporation as of December 31, 2009; and
(4) SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2010.

ITEM XIII - 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 XIV – 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 XV - 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.

PART V

OTHER MATTERS

ITEM XVI – 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 2009 Annual Stockholders' Meeting held on June 30, 2009.

The Minutes contain the following:

- Approval of the Minutes of the 2008 Stockholders' Meeting.
- Notation of the 2008 Management Report and the 2008 Audited Financial Statements.
- Ratification of all acts done by the outgoing Board of Directors and Management
- Election of the Directors of the Corporation for the term 2009-2010

- Appointment of SGV & Co. as the external auditor for 2009; and

(b) Notation of the 2009 Management Report and the Audited Financial Statements for the year ending December 31, 2009.

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

There are no proposed amendments to the Amended Articles of Incorporation and Amended By-laws of the Corporation for stockholders' approval at the annual meeting of stockholders.

ITEM XIX - OTHER PROPOSED ACTIONS

The following matters will also be submitted for stockholders' action at the annual meeting of stockholders:

(a) Ratification of all acts of the Board of Directors and Management for the period covering the term 2009-2010, which consist of the following actions:

- Appointment of officers, members of the Board and Management Committees and directors and officers of subsidiaries for the term 2009-2010
- Approval for the Contract for a Feasibility Study of a Cassava–Based Bio-Ethanol Plant Project with the Alternative Energy Institute of Thailand Foundation and Ethanol Thai Ltd
- Authority for the opening of a trust or investment management account with Metropolitan Bank and Trust Corporation-Trust Banking Group
- Signing of the settlement agreement with ZNBPI of its remaining commitments under the Share Purchase Agreement dated July 11, 2007, as amended on September 1, 2007 (SPA) and the Agreement for the Acquisition of Lands dated June 19, 2007
- Additional equity investment in Basic Ecomarket Farms, Inc. which is undertaking the cassava project in the Zamboanga peninsula up to Php9.0 million and approval of the revised business plan for 2009-2013
- Appointment of Mr. Eduardo V. Manalac as director of the Corporation and its subsidiaries and membership to the Finance and Investments Committee and the Corporate Governance Committee
- Authority of Management to advise the Corporation's external counsel, Romulo Mabanta Buenaventura Sayoc Delos Angeles (RMBSA), to pursue arbitration proceedings for the settlement of the Corporation's claim for payment of the historical cost recoveries on the assets sold to Forum Energy Plc under the Sale and Purchase Agreement dated April 3, 2006, and such other legal actions or remedies as may be recommended by RMBSA.
- Amendments to the Memorandum of Agreement with Ecomarket Farms, Inc (EMF) executed last August 8, 2008 and the Deed of Assignment of Project and Property Rights both dated November 23, 2008 for the acquisition of the cassava project of EMF in Tungawan, Zamboanga City, excluding certain assets from the properties to be acquired under said agreements

- Approval of the budget for the Controlled Source Magneto-Telluric (CSMT) survey totalling Php 2,184,480.00 and the engagement of Mr. Asahi Hatori, as consultant for the CSMT survey to be conducted for the Mabini, Batangas Geothermal Energy Project
- Approval for the grant of Christmas bonuses to officers and employees of the corporation equivalent to 35% to 50% respectively, of their monthly salaries
- Approval of the salary adjustments of the officers and employees of the corporation effective January 2010
- Reduction of per diems of directors from Php7,500.00 to Php5,000 per Board meeting attended and Php2,500 per Board/Management Committee meeting attended, which were subsequently increased to Php5,500.00 and Php2,750.00, respectively, effective January 2010
- Approval of the 2010 Budget for general and administrative expenses
- Approval of the Corporation's Revised Manual on Corporate Governance, in pursuant to the Securities and Exchange Commission (SEC) Memorandum Circular No. 6 Series of 2009
- Authority of Management to sell the remaining Forum Energy Plc shares held by the Corporation up to 786,259 shares to Philex Petroleum Corporation at 65 pence per share and 40,000 shares at the prevailing market price at the London Stock Market, and to retain 40,000 shares
- Approval of the schedule of the Annual Stockholders' Meeting of the corporation on Friday, June 18, 2010 at 2:00pm at Manila Golf and Country Club
- Approval for issuance of the 2009 Consolidated Audited Financial Statements of the Corporation and its subsidiaries
- Authority of Management to advise the Corporation's external counsel, RMBSA, to proceed with the arbitration proceedings for its claim against Forum Energy Plc (Forum) for its share on the historical cost recoveries (HCR) that it is entitled to received under the Sale and Purchase Agreement (SPA) executed between Forum and Basic Consolidated, Inc. (now Basic Energy Corporation) dated April 3, 2006.
- Other acts which will be summarized in the list of resolutions adopted/actions taken by the Board during the period to be furnished to all stockholders of the Corporation.

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

(c) Appointment of External Auditors for the fiscal year 2010; and

(d) Extension of the exercise period under the stock option plan approved by the stockholders on July 11, 2007 from July 12, 2010 to July 11, 2013.

ITEM XX - VOTING PROCEDURES

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

Motions in general require the affirmative vote of a majority of the shares of the Corporation's common stock present and/or represented and entitled to vote in the annual meeting of stockholders.. There are no items that will require the affirmative vote of at least two thirds ($^2/_3$) 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 Proxy Statement consist of the Proxy Form, the Corporation's 2009 Management Report, the 2009 Consolidated Audited Financial Statements of the Corporation and SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2010.

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 2009 (SEC Form 17-A). Such written request should be directed to the:

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

Copies of resolutions of the Board of Directors, since the date of the 2008 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

PART VI

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, and after reasonable inquiry and to the best of our knowledge and belief, on behalf of the Corporation, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 30, 2010.

OSCAR L. DE VENECIA, JR.
President & COO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

2009 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

PART I. BUSINESS

(A) Description of Business

(1) Business Development

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

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

In 2006, the Company adopted a rationalization program for its equity investments by disposing investments in subsidiaries in exchange for cash and asset values to generate funds for the investments of the Company in its oil and gas projects and other viable businesses, and by winding down the operations of subsidiaries and affiliates affecting the Company's bottom line. In line with this rationalization program, on April 3, 2006, the Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy Plc (FEP), for a total consideration of US$ 17,000,000.00. Of this amount, US$ 5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Company received full payment and delivery of the first tranche of US$ 5,000,000.00. The amount of US$ 12,000,000.00 shall be due upon FEP's utilization of the historical cost recovery accounts of BPMI and the productivity of the service contracts that are part of the sale of BPMI. As of November 30, 2009, the Company has a receivable of about US $1.24 Million from FEP based on the Nido and Matinloc liftings from April, 2006 up to November, 2009, as reported by FEP. This claim is the subject to arbitration proceedings being handled for the Company by its external counsel.

On November 27, 2006, the Securities and Exchange Commission approved the Company's change in corporate name from Basic Consolidated, Inc. to Basic Petroleum Corporation and its equity restructuring involving the following: (a) the reduction of the par value of the Company's shares from Php1.00 to Php0.25; (b) the reduction of the amount of its capital stock from Php2 Billion to Php 500 Million, retaining the same number of shares at 2,000,000,000 shares. One major effect of this quasi-reorganization was the creation of a reduction surplus, which was used to wipe out the deficits of the Company, as of December 31, 2005, as of April 30, 2006 and as of

December 31, 2006. This equity restructuring paved the way for a stronger balance sheet designed to attract new investors into the Company and for the transformation of the Company into a more dynamic institution that will include among its endeavors, the development and production of alternative fuels and renewable energy resources.

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

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

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

Through BBC, the Company commenced the preparation and development of the sugarcane farm component of the integrated ethanol plant, starting with a nursery for the propagation of sugarcane at the plant site located in Gutalac, Zamboanga del Norte, with an area of approximately 22 hectares. In August, 2008, however, the Company decided to develop initially cassava, over sugarcane, as the feedstock for its planned ethanol plant. The Company then decided to undertake a cassava project in the Zamboanga peninsula with the acquisition of the cassava project of Ecomarket Farms, Inc. in Zamboanga Sibugay and Zamboanga City. For this purpose, Basic Ecomarket Farms, Inc. (BEF) was established as a wholly owned subsidiary of the Company, with an authorized capital stock of Php50 Million and an initial paid up capital of Php20 Million, and Ecomarket Farms, Inc. was engaged to manage the cassava project. In line therewith, the ethanol plant project was deferred while the capability of BEF to produce the cassava feedstock as required by the planned ethanol project is being developed. In the meantime, the Company continues to look for strategic and financial investors or partners for the planned ethanol project.

On July 10, 2008, the Department of Energy awarded to the Company the service contract for the exploration and development of geothermal energy at Mabini, Batangas. A Controlled Source Magneto-Telluric Survey covering 3,481 hectares in the area had been conducted and completed on March 8, 2010.The data obtained from the survey is presently being processed with the objective of establishing the geothermal resource and the exploration drilling site. The Company is in discussions with prospective investors for a possible participation in the project.

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

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

(2) Business of the Company and its Subsidiaries

Oil and Gas Operations

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

Service Contract 41 (Sandakan Basin)

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

The search for oil and gas in the Service Contract resulted in the acquisition of 2,496 sq. km. of 3D seismic data and 2,000 km. of 2D seismic data, and the drilling of 5 exploration wells. The exploration efforts were encouraging as sub-commercial oil and gas deposits were encountered by the exploration wells. A recent technical review of the area has resulted in the identification of drilling prospects that could be considered for drilling and as delivery of work commitments to the Department of Energy. The estimated recoverable reserves of the prospects and leads range from 50 Million barrels to 210 Million barrels.

The current operator of the Service Contract, Tap Oil Ltd.(Tap), farmed-in in SC 41 in July, 2006 and had a 70% participation in the block. In October 2006, Salamander Oil Ltd. joined the Service Contract and was assigned a 35% interest. Tap completed the acquisition of 600 sq. km. of 3D seismic and is geared to commit to drill a well before the end of Contract Year 10 scheduled on May 10, 2008. On July 19, 2008, the consortium drilled the Lumba Lumba-1 well using the semi-submersible rig Transocean Legend. The well was re-spudded on July 27, 2008 15 m to the west of the previous location due to some technical difficulties. The Lumba-Lumba 1A drilled through the primary objectives of the prospect with elevated gas readings recorded but there were no reservoir quality rocks encountered. Tap believes that SC41 still has significant untested prospectivity as Lumba Lumba-1A tested only one play type of several identified prospects. The block has an inventory of nearly 20 leads and prospects covered by 3D data. Drilling operations are being considered after thorough evaluation works. The reprocessing work was expected to be completed in July, 2010. The report identified exploration targets incorporating the Lumba-Lumba well results, and showed potentials of the area to host commercial hydrocarbons.

On October 3, 2008, the Department of Energy approved Tap's request for a two year extension on the SC 41 term. Under the extension, the consortium will have until May 2010 before it commits to drill a well. The term will be automatically extended up to May 2011 upon the consortium's notification of the progress of the 3D processing.

On June 18, 2009, Tap sought for farm-in partners due to the increasing costs of drilling exploratory wells, and in this regard, the Cost Recovery Agreement is being finalized among the consortium partners.

The Company, through its subsidiary, Southwest Resources Inc., has a 0.608% interest, and will pay participation cost on a pro-rata basis.

Service Contract 47 (Offshore Mindoro)

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

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

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

Petronas spudded a well on August 31, 2007 to test the potential of the Kamia prospect.The drilling of the Kamia-1 well is part of the work program committed to the Department of Energy that involves the drilling of an exploratory well. The consortium will have the option to conduct more drilling by committing to the succeeding contract year. A US$ 40MM development cost in shallow water was anticipated, however, Petronas decided to withdraw from the service contact prior to entry to Subphase 2.

On April 16, 2008, the DOE approved the requested 6 months extension to decide on entering Sub Phase 2 (Contract Years 3 and 4). The extension period was from January 10, 2008 to June 10, 2008 and reduced the term of the Sub Phase 2 by six months. Under the extension period, the consortium committed to complete the Kamia-1 Post Well Evaluation and map the area to be relinquished prior to making the decision to enter Sub Phase 2.

During 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. The seismic data are to be processed by Fairchild and interpretation works are expected to be completed by the middle of 2010.

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.

The consortium is presently in discussions with the DOE on Coal Bed Methane development in the Semirara island, maintaining that the consortium has the right to explore and develop all gas resources in the service contract area. The DOE has yet to issue the guidelines on the matter..

Service Contract 53 (Onshore Mindoro)

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

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

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

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

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

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

Renewable Energy (Geothermal Energy)

Mabini, Batangas Geothermal Service Contract

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

Exploration and Development History

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

Current Status

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 is in the process of conducting 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 is presently being 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-megawatt~~s~~ 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 currently looking for farm-in partners to explore and develop the Mabini, Batangas geothermal area.

Ethanol Project

On July 10, 2007, the Company acquired Zambo Norte Bioenergy Corporation (ZNBC), (now Basic Biofuels Corporation), a corporation undertaking a planned integrated ethanol production plant in Gutalac, Zamboanga del Norte, and the development of a dedicated feedstock farm in the neighboring areas. BBC commenced the preparation and development of the feedstock nursery farm component of the ethanol plant, starting with the plant site located in Gutalac, Zamboanga del Norte, with an area of approximately 22 hectares. The nursery farm initially propagated various varieties of sugarcane, and had planned to propagate other crops such as cassava and sweet sorghum. In August, 2008, however, the Company decided to initially develop cassava as the preferred feedstock for the planned ethanol plant project. For 2009, the Company will focus on the development of its capability to produce sufficient cassava feedstock to supply its planned ethanol plant through its wholly owned subsidiary, Basic Ecomarket Farms, Inc., while the Company continues to look for strategic and financial investors or partners for the ethanol plant project.

Cassava Project

Following the decision to use cassava as the preferred feedstock for the planned ethanol plant project, the Company entered into a Memorandum of Agreement with Ecomarket Farms, Inc. (EMF) for a joint venture project on cassava development and production in the Zamboanga peninsula (the Project). Basic Ecomarket Farms, Inc. (BEF) was subsequently established as the joint venture vehicle for the Project and acquired all the rights and interests of EMF in its cassava project and all the properties and assets thereof located in Tungawan, Zamboanga City, for a total consideration of Php12.5 Million, 10% of which is payable in cash and the balance in shares of stock of the Company.

Basic Ecomarket Farms, Inc. (BEF) has established two nurseries covering a total of 30 hectares in Gutalac, Zamboanga del Norte and in Binaloy, Zamboanga City in the latter part of 1998. In 2009, BEF has met its target to plant 300 hectares of cassava farmlands in Zamboanga del Norte and Zamboanga City. It remains on course to meet its target of planting 600 hectares by the end of 2010 and expanding to 2,000 hectares by 2013. After BEF's initial harvest year of 2010, the Company expects that in 2011, it would have adequate data and resources to determine BEF's capability to produce the feedstock required by the planned ethanol plant project.

BEF was also granted by San Miguel Foods, Inc. an accreditation as an area assembler, securing a stable market for its dried granules. It has recently been registered with the Board of Incentives, on a non-non-pioneer status, as a new producer of dried cassava granules and entitled to income tax holiday and other incentives.

BEF has likewise started commissioning its mechanical dryer, which is capable to dry all the harvests from the managed farms and other wet cassava sold by farmers in the vicinity of its operating areas. The dryer is built in the Gutalac area and has been completed in the first quarter of 2010 in time for the first harvest of BEF.

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.

In the Ethanol Plant and Cassava Project Operations, the Company is faced with the following risks, in order of importance:

The "green field" nature of these projects exposes the Company to start-up risks, to wit:

(a) Since the lands identified for the growing of cassava or even sugarcane or sweet sorghum to be used as feedstock for the ethanol plant have not been planted with these crops on a large scale basis, productivity in terms of amount of crops that can be produced per hectare could be uncertain. To determine the maximum yield per unit area, the Company must establish actual agronomic data on crop yields using a variety of available technologies and farming methodologies. This would require additional investment in land development and preparation, which may affect the Company's development timetable and ultimately, the project's viability.

(b) The Company will depend on a selected equipment and technology provider to design and build the ethanol plant or the drying facilities for the cassava project. The Company has gone through the process of screening the contractors from a list of pre-qualified international technology and equipment suppliers/contractors that would have the technical capabilities, the optimum and most efficient solution and the ability to complete the project in a timely manner and within the approved budget. Failure to forge a binding agreement with the selected EPC contractor and the selected contractor's failure to perform will cause significant delays in the construction of the plant and the projected income of the Company due to the project's operations may not be realized. For the drying facilities for the cassava project, BEF is in the process of evaluating the structure designs and mechanics and will conduct testing of similarly designed or structured drying facilities before adopting or considering the fabrication and installation of the drying facilities for the cassava project.

(c) The Company is in the process of obtaining the necessary permits and consents for the construction and operation of the ethanol plant. Failure to obtain these permits as scheduled may delay operations and materially affect projected income. Considering, however, the deferment of the ethanol plant project, the Company has the time to work on the issuance of such permits and licenses prior to the construction of the planned ethanol plant.

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

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

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

Relative to the management of the risks mentioned in items (d) to (f) above, the Company decided to focus first on the development of its capability to produce the feedstock required by the planned ethanol plant, through its subsidiary, Basic Ecomarket Farms, Inc. The services of

Ecomarket Farms, Inc., which had proven experiences in the development, production, drying and marketing of cassava in Zamboanga City, had been engaged as project manager of the Company's cassava project in the Zamboanga peninsula. The managed farms for the propagation and development of cassava will be gradually increased from 300 hectares in 2009, expanding to 2,000 hectares by 2013, to provide the Company adequate expertise and experience to handle larger plantation areas. BEF has commissioned a study on the security risks in the area and the remedial measures needed to be taken by the Company.

For the ethanol plant, the Company has set as policy to seek out a strategic and financial partner that has a proven track record worldwide in the construction and operation of the ethanol plant. The prospective strategic partner shall co-invest with the Company in the ethanol project, to minimize the Company's risk exposure. The applications for the necessary government permits and clearances have been filed and are in process, and regular follow-ups are being made to ensure that these permits and clearances are being acted upon within the targeted schedules. Finally, agreements in preparation for the off-take arrangements with the major oil companies have already been signed and executed, specifically for the undertaking of the necessary studies for the terms of the definitive off-take arrangements. Seeing through the completion of these studies in time for the operation of the ethanol plant will be undertaken in due time.

(3) Employees

The Company has eighteen (18) officers and employees, of which eight (8) are executive officers, six (6) 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 2010 as technical staff for its various projects. When the Company's planned ethanol plant project is pursued with the entry of strategic and financial funders or investors, project managers, and engineering, technical and other support personnel may be required for the project.

B) Description of Properties.

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

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

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

C) Legal Proceedings

The San Fabian property which is registered in the name of Pan-Phil Aqua Culture Company and which the Company has a majority interest, is the subject of a pending administrative case filed by Pan-Phil Aqua Culture Company against one Warlito Pedral with the Land Management Bureau of the Department of Environment and Natural Resources (DENR), Regional Office No. 1, San Fernando, La Union. The case is docketed as Claim Case No. 01-Pang-101 for the denial of the application for titling of a parcel land being claimed by said Warlito Pedral, as it falls within 20 meters legal easement or salvage zone of the foreshore area fronting the subject property. The Regional Office-DENR, La Union rendered a decision in favor of Pan-Phil, declaring the contested area as a salvage zone and giving Pan-Phil the preference to file for a lease application over the contested area. The case is now pending appeal with the Office of the Secretary of Department of Environment and Natural Resources (DENR).

On June 5, 2008, the Company declared Forum Energy Plc (Forum) in default for non-payment of the Company's share in the utilization of the historical cost recovery accounts sold to forum under the Sale and Purchase Agreement (SPA) dated April 3, 2006 covering the sale by the Company of its 100% interest in Basic Petroleum Minerals, Inc. including its participating interests and costs recovery accounts in certain geophysical Survey and Exploration and Service Contracts. The amount due from and unpaid by Forum as of December 31, 2008 is US Dollars: 947,840.49 based on the reports furnished to the Company by Forum on the Nido and Matinloc liftings. As a consequence of said default, the Company served Forum a written notice of declaration of default and automatic termination of the SPA, and as a consequence thereof, all payments made by Forum and the Forum shares delivered to the Company prior to the default are considered forfeited in favor of the Company, without prejudice to any legal recourse that the Company may subsequently take. The case is now pending arbitration with the Ad-Hoc Arbitration Tribunal headed by former Justice Jose Vitug, with former Justice Hector Hofilena, Sr. and Atty. Teodoro Penarroyo as members.

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 OPERATIONS

(1) **Plan of Operations for 2010**

Oil and Gas Operations

For 2010, 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). One of its subsidiaries, Southwest Resources, Inc. (SWR) shall continue with its participation in Service Contract 41 covering the Sandakan Basin. The Company together with the consortium members will be undertaking work programs committed to the Department of Energy (DOE).

In Service Contract 41, through the Company's subsidiary, Southwest Resources Inc., a reprocessing of 3D seismic data was approved by the DOE along with two year extension of the term of the service contract. Such reprocessing of data is expected to be completed in mid-2010. The Company is carried free in 2010. In Service Contract 47, the consortium entered the second sub phase of the contract on June 10, 2008. The seismic data are to be processed by Fairchild and interpretation works are expected to be completed by the middle of 2010. The consortium is presently in discussions with the DOE on Coal Bed Methane development in the Semirara island, maintaining that the consortium has the right to explore and develop all gas resources in the service contract area. In Service Contract 53, the DOE has recently approved the further extension of Subphase 1 to March, 2011 for the conduct of geological and geophysical studies and interpretation of the 2D seismic data, which is estimated to cost US$4.5 Million, and the drilling of two wells from 2011 to 2012, the cost of which is estimated at US$ 2 Million. The Company is carried free in the 2D seismic program.

The Company's cash requirements for the operations of its oil and gas business for the whole year of 2010 is budgeted at about Php.0.5 Million, which will be adequately funded by its cash and short-term investments.

Geothermal Energy Operations

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

The Company has allocated a budget of US$10,000 for 2010, for software and 2D seismic processing and will be funded from the cash and short-term investments of the Company.

Cassava Operations

For 2010, the Company will continue its focus on the development of its capability to produce sufficient cassava feedstock to supply its planned ethanol plant through its wholly owned subsidiary, BEF.

BEF's operations will still be focused in the Zamboanga peninsula, expanding its cassava farmlands from 300 hectares in 2009 to 600 hectares by the end of 2010. The cassava nurseries that have been put up in Zamboanga del Norte and Zamboanga City covering a total area of 30 hectares will be supplying the planting materials for the expansion farms that will be planted in 2010. The pilot 300 hectares planted in 2009 including the cassavas in the nurseries will also be harvested in 2010. The cassava produced from the farms will be dried, granulated and sold mainly to San Miguel Foods, Inc. and any excess production to other feeds manufacturers.

In the first quarter of 2010, BEF will be constructing its mechanical dryer to be able to dry cassava tubers in large quantities relatively insulated from weather conditions. BEF has commissioned designs for a tailor-fit mechanical dryer suitable for its needs and the available power sources in the area. The first mechanical dryer to be built is envisioned to be located in Gutalac, Zamboanga del Norte and to be largely powered by biomass abundant in the vicinity.

The Company's cash requirement to support the cassava operations of BEF for 2010 is budgeted at Php5 Million, which will be adequately funded by its cash and short-term investments.

(2) Management's Discussion and Analysis of Financial Condition and Results of Operations for 2009

(a) Full Fiscal Years (Three Years)

2009

For 2009, total assets of the Company stood at Ph 475.796 Million up by PhP1.623 Million compared to 2008's level of PhP 474.172 Million. Current assets amounting to PhP 122.148 Million were mainly in cash and cash equivalents amounting to PhP100.186 Million which decreased by PhP 54.847 Million compared to last year's balance of PhP 155.033 Million. The decrease in cash and cash equivalents was mainly due to operating expenses and additional advances booked for the year. Non-current assets amounting to PhP 353.648 Million were mainly in investment properties of PhP 120.086 Million, project development costs of PhP 62.379 Million, available for sale financial assets of PhP 44.550 Million which increased significantly by PhP 17.557 Million due to the increase in fair value, and property and equipment amounting to PhP 44.051 Million. Biological assets representing standing crops of an agricultural activity amounting to PhP 22.773 Million were also booked for the year. Deferred exploration costs amounting to PhP 36.300 Million increased by PhP 4.618 Million compared to last year's balance of PhP 31.681 Million due to additional costs recorded for the year. Deferred income tax assets of PhP 15.189 Million increased by PhP 6.565 Million over last year's balance of PhP 8.624 Million mainly due to the movement in fair value of the financial assets.

Total liabilities of PhP 21.393 Million decreased by PhP 9.356 Million compared to last year's balance of PhP 30.749 Million. Current liabilities were in accounts payable and accrued expenses amounting to PhP 4.973 Million which recorded a decrease of PhP10.714 Million from last year's figure of PhP 15.687 Million due to the payment of certain liabilities. Non-current liabilities amounted to PhP 16.419 Million which increased by PhP 1.358 Million compared to last year's level of PhP 30.749 Million. This was due to an increase in deferred income tax liabilities due to fair value adjustments of financial assets which was partly offset by the reversal of accrued retirement benefits resulting from an updated actuarial valuation of the company's pension plan.

Total stockholders' equity stood at PhP 454.403 Million composed of capital stock amounting to PhP 602.669 Million, additional paid in capital of PhP 27.067 Million, deposits for future stock subscriptions of PhP 24.386 Million, revaluation increment in office condominium of PhP 12.756 Million and net unrealized income on increase in value of financial assets amounting to PhP 12.539 Million. These were partly offset, however, by a deficit amounting to PhP 225.655 Million. The increases recorded in capital stock and additional paid in capital for the year totaling PhP 53.175 Million were due to additional capital stock issued for the year which were recorded as deposit for future subscriptions in 2008 amounting to PhP 53.175 Million. Deposits for future subscriptions amounting to PhP24.386 Million decreased by PhP 42.375 Million compared to last year's balance of PhP 66.762 Million due to the above stated additional capital stock issuance amounting to PhP 53.175 Million which was partly offset by an additional subscription of PhP 10.8 Million which has not been issued pending approval of the listing of the shares by the Philippine Stock Exchange.

For the year ended December 31, 2009, the Company posted revenues of PhP 9.661 Million mostly in interest on cash and placements and gain on sale of financial assets. Costs and expenses amounted to PhP 27.066 Million composed of general and administrative expenses of PhP 26.655 Million and foreign exchange loss of PhP 0.410 Million. General and administrative expenses significantly decreased by PhP 38.0 Million compared to last year due to certain organizational changes implemented during the 1st quarter of the year to preserve cash and capital during the current global and local economic downturn. After deducting provisions for and adding benefit from income tax, the company recorded a net operating loss of Php 13.348 Million for the year. Including other comprehensive income of unrealized gain on financial assets net of income tax effects thereon amounting to PhP 13.527 Million, the company resulted to a total comprehensive income of PhP 179.492 thousand in 2009 compared to a total comprehensive loss of PhP 108.789 Million in 2008.

