COVER SHEET

4 0 0 5 8

SEC Registration Number

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

34th Floor, Robinson's Equitable Tower, ADB AvenUe, Ortigas Center, Pasig City

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

Ma. Riana C. Infante

(Contact Person)

633-7631

(Company Telephone Number)

1 2	3 1	SEC FORM-17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

1st Quarter Ending March 31, 2014

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 2014**

2. Commission identification number **40058**

3. BIR Tax Identification No. **000-483-747-000**

4. **ORIENTAL PETROLEUM AND MINERALS CORPORATION**
   Exact name of issuer as specified in its charter

5. **Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **34th Floor, c/o JG Summit, Robinsons Equitable Tower, ADB Avenue, Ortigas Center**
   Pasig City **1600**
   Address of issuer's principal office Postal Code

8. **(632) 637-1670 locals 279 and 281**
   Issuer's telephone number, including area code

9. N/A

   Former name, former address and formal fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
Common Stock, P0.01 par value	**200 Billion**

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

    Yes [**x**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Class A and B**

12. Indicate by check mark whether the registrant:

(a) Has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**x**]   No [   ]

(b) Has been subject to such filing requirements for the past ninety (90) days

Yes [**x**]   No [   ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements – all tentative and unaudited filed as part of Form 17-Q

a) Consolidated Balance Sheets
b) Consolidated Statements of Income
c) Consolidated Statement of Comprehensive Income
d) Consolidated Statements of Changes in Stockholders' Equity
e) Consolidated Statements of Cash Flows

The above financial statements are prepared in conformity with accounting principles generally accepted in the Philippines and in compliance with the new SFAS and PFRS, which became effective in 2002 and 2005.

PFRS 9, *Financial Instruments: Classification and Measurements*
PFRS 9 as issued reflects the first phase of the work on replacing PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 1st Quarter of 2014 as compared with the most recent annual audited financial statements ending December 31, 2013.

The Company' management discloses the following:

- Interim operations are not cyclical and or seasonal;
- There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, amount, size, or incidents;
- There are no changes in the amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

- There has been no issuances, repurchases, and repayments of debt and equity securities;
- There has been no issuances nor payment of dividends for all shares;
- The company maintains no business or geographical segment;
- There are no material events subsequent to the end of the interim period (January – March 2014) that have not been reflected in the interim reports;
- There has been no changes in the composition of the Company such as business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations;
- There are no contingent liabilities or contingent assets since the last annual balance sheet date ending December 31, 2013.
- There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS – (*in thousand dollars) (except exchange rates and number of employees)*

As of and for the period ended March 31 (Unaudited)	**2014**	2013	Change
Income Statement data			
Revenues from petroleum operations	4,644.27	3,833.19	21.16%
Depletion, depreciation & amortization	2,587.34	724.31	257.22%
Petroleum production costs	1,738.20	1,718.34	1.16%
Interest Income	148.78	178.40	(16.61%)
Balance Sheet data			
Cash and cash equivalents	39,731.92	37,725.40	5.32%
Available-for-sale equity securities	8,988.01	10,269.27	(12.48%)
Accounts receivable	4,518.07	8,672.40	(47.90%)
Accounts payable & accrued expenses	596.21	620.35	(3.89%)
Other data			
Average peso dollar exchange rate	44.94	43.046	4.39%
Number of employees	12	12	-

The company's subsidiaries consolidated herewith are Oriental Mahogany Woodworks, Inc. , Oriental Land Corporation and Linapacan Oil Gas and Power Corporation . Brief descriptions of the subsidiaries are as follows:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

OMWI (a wholly-owned subsidiary of Oriental Petroleum and Mineral Corporation - OPMC) was incorporated and started commercial operations on May 2, 1988 with principal objective of supplying overseas manufacturers, importers and designers with high quality furniture.

On March 31, 1994, the Board of Directors approved the cessation of OMWI's manufacturing operations effective May 1, 1994 due to continued operating losses. The management has no definite future plans for OMWI's operations.

