



SAN MIGUEL CORPORATION

February 10, 2011

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We refer to your letter dated February 10, 2011 with respect to the news article entitled "Conglomerate investing \$1B to upgrade Limay power plant", posted in BusinessWorld Online on February 9, 2011. The article reported in part that:

"SAN MIGUEL Corp. plans to expand its Limay combined-cycle power facility to 1,200 megawatts (MW) from the current 620 MW in preparation for its conversion into a natural gas-fed plant. San Miguel President and Chief Operating Officer Ramon S. Ang told reporters the expansion was needed for the diesel plant to use liquefied natural gas (LNG). "The conversion will push through. If you convert Limay to LNG, for it to be viable, you need to make it 1,200 MW. That's the minimum size so the LNG conversion will be viable," said Mr. Ang. The conversion and expansion will cost about \$1 billion, including \$600 million for an LNG tank farm in Limay.

. . . .

Mr. Ang said San Miguel's due diligence on Indophil will continue even if an exclusivity period expires today without the company making a firm offer for a takeover."

1. We confirm that the Company contemplates to expand the generating capacity of its combined-cycle power facility in Limay (the "Limay Facility"), from 620 megawatts to 1,200 megawatts, through the conversion of the Limay Facility into a natural gas-fed plant which shall use liquefied natural gas ("LNG"). The estimated cost for such upgrade and conversion may amount to \$1 billion, inclusive of \$600 million for the construction of the LNG tank farm.

2. We confirm that the Company shall continue its on-going due diligence on Indophil Resources NL ("Indophil") notwithstanding the lapse of the exclusivity period under the Share Placement Agreement, dated October 8, 2010, as amended, which expires today, February 10, 2011, to enable the Company to determine whether a firm offer shall be made with respect to the outstanding shares of Indophil.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer