

**MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS**

OF

PNOC ENERGY DEVELOPMENT CORPORATION

Held at Building 5, Energy Center, Merritt Road
Fort Bonifacio, Taguig City
on June 14, 2007 at 2:00 p.m.

CALL TO ORDER

The Chairman, Mr. Antonio M. Cailao called the meeting to order and presided over the same. The Corporate Secretary, Atty. Roberto V. San Jose, recorded the proceedings.

PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Corporate Secretary reported that notice of the meeting has been sent to all the stockholders as provided in the By-Laws.

The Corporate Secretary announced that there were present, in person and by proxy, stockholders owning or representing at least 12,242,983,645 common shares or 81.62% of the outstanding capital stock. (The list of attendees and proxies is available at the office of the Corporation). He therefore certified that there was a quorum for the transaction of business.

APPROVAL OF PREVIOUS MINUTES

The next item for business was the approval of the minutes of the previous meetings of the stockholders held on June 13, 2006 and September 19, 2006, copies of which had been earlier distributed to the stockholders.

Upon motion duly made and seconded, the reading of the minutes of the previous annual stockholders' meetings was dispensed with and the same were approved by stockholders representing 11,954,013,809 common shares or 97.64% of stockholders present and represented at the meeting. The Corporate Secretary noted that stockholders representing 288,969,836 common shares abstained on the motion.

ANNUAL REPORT

The next matter on the agenda was the Annual Report of Management to the stockholders. The President and Chief Executive Officer, Mr. Paul A. Aquino, presented the management report, copies of which had been previously distributed to the stockholders together with the audited financial statements as of fiscal year ended December 31, 2006. After the report, questions were entertained from the floor.

After the discussion, on motion made and duly seconded, the Annual Report of Management as presented by the President, as well as the Company's financial statements as of December 31, 2006, were duly noted by stockholders representing 10,766,474,991 common shares or 87.94% of stockholders present and represented at the meeting. The Corporate Secretary noted that stockholders representing 35,316,000 common shares registered their objections while 1,441,192,654 common shares abstained on the motion.

RATIFICATION OF CORPORATE ACTS

The Chairman stated that he would entertain a motion for the ratification of the acts of the Board of Directors, officers and management of the Corporation from the last annual stockholders' meeting to date.

Whereupon, on motion made and duly seconded, the stockholders representing 11,953,984,809 common shares or 97.64% of the stockholders present and represented at the meeting, approved the following resolutions:

Resolution No. 1, Series of 2007

RESOLVED, that all acts, contracts, resolutions and actions, authorized and entered into by the Board of Directors and Management of the Company from the date of the last annual stockholders' meeting up to the present be, as they are hereby, ratified and confirmed.

The Corporate Secretary noted that stockholders representing 7,000 common shares registered their objections while 288,991,836 common shares abstained on the motion.

**INCREASE IN AUTHORIZED CAPITAL STOCK
FROM PHP 1.20 BILLION UP TO PHP 3.0 BILLION**

The next matter on the agenda was the proposal to amend the Company's Articles of Incorporation as follows: (1) to increase the authorized capital stock by way of creation of preferred shares, and (2) to insert a provision on the denial of pre-emptive rights with regard to the issuance of the preferred shares to be created.

Mr. Erudito S. Recio, the Company's Investor Relations Officer, stated that the Board proposes to increase the authorized capital stock from Fifteen Billion Pesos (Php 15,000,000,000) divided into 15,000,000,000 common shares at a par value of One Peso (Php 1.00 per share), to Fifteen Billion Seventy Five Million (Php 15,075,000,000) divided into 15,000,000,000 common shares with a par value of One Peso (Php 1.00) per share and Seven Billion Five Hundred Million (7,500,000,000) preferred shares with a par value of Php 0.01 per share. He informed the stockholders that the Office of the Government Corporate Counsel had issued an opinion on the validity of the creation of the preferred shares and the compliance of its features with the nationality restrictions under the Constitution. He further explained that the increase in authorized capital stock by way of creation of preferred shares will enable the Company to carry out a further privatization exercise by allowing the public, both foreign and domestic

investors, to acquire more shares in the Company, while at the same time ensuring that the Company remains a Philippine National upon completion of the offering in a manner that is least dilutive, fastest to execute and most economical. Upon the completion of the proposed offering of an additional 20% of the shares held by PNOC in your Company, the Company will cease to be a government owned and controlled corporation and will become a private corporation listed on the Philippine Stock Exchange.

Whereupon, on motion made and duly seconded, the following resolutions were proposed for approval:

Resolution No. 2, Series of 2007

RESOLVED, that a provision be incorporated in Article VII of the Articles of Incorporation, in line with the proposed increase of the capital stock, to deny any pre-emptive rights to shareholders to subscribe to any issuance or reissuance of the preferred shares to be created in the said increase of the authorized capital stock from P15,000,000,000.00 to P15,075,000,000.00;

RESOLVED, FURTHER, That the directors and officers of the Corporation, acting singly or jointly, be, as they are hereby empowered, authorized and directed to sign, execute, deliver and file the necessary certifications, documents and papers with the Securities and Exchange Commission and other government agencies, and to perform any and all acts necessary or appropriate to implement the foregoing resolution.

Resolution No. 3, Series of 2007

“RESOLVED, that the Company’s authorized capital stock be increased from Pesos: Fifteen Billion (Php15,000,000,000.00) to Pesos: Fifteen Billion Seventy Five Million (Php15,075,000,000.00) by the creation of a class of preferred shares worth Pesos: Seventy Five Million (Php75,000,000.00) in addition to the existing common shares worth Pesos: Fifteen Billion (Php15,000,000,000.00), and that Article VII of the Company’s Amended Articles of Incorporation be amended, as it is hereby amended, to read as follows:

SEVENTH: That the authorized capital stock of the corporation is Pesos: Fifteen Billion Seventy Five Million

(Php15,075,000,000.00) in lawful money of the Philippines, divided into:

Fifteen Billion (15,000,000,000) common shares (the "Common Shares") with a par value of One Peso (Php1.00) per share, or an aggregate par value of Pesos: Fifteen Billion (Php15,000,000,000.00);

Seven Billion Five Hundred Million (7,500,000,000) preferred shares (the "Preferred Shares") with a par value of 1/100 Peso (Php0.01) per share, or an aggregate par value of Pesos: Seventy Five Million (Php75,000,000.00);

All Common Shares and Preferred Shares shall have full voting rights.

The Preferred Shares shall have the following features, which shall be printed on the relevant stock certificates issued by the Corporation:

1. Issuance/Transfer of Preferred Shares

Preferred Shares may only be issued or transferred to Filipino citizens, or corporations or associations at least sixty per centum (60%) of whose capital is owned by Filipino citizens.

2. Dividends

Holder of the Preferred Shares shall be entitled to receive out of the unrestricted retained earnings of the Corporation, when and as declared by the Corporation's Board, cumulative dividends at the rate of eight percent (8%) of the par value of the Preferred Shares, before any dividends shall be set apart and paid to holders of the Common Shares. Holders of the Preferred Shares shall not be entitled to participate with holders of the Common Shares in any further dividends payable by the Corporation.

3. Redemption

The Corporation may redeem the Preferred Shares at par value (i) when the foreign equity limits imposed by the Philippine Constitution on entities engaged in the exploration, development, utilization and operation of geothermal energy projects in the Philippines shall have been removed; and (ii) the Corporation is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty per centum (60%) of whose capital is owned by Filipino citizens that would otherwise require the Corporation to maintain the ownership of the Preferred Shares by such Filipino citizens.

4. Preference in Liquidation

In the event of any dissolution or liquidation or winding up, whether voluntary or involuntary, of the Corporation, except in connection with a merger or consolidation, holders of the Preferred Shares shall be entitled to be paid in full, or pro rata insofar as the assets and properties of the Corporation will permit, the par value of each Preferred Share before any distribution shall be made to holders of the Common Shares, and shall not be entitled to any other distribution. Thereafter, the holders of Common Shares shall be entitled to be paid in full, or pro rata insofar as any remaining assets and properties of the Corporation will permit, the par value of each Common Share.

After the distributions pursuant to the above paragraph shall have been made, the remaining assets and properties of the Corporation shall be distributed pro rata to the holders of Common Shares.

5. Non-Convertible

The Preferred Shares shall not be convertible to any shares of stock of the Corporation of any class now or hereafter authorized.

6. No Pre-emptive Right

The Preferred Shares shall have no pre-emptive right to purchase or subscribe for any shares of stock of the Corporation of any class now or hereafter authorized, or reissued from treasury.

7. Transfer Restrictions

After its issuance by original subscription, the Preferred Shares shall not be transferred, conveyed or assigned except as follows:

a. Any holder of the Preferred Shares may sell his Preferred Shares back to the Corporation, which shall have the authority to redeem the Preferred Shares at par value within sixty (60) days following written notice from the selling holder of the Preferred Shares.

b. In the event of a sale by the Philippine National Oil Company of all or substantially all of its Common Shares in the Corporation, the Corporation may redeem the Preferred Shares at par value within sixty (60) days following written notice to the holders of the Preferred Shares.

c. In case an individual holder of the Preferred Shares passes away, the Corporation shall have the first option to redeem the Preferred Shares at par value within sixty (60) days following written notice of the individual holder's death being given to the Corporation by his executor/administrator or heirs; failing which, the Preferred Shares of the deceased holder may be conveyed through hereditary succession to his compulsory heirs who must also be Philippine citizens.

In all cases of redemption under the above three paragraphs, the Corporation will only exercise its authority or option to redeem the Preferred Shares on the condition that the Corporation first pays in full all cumulative dividends then outstanding on the Preferred Shares, and on the further condition that the Corporation shall not, as a result of the redemption, reduce the ownership of Filipino citizens in the Corporation to less than the percentage of capital stock required by law. For this purpose, the Corporation shall have the authority to designate qualified Philippine holders to purchase directly from the transferors the Preferred Shares subject to the Corporation's redemption right. Once redeemed by the Corporation, the Preferred Shares shall become treasury shares which may be reissued or resold by the Corporation on the same terms as their original issuance.

RESOLVED, FURTHER, That the directors and officers of the Corporation, acting singly or jointly, be, as they are hereby empowered, authorized and directed to sign, execute, deliver and file the necessary certifications, documents and papers with the Securities and Exchange Commission and other government agencies, and to perform any and all acts necessary or appropriate to implement the foregoing resolution.

The Chairman inquired from the stockholders present whether there were any objections from the floor. There being none, the Chairman announced that the foregoing resolutions were approved.

The Corporate Secretary noted that stockholders representing 10,783,069,491 shares or 71.89% of the outstanding capital stock voted in favor of increase in authorized capital stock to Php 15.075 Billion by way of creation of the Php 75 Million worth of Preferred Shares, of which 1,783,069,500 common shares are held by minority stockholders; that proxies representing 375,023,318 common shares or approximately 2.50% of the outstanding capital stock

registered their objections to the proposed increase in authorized capital stock; and that proxies representing 1,084,890,836 common shares or approximately 7.23% of the outstanding capital stock registered its abstention.

The Corporate Secretary further noted that stockholders representing 10,783,053,491 shares or 71.89% of the outstanding capital stock voted in favor of the amendment of the articles of incorporation to include a provision on the denial of preemptive rights with regard to the issuance of preferred shares, of which 1,783,053,500 common shares are held by minority stockholders; that proxies representing 375,037,318 common shares or approximately 2.50% of the outstanding capital stock registered their objections to the proposed amendment; and that proxies representing 1,084,892,836 common shares or approximately 7.23% of the outstanding capital stock registered its abstention.

APPROVAL OF DIRECTORS' COMPENSATION

The next item was the proposal to approve a compensation package for directors. Under the By-laws, the compensation of directors shall be approved by the stockholders. The Chairman then requested the President to explain the proposal.

The President stated that since the Company became a public company through an Initial Public Offering last year, it will be electing independent directors. As discussed with the major investors, in order to properly compensate the directors, including the independent directors for serving on the Board, the Company undertook to adopt a compensation package for its directors based on the practice in comparable companies. The Compensation Committee made an extensive study on this matter. In addition, the Company hired a third-party expert, Watson and Wyatt Worldwide, as a consultant. As a result of these studies, the following compensation package for the directors was proposed:

<i>Item</i>	<i>Amount</i>

Director's Fee	Php 50,000 / month
Attendance Fee	Board meetings - Php 10,000 / director Committee and other meetings: Comm. Chairman and members - Php 6,000 / mtg
Bonus (to Directors as a group)	Equivalent of ½ of 1% of declared cash dividend
Insurance	Insurance coverage equivalent to those enjoyed by vice presidents.

The floor was then opened for any questions on the matter.

Whereupon, on motion made and duly seconded, the stockholders representing 11,836,946,491 common shares or 96.68% of the stockholders present and represented at the meeting, approved the following resolutions:

Resolution No. 4, Series of 2007

RESOLVED, that proposed compensation package for the Board of Directors, as presented at the stockholders' meeting, be approved, as it is hereby approved.

The Corporate Secretary noted that stockholders representing 116,854,318 common shares registered their objections while 289,182,836 common shares abstained on the motion.

ELECTION OF DIRECTORS

The next matter on the agenda was the election of the members of the Board of Directors of the Corporation. The Chairman announced that the table was open for nominations and the following were nominated:

For Regular Directors

1. ANTONIO M. CAILAO
2. PAUL A. AQUINO
3. BENITO JOSE Q. BENGZON
4. ASUNCION J. ESPINA
5. DANILO LUIS M. MARIANO
6. NICASIO P. RODRIGUEZ
7. RALPH A. SALAZAR
8. BENJAMIN F. TUGONON

and for Independent Directors

9. EDGARDO A. BAUTISTA
10. ERIC O. RECTO
11. VICENTE S. PEREZ, JR.

Thereafter, it was moved, seconded and unanimously resolved to close the nominations. There being only eleven (11) nominees to the position of eleven (11) directors, the Chairman declared them to be the duly elected directors of the Corporation for the current term and until their successors shall have been elected and qualified as provided in the By-Laws.

OTHER MATTERS

In view of the impending privatization of the Company, through its authorized representative, Mr. Jesse O. Ang, representing moved to International Finance Corporation authorize Management to engage the services of an independent auditor out of a short list of the top five auditing firm in the Philippines.

Whereupon, on motion made and duly seconded, the stockholders representing 11,600,983,818 common shares or 94.76% of the stockholders present and represented at the meeting approved the following resolutions:

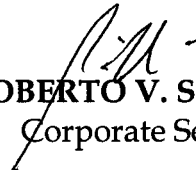
Resolution No. 6, Series of 2007

RESOLVED, that upon the Company's privatization, the Board of Directors be authorized, as it is hereby authorized, to appoint an external auditor from a short list of the top five audit firms in the Philippines.

The Corporate Secretary noted that proxies representing 38,098,000 common shares or approximately 0.31% of the stockholders present and represented at the meeting registered their abstention on any matter taken up under "Other Matters".

ADJOURNMENT

There being no further business to transact on motion duly made and seconded, the meeting was adjourned.


ROBERTO V. SAN JOSE
Corporate Secretary

ATTESTED:


ANTONIO M. CAILAO
Chairman of the Stockholders' Meeting


PAUL A. AQUINO
President and Chief Executive Officer