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

LOGPOCOR (a wholly-owned subsidiary of OPMC) was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transporting, marketing, utilization, conservation, stockpiling of any forms of energy products and resources. OPMC acquired LOGPOCOR through transfer of 12.6 working interest in Blocks A, B, and C of SC14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the 12.6 working interest, however, LOCPOCOR continues to share in the related capitalizable expenses. On the other hand, the depletion of such costs is charged to OPMC and accordingly deducted from the unamortized cost.

c) ORIENTAL LAND CORPORATION (OLC)

OLC was incorporated on February 24, 1989 as realty arm of OPMC. It has remained dormant since incorporation.

Results of Operations

<u>March 31, 2014 vs. March 31, 2013</u>

The company recorded petroleum revenues of US$4.64 million for the first quarter of 2014. This amount is 21% higher than last year's petroleum revenues mainly due to increased production from Galoc Oilfield due to the Phase-II project.

Petroleum production costs increased slightly from US$1.72 million to US$1.74 million. These costs include among others, charges for FPSO, field operations, selling and marketing costs, management and technical costs.

Depletion, depreciation and amortization at the end of the period amounted to US$2.58 million, 257% higher than last year. The increase pertains mainly to increased depletable costs and increase in production in Galoc oilfield.

Other income (expenses) –net decreased of US$107,968 or 24% which is due to the decrease in interest rates from placements.

Financial Position

March 31, 2014

The company posted consolidated assets of US$79.94 million at the end of the reporting period. This amount is around 4% higher than last year's US$77.05 million mainly due to the increase in property, plant and equipment account as a result of the company's share in Galoc Phase-II project.

Accounts Receivable as of March 31, 2014 totaled US$4.52 million, a decrease of around 48% from the same period last year mainly due to lower crude oil deliveries.

At the end of the first quarter, Available-for-sale investments amounted to US$8.99 million as against US$10.27 million in the same period of 2013. The decrease of around US$1.28 million was mainly due to the redemption of some shares that the company held.

Consolidated Property and Equipment at the end of 1st quarter of 2014 amounted to US$26.10 million. The increase of about US$7.37 million from the same period last year was due to the company's share in the Galoc Phase-II project.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st quarter of 2014 amounted to US$0.60 million.

March 31, 2013

As of March 31, 2013, the company has consolidated assets of US$77.05 million, 19% higher than same period last year of US$64.74 million. The increase can be attributed mainly to the increase in the Accounts Receivable, Crude Oil Inventory and Available-for-sale investments accounts.

Accounts Receivable as of March 31, 2013 totaled US$8.67 million, 327% higher than same period last year mainly due to the company's share in crude oil produced and delivered from Galoc oilfiled. In the first quarter of 2012, production in Galoc oilfield was shut-in due to the upgrading of the FPSO.

The Company recorded Available-for-sale investments of US$10.27 million as against US$7.20 million in the same period of 2012. The increase of around US$3.07 million was mainly due to the increase in share prices of the stocks held by the company.

Consolidated Property and Equipment at the end of 1st quarter of 2013 amounted to US$18.73 million. The decrease of about US$0.75 million from the same period last year was due to depletion and depreciation.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st quarter of 2013 amounted to US$0.62 million.

March 31, 2012

As of March 31, 2012, the company has consolidated assets amounting to US$64.74 million, 12.84% higher than last year's US$57.37 million. This increase can be attributed mainly to the increase in the Cash and Cash equivalents account.

Accounts Receivable as of March 31, 2012 totaled US$2.03 million, 46.49% lower than last year's US$3.79 million. The decrease pertains mainly to lower crude oil deliveries since there was no production from Galoc oilfield for the first half of 2012.

As at the end of March 31, 2012, the Company recorded Available-for-sale equity Securities of US$7.20 million as against US$5.36 million in the same period of 2011. The increase is mainly due to additional investments made by the company.