2008

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

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

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

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

2007

For 2007, total assets of the Company stood at PhP 530.363 Million up by PhP 87.786 Million compared to 2006. Current assets were composed mainly of cash and cash equivalents which registered a significant increase of PhP 160.210 Million compared to last year's PhP 31.185 Million. Non-current assets were mostly in investment properties amounting to PhP 120.086 Million which showed a slight increase of PhP4.159 Million from last year due to revaluation. Available for sale financial assets (AFS) significantly dropped to PhP35.429 Million from last year's figure of PhP 156.028 Million mainly because of the provision for impairment of Forum Energy Plc Corp. (FEP) shares held by the Company. The year also recorded deferred tax asset of PhP 38.630 Million pertaining to the income tax effect on the impairment provision on said FEP shares and the revaluation increment on the Company's office condominium unit, and an intangible asset of PhP 8.0 Million in relation to the acquisition of lands in preparation for its ethanol project.

Total liabilities of the Company amounted to PhP 30.746 Million, of which PhP 22.909 Million was deferred income tax liabilities representing the income tax effect on the fair value adjustments of the Company's investment properties.

Total stockholder's equity amounted to PhP 499.617 Million mainly composed of Capital Stock amounting to PhP 572.455 Million and a deficit of Php 104.494 Million. Capital stock recorded an increase of PhP 197.614 Million due to additional subscriptions in connection with the SEC approved increase in authorized capital stock. The deficit recorded for the year of P104.494 Million dropped significantly by PhP 227.399 Million from last year's figure mainly due to the SEC approved equity restructuring which applied outstanding reduction surplus of PhP 358.615 Million and additional paid-in capital of PhP 14.782 Million against deficit.

On February 22, 2007, the Parent Company applied for equity restructuring to apply the outstanding reduction surplus of PhP 358.615 Million and additional paid-in capital of PhP 14.782 Million against deficit as of April 30, 2006 of PhP 373.397 Million. The application was approved by the SEC on March 23, 2007.

On November 13, 2007, the SEC approved the Parent Company's increase in authorized capital stock from PhP 500 Million divided into 2 billion shares with the par value of PhP0.25 each, to PhP2.5 billion divided into 10 billion shares with the par value of PhP0.25 each. Accordingly, of the said increase in authorized capital stock, PhP 500 Million consisting of 2 billion shares have been subscribed, and more than 25% thereof amounting to PhP134.375 Million have been paid in cash to the Parent Company on October 2, 2007. The deposit for future stock subscription was equivalent to 54,345,344 shares at PhP0.25 par value per share as of December 31, 2007 and 39,623,907 shares at PhP1.00 par value per share as of December 31, 2006 have not been included.

On April 4, 2007, the Company entered into a Memorandum of Understanding with ZN Biofuels Partners, Inc. for the acquisition of the latter's ownership and interests in Zambo Norte Bioenergy Company (ZNBC), a domestic Company established and organized to embark in the development and production of biofuels and other alternative and renewable energy. The acquisition was approved by the Board of Directors and the Company's stockholders during its annual stockholders' meeting held on July 12, 2007. Based on the agreement, full recognition in the Company's books of the acquisition shall be upon compliance of certain deliverables from both buyer and seller.

(b) Interim Period- First Quarter, 2010 (Unaudited as of March 31, 2010)

(To be accomplished upon finalization of 1st Quarter, 2010 financial statements)

(c) Key Performance Indicators

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

Key Performance Indicators	**Year 2009**	**Year 2008**	**Year2007**
Return on Investment (ROI) (Net Income / Ave. Stockholders' Equity)	-2.973%	-23.03%	-32.44%
Net Profit Margin (Net Income / Net Revenue)	-138.17%	-808.29%	-1,181.35%
Investment in Projects (Non-Petroleum) (As a % of Total Assets)	38.35%	38.67%	22.64%
Investment in Wells and Other Facilities (As a % of Total Assets)	7.63%	6.68%	13.18%
Current Ratio (Current Assets / Current Liabilities)	24.56:1	11.32:1	38.13:1
Asset Turnover (Net Revenue / Average Total Assets)	2.034%	2.67%	2.57%

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 (-2.973%) and Profit Margin (-138.17%) show both negative rates due to operating losses during the year 2009, primarily due to the general and administrative expenses and other costs and expenses which exceed revenues for the year.

Investment in Non-Petroleum Projects as a % of Total Assets of 38.35% in 2009 slightly decreased by 0.32% compared to 38.67% in 2008 due to minor adjustments recorded in 2009.

Investment in Wells and Other Facilities as a % of Total Assets increased from 6.68% in 2008 to 7.63% in 2008 due to additional costs booked in 2009.

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

Current ratio increased to 24.56:1 in 2009 from 11.32:1 in 2008 due to the decline in both current assets and current liabilities in 2009 compared to 2008.

Asset Turnover in 2009 slightly decreased to 2.034% compared to 2.67% in 2008 due to the decrease in both revenue and average total asset base in 2009 compared to 2008.

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 2009.

(d) Comparative Analysis

First Quarter of 2010 (Interim Unaudited) vs. Fiscal Year 2009 Results of Operations

---

(To be accomplished upon finalization of 1st Quarter, 2010 financial statements)

First Quarter, 2010 (Interim Unaudited) vs. First Quarter, 2009 Results of Operations

---

(To be accomplished upon finalization of 1st Quarter, 2010 financial statements)

2009 vs. 2008 Results of Operations

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

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

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

2008 vs. 2007 Results of Operations

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

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

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

2007 vs. 2006 Results of Operations

For the year ended December 31, 2007, the Company reported a Net Loss on a consolidated basis of PhP 147.680 Million. Total Revenues amounted to PhP 12.501 Million while Cost and Expenses amounted to PhP 204.556 Million. Net Loss for the year was mainly due to the impairment provision on the Company's investment in Forum Energy Plc (FEP) shares amounting to PhP 133 Million. The fair value adjustment in 2006 was directly recorded as adjustment on available for sale investments in the balance sheet.

Revenues were mostly in interests on placements amounting to Php 8.409 Million up by PhP 1.5 Million from last year's figure of of Php 6.922 Million. Additional cash from private placements generated additional interest income for the year.

General and administrative expenses increased by PhP 41.268 Million compared to 2006 mainly due to accruals for retirement benefits amounting to Php 13.766 Million and the increase in manpower costs in line with prospective projects in alternative and renewable energy, oil and gas exploration, and mining.

(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 2009 audited financial statements of the Company.

There are, however, changes in accounting policies and disclosures based on the adoption of new Philippine interpretations based on the International Financial Reporting Committee Interpretations, which have been effective January 1, 2009, namely:

i) PAS 1-Presentation of Financial Statements
The Corporation elected to present a single Statement of Comprehensive Income.
ii) Amendment to PFRS 7-Financial Instruments: Disclosures
The fair value hierarchy and liquidity position were included in the Audited Financial Statements
iii) PAS 41-Agriculture
Removed reference to the use of pre-tax discount rate to determine fair value.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2009.

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 2008 and 2009, and the 1st quarter of 2010, are as follows:

	HIGH			LOW		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
1st Quarter	Php0.32	Php0.13	Php0.1750	Php0.22	Php0.11	Php0.10
2nd Quarter	0.27	0.17		0.21	0.11	
3rd Quarter	0.25	0.19		0.16	0.13	
4th Quarter	0.18	0.19		0.10	0.14	

Further, the last trading price of shares of the Corporation, as of March 15, 2010 is Php0.1550 per share.

No cash or stock dividends have been declared in 2009.

(2) Holders

Top 20 Stockholders as of February 28, 2010:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Fil.)	1,812,286,540	75.18%
Shirley Tan	60,000,000	2.49%
SR Capital Holdings, Inc	50,000,000	2.07%
Christodel Phils., Inc.	25,736,744	1.07%
PCD Nominee Corporation (For.)	24,829,651	1.03.%
Isidoro O. Tan	24,822,276	1.03%
Phases Realtors, Inc.	20,989,439	0.87%
Northwest Traders Corporation	20,745,757	0.86%
Jose C. De Venecia, Jr.	10,013,225	0.42%
Samuel Uy	10,000,000	0.41%
Jose Ma. L. De Venecia	9,075,833	0.38%
Northwest Investors, Inc.	8,708,890	0.36%
Mark Anthony L. De Venecia	8,363,333	0.35%
Oscar C. De Venecia	8,110,000	0.34%
Ernesto Chiaco Chua	8,000,000	0.33%
JLV Holdings, Inc.	7,200,000	0.30%
Jose Chan Man Chuan	5,512,409	0.23%
MDV Holdings, Inc.	5,070,000	0.21%
Kho Giok En	4,550,000	0.19%
Horacio Rodriquez	4,408,523	0.18%

CORPORATE GOVERNANCE

Corporate Governance Manual

In December 17, 2009, the Board adopted its Revised Corporate Governance Manual which it 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. 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 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:

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

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 ensure close coordination between the Board of Directors and the officers in charge of legal and regulatory compliance.

INTERNAL CONTROL

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

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

ANTI-MONEY LAUNDERING MANUAL

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

Executed this ____ day of March, 2010 at Makati City.

OSCAR C. DE VENECIA
Chairman & CEO

OSCAR L. DE VENECIA, JR.
President & COO