Consolidated Property and Equipment at the end of 1st quarter of 2012 amounted to US$19.48 million. The decrease of about US$7.25 million or 27.12% from the same period last year was due to depletion and depreciation.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st quarter of 2012 amounted to US$0.58 million.

March 31, 2014 versus December 31, 2013

Consolidated Cash and Cash Equivalents consist of cash in bank and money market placements. As of March 31, 2014, this account totaled US$39.73 million; 13% higher than December 31, 2013 balance. The increase in this account pertains mainly to the company's share in the cash distribution from the Galoc operations.

Accounts Receivable – net mainly represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company, for the SC 14A&B and SC 14C Consortiums, respectively. As of March 31, 2014, Accounts Receivable reached US$4.52 million, slightly higher than the balance at the beginning of the year.

Crude oil inventory of US$2.83 million at the end of December 31, 2013 was delivered during the first quarter, thus the decrease in this account at the end of the reporting period.

Available-for-sale investments amounted to US$8.99 million, slightly lower than US$9.04 million at the beginning of the year. This was mainly due to foreign exchange rate.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st quarter of 2014 amounted to US$0.60 million.

The causes for material changes (5% or more) of March 31, 2014 figures as compared to December 31, 2013 figures of the following accounts are:

Accounts	March 31, 2014	December 31, 2013	Change	%	Remarks
Balance Sheet					
Cash	39,731,918	35,037,700	4,694,218	13%	Increase refers to the company's share in the cash distribution from Galoc operations.
Accounts Receivable – net	4,518,073	4,328,859	189,214	4%	Please refer to the discussion above.
Crude oil inventory	-	2,831,426	(2,831,426)	(100%)	Inventory at the end of December was delivered during the 1st quarter thus the decrease in this account.
Property, plant and equipment	26,102,810	27,704,901	(1,602,091)	(6%)	Decrease pertains to depletion and depreciation recognized for the period.

The causes for material changes (5% or more) of March 31, 2014 figures as compared to March 31, 2013 figures of the following accounts are:

Accounts	March 31, 2014	March 31, 2013	Change	%	Remarks
Balance Sheet					
Cash	39,731,918	37,725,399	2,006,518	5%	Increase pertains to the company's share in the cash distribution from Galoc operations.
Accounts Receivable – net	4,518,073	8,672,404	(4,154,332)	(48%)	Please refer to the discussion under Financial Position 2013.
Crude oil inventory	-	1,082,935	(1,082,935)	(100%)	This refers to the company's share in the crude oil inventory at the end of the reporting period.
Available for-sale equity	8,988,009	10,269,267	(1,281,258)	(12%)	Increase pertains mainly to the increase in share prices of the stocks held by the company.
Property, plant and equipment	26,102,810	18,731,108	7,371,703	39%	Increase is due to the company's share in Galoc Phase-II project.

Income Statement					
Revenues from Petroleum Operations	4,644,273	3,833,192	811,081	21%	Increase refers to the company's share in the Galoc operations.
Petroleum Production Costs	1,738,196	1,718,341	19,855	1.12%	Please refer to the discussion above (Result of Operations, p.4).
Depletion, depreciation and amortization	2,587,342	724,306	1,863,036	257%	Increase can be attributed to depletion recognized for Galoc operations.
Other Income (expenses) – net	344,975	452,943	(107,968)	(24%)	Decrease pertains mainly to the decrease in interest rates of money market placements.

I. Key Performance Indicators

	March 31, 2014	March 31, 2013
Current Ratio	**74.24**	76.55
Net Working Capital Ratio	**0.55**	0.61
Return on Assets	**0.019**	0.018
Return on Equity	**0.065**	0.026
% of Debt-to-Equity	**0.04**	0.04

Figures are based on Unaudited Financial Statements

Current ratios are computed by dividing current assets over current liabilities. Net working capital ratios are derived at by getting the difference of current assets and current liabilities divided by total assets. Return on assets percentage pertains to operating income (loss) over average total assets while return on equity percentage is computed by dividing net income (loss) over average stockholder's equity. Percentage of debt to equity resulted from dividing total borrowings (short-term & long-term borrowings) over stockholder's equity.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from a related party, AFS investments, due to Operator, accounts payable and accrued expenses, dividends payable and subscriptions payable. Exposure to liquidity, credit, market, foreign currency and interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

<u>Fair Values</u>
Due to the short-term nature of the transactions, the carrying values of loans and receivables and other financial liabilities approximate the fair value.

The fair value of the AFS investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date. Original costs have been used to determine the fair value of unlisted AFS investments for lack of suitable methods of arriving at reliable fair values.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The main risks arising from the Group financial instruments are liquidity, credit, market, foreign currency and interest rate risk.

The Group's risk management policies are summarized below:

a) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and service maturing debts.

The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with its dealers. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of cash and AFS investments expose the Group to credit risk of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets, if the counterparty is unwilling or unable to fulfill its obligation. Credit risk management involves entering into transactions with counterparties that have acceptable credit standing.

The Group classifies credit risk as follows:

Low risk - credit can proceed with favorable credit terms; can offer term of up to thirty (30) days.

Average risk - credit can proceed normally; can offer term of up to forty five (45) days.

High risk - transaction should be under an advance payment or subject to review for possible upgrade to either low or average risk.

c) *Market risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument.

The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of securities and equities. The Board of Directors (BOD) approves significant investments which should provide a relatively stable rate of return. AFS investments exposed to market risk amounted to $8.99 million and $10.27 million as of March 31, 2014 and 2013, respectively.

d) *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign currency exchange risk arises from purchases in currencies other than the Group's functional currency. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits in the type of business in which the Group is engaged.

The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of the Group's investments and other transactions in Philippine Peso, the consolidated statement of income can be affected significantly by movements in the USD.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate exposure management policy centers on reducing its exposure to changes in interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the cash in bank with fixed interest rates.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers as capital the equity attributable to the equity holders, which amounted to $77.18 million and $74.10 million as of March 31, 2014 and 2013, respectively. No changes were made in the objectives, policies or processes during the periods ended March 31, 2014 and 2013.

As of March 31, 2014, OPMC's Capital stock consists of the following:

1. Common Stock – Class "A" with par value of ₱0.01 per share, 120 billion shares issued and outstanding out of the 120 billion authorized shares
2. Common Stock – Class "B" with par value of ₱0.01 per share, 80 billion shares issued and outstanding out of the 80 billion authorized shares

All OPMC shares of stock enjoy the same rights and privileges, except that Class "A" shares shall be issued solely to Filipino citizens, whereas Class "B" shares can be issued either to Filipino citizens or foreign nationals.

The Company's management discloses the following information:

- There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- There are no material commitments for capital expenditures.
- There are no known trends or uncertainties, that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- There are no significant elements of income or loss that did not arise from continuing operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Other matters:

The owners of more than 5% of the Company's securities as of April 30, 2014 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	79,274,618,023	39.64%
Common	Consolidated Robina Capital Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	21,632,283,088	10.82%
Common	Prudential Guarantee & Assurance, Inc.	13,456,898,349	6.73%

As of April 30, 2014, OPMC has approximately 11,989 stockholders both for Class "A" and "B" shares.

Board of Directors and Executive Officers

The Company's Board of Directors and executive officers as of March 31, 2014 are as follows:

Board of Directors	
Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	John Gokongwei, Jr.
Director	Lance Y. Gokongwei
Director	Antonio Go
Director	Benedicto Coyiuto
Director	Amparo V. Barcelon
Director	Gabriel Singson
Director	Perry L. Pe
Director	James Coyiuto
Director	Ricardo Balbido
Executive Officers	
Chief Executive Officer	James L. Go*
President and Chief Operating Officer	Robert Coyiuto, Jr.*
SVP - Operations and Administration	Apollo P. Madrid
SVP – Legal and Corporate Secretary	Ethelwoldo E. Fernandez
Assistant Corporate Secretary	Perry L. Pe*
Chief Financial Officer/Treasurer	Jeanette U. Yu

**Member of the Board of Directors*

PART II – OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ORIENTAL PETROLEUM AND MINERALS CORPORATION

ROBERT COYIUTO, JR.
President & COO

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Three Months Ended March 31 (UNAUDITED)		Year ended December 31
	2014	2013	2013 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	$ 39,731,918	$ 37,725,399	35,037,700
Accounts receivable	4,518,073	8,672,404	4,328,859
Crude oil inventory	-	1,082,935	2,831,426
Other current assets	10,393	10,116	10,272
Total current assets	44,260,384	47,490,854	42,208,257
Noncurrent Assets			
Available-for-sale investments	8,988,009	10,269,267	9,041,633
Property and equipment - net	26,102,810	18,731,108	27,704,901
Deferred exploration costs	590,229	562,201	590,229
Other assets	1,126	1,217	1,124
Total Noncurrent assets	35,682,174	29,563,792	37,337,887
	$ 79,942,558	$ 77,054,647	$ 79,546,144
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	$ 596,207	$ 620,352	639,218
Income taxes payable	12,987	26,861	12,987
Pension liability	56,386	302,083	56,386
Deferred tax liability	2,100,142	2,009,352	2,100,142
Total Liabilities	2,765,722	2,958,647	2,808,733
Stockholders' Equity			
Paid-up capital	85,545,203	85,545,203	85,545,203
Other comprehensive income (loss)	731,548	1,590,368	785,172
Remeasurement gains (losses)	165,139	-	165,139
Deficit	(9,265,055)	(13,039,571)	(9,758,103)
Total Equity	77,176,835	74,096,000	76,737,411
	$ 79,942,558	$ 77,054,647	$ 79,546,144

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	March 31, 2014	March 31, 2013
INCOME		
Revenues from petroleum operations	**$ 4,644,273**	$ 3,833,192
COSTS AND EXPENSES		
Depletion, depreciation and amortization	**2,587,342**	724,306
Petroleum production costs	**1,738,196**	1,718,341
General and administrative	**122,895**	78,328
Research and development cost	**47,768**	-
Foreign Exchange (Gain) / Loss	**-**	-
	4,496,200	2,520,975
OPERATING INCOME (LOSS)	**148,073**	1,312,218
OTHER INCOME (EXPENSES) - Net	**344,975**	452,943
INCOME (LOSS) BEFORE INCOME TAX	**493,047**	1,765,160
PROVISION FOR INCOME TAX	-	-
NET INCOME (LOSS)	**$ 493,047**	$ 1,765,160

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNAUDITED

	Three Months Ended			
		March 31, 2014		March 31, 2013
NET INCOME (LOSS)	**$**	**493,047**	$	1,765,160
OTHER COMPREHENSIVE INCOME (LOSS)				
Reserve for fluctuation in value of available-for-sale investment		**(53,624)**		672,290
Cumulative translation adjustment				-
		(53,624)		672,290
TOTAL COMPREHENSIVE INCOME (LOSS)	**$**	**439,424**	$	2,437,450

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock	Subscription receivables	Capital in excess of par value	Total paid up capital	Deficit	Reserve for fluctuation in value of AFS	Remeasurement Gains (Losses) on Pension Liability	Cumulative translation adjustment	Total other comprehensive income (loss)	Total
At January 1, 2014	**$82,268,978**	**$ (374,252)**	**$ 3,650,477**	**$85,545,203**	**$ (9,758,103)**	**$ 764,299**	**$ 165,139**	**$ 20,873**	**$ 950,311**	**$76,737,411**
Net income for the period	-			-	493,047	-			-	493,047
Other comprehensive income (loss)	-			-		(53,624)		-	(53,624)	(53,624)
Total comprehensive income	-	-	-	-	493,047	(53,624)		-	(53,624)	439,424
At March 31, 2014	**$82,268,978**	**$ (374,252)**	**$ 3,650,477**	**$85,545,203**	**$ (9,265,056)**	**$ 710,675**	**$ 165,139**	**$ 20,873**	**$ 896,687**	**$77,176,835**
At January 1, 2013	$82,268,978	$ (374,252)	$ 3,650,477	$85,545,203	$ (14,804,731)	$ 931,803	$ -	$ (13,725)	$ 918,078	$71,658,550
Net income for the period	-			-	1,765,160	-			-	1,765,160
Other comprehensive income (loss)	-			-		672,290		-	672,290	672,290
Total comprehensive income	-	-	-	-	1,765,160	672,290		-	672,290	2,437,450
At March 31, 2013	$82,268,978	$ (374,252)	$ 3,650,477	$85,545,203	$ (13,039,571)	$ 1,604,093	$ -	$ (13,725)	$ 1,590,368	$74,096,000
At January 1, 2012	$82,268,978	$ (374,252)	$ 3,650,477	$85,545,203	$ (24,462,367)	$ 612,149	$ -	$ (12,239)	$ 599,910	$61,682,746
Net income for the period	-			-	(689,925)	-			-	(689,925)
Other comprehensive income (loss)	-			-		364,927		-	364,927	364,927
Total comprehensive income	-	-	-	-	(689,925)	364,927		-	364,927	(324,998)
At March 31, 2012	$82,268,978	$ (374,252)	$ 3,650,477	$85,545,203	$ (25,152,292)	$ 977,076	$ -	$ (12,239)	$ 964,837	$61,357,748

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITES		
Income (Loss) before income tax	**$ 493,047**	$ 1,765,160
Adjustments for:		
Depletion, depreciation and amortization	**2,587,342**	724,306
Interest income	**(148,776)**	(171,917)
Dividend income	**(196,199)**	(281,026)
Cumulative translation adjustment	**-**	-
Operating income (loss) before working capital changes	**2,735,414**	2,036,522
Decrease (increase) in:		
Accounts receivable	**(216,156)**	(3,746,040)
Crude oil inventory	**2,831,426**	2,932,875
Other current assets	**(121)**	215
Increase (decrease) in accounts payable and accrued expenses	**(43,011)**	9,322
Increase (decrease) in deferred tax liability	**-**	-
Cash generated from (used in) operations	**5,307,552**	1,232,893
Income taxes paid	**(0)**	(0)
Net cash provided (used) by operating activities	**5,307,552**	1,232,893
CASH FLOWS FROM INVESTING ACTIVITES		
Interest received	**175,718**	156,381
Dividends received	**196,199**	281,026
Acquisitions of property and equipment	**(985,251)**	-
Increase in amounts due from affiliates	**-**	-
Net cash provided by (used in) investing activities	**(613,334)**	437,406
CASH FLOWS FROM FINANCING ACTIVITES	**-**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,694,218**	1,670,299
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**35,037,700**	37,087,816
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 39,731,918**	$ 38,758,115

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
Aging of Accounts Receivable
As of March 31, 2014 (in US Dollar)

Type of Accounts Receivable	Total Amount	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	360 days and above
Accounts receivable - trade	$ **4,468,928**	4,468,928					
Dividends receivable	**-**	-					
Interest receivable	**49,145**	49,145					
Grand Total	$ **4,518,073**	4,518,073					

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Oriental Petroleum and Minerals Corporation (the Parent Company) and its subsidiaries (collectively referred to as "the Group") were organized under the laws of the Republic of the Philippines to engage in oil exploration and development activities.

The Parent Company's principal office is located at 34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. The Parent Company was listed in the Philippine Stock Exchange (PSE) on October 14, 1970.

Service Contract (SC) 14

On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972, the Parent Company, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in northwest offshore Palawan, Philippines, which was amended from time to time. This contract area includes the Galoc Field where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, C and D) covered by SC 14 are situated offshore Northwest of Palawan Island and West of Busuanga Island, Philippines. Crude oil production in the West Linapacan Oilfield in Block C of SC 14 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion. However, the Parent Company participates in the production of other fields, including Nido and Matinloc. Total production from these fields is low but is enough to cover operating expenses and the overhead expenses of SC 14.

Production activities continues in Blocks A, B and C of SC 14. Block C has declared commercial operations on June 22, 2009 with effectivity on June 19, 2009 while Block D remains suspended.

In December 2010, the DOE extended the term of SC 14 for another fifteen (15) years.

SC 14 - Galoc

Farm-in Agreement (FA)

On September 23, 2004, Team Oil (TEAM) and Cape Energy (CAPE) entered into a FA with the SC 14C - Galoc joint venture partners for the development of the Galoc Field. The FA was concluded in a Deed of Assignment (DA) dated August 22, 2005 where TEAM and CAPE designated Galoc Production Company (GPC) as the special purpose company to accept the assigned participating interest and to act as the Operator of the Galoc production area.

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 58.291% participating interest in the area. Other significant terms and conditions of the Agreements follow:

1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.

2) That GPC will be assigned its pro-rata share of the $68 million historical cost recovery of the Galoc block equivalent to $33 million to be recovered pursuant to the terms of the Block C agreement below.

3) That GPC will reimburse the joint venture partners (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:

   a) $1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and

   b) $1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

On July 1, 2009, GPC purchased additional interest in the field from Petroenergy Resources Corporation (Petroenergy) and Alcorn Gold Resources Corporation (AGRC).

As of December 31, 2011 and 2010, the Consortium consists of the Parent Company (5.105%), GPC (59.845%), Nido Petroleum (22.880%), Philodrill Corporation (Philodrill) (7.215%), Forum Energy Philippines Corporation (2.276%), and Linapacan Oil Gas and Power Corporation (LOGPOCOR) (2.680%).

Extended Production Test (EPT) Agreement

On August 10, 2006, an EPT agreement was made and entered into by the DOE and GPC and its partners (referred to as "contractors" under the EPT agreement). The purpose of the EPT is to obtain dynamic performance data for the Galoc reservoir and to confirm the presence and continuity of at least two significant channel sandbodies by undertaking an EPT of a well designed to prove each channel.

In consideration of the risk and undertaking assumed by the contractor under the EPT agreement, the contractor shall market crude produced and saved from the EPT and is allowed to retain the gross proceeds for the recovery of 100% of all operating expenses incurred in the EPT. Any amount of gross proceeds in excess of the cost of the EPT shall be subject to 60-40 sharing in favor of the Philippine Government.

The duration of the EPT is a minimum of ninety (90) days of actual crude flow from at least one well excluding delays which arise from breakdowns, repairs or replacements, well conditions or other conditions. The EPT will be terminated upon the earliest of one hundred eighty two (182) days of actual crude production or when sufficient data has been obtained or viability of the Galoc Field has been established by the contractors in conjunction with the DOE.

On termination, the contractors shall either declare commerciality of the field and commit to undertake development, or declare the field to be noncommercial for further development or production and commence abandonment and demobilization of the EPT facilities.

The EPT period ended on June 18, 2009.

Joint Operating Agreement (JOA)

On September 12, 2006, the Consortium entered into a JOA, amending the existing JOA, for the purpose of regulating the joint operations in the Galoc Block. The JOA shall continue for as long as:

1) the provisions in SC 14 in respect of the Galoc Block remain in force;

2) until all properties acquired or held for use in connection with the joint operations has been disposed of and final settlement has been made between the parties in accordance with their respective rights and obligations in the Galoc Block; and

3) without prejudice to the continuing obligations of any provisions of the JOA which are expressed to or by

their natures would be required to apply after such final settlement.

Block C Agreement

In 2006, Block C Agreement was entered into by the consortium members (the Galoc Block Owners) of SC 14C - Galoc to specify gross proceeds allocation as well as the rights and obligations relating to their respective ownership interest in the Galoc Block (the "Galoc Contract Area Rights") and their respective ownership interest in the Remaining Block (except for GPC).

The agreement also clarifies how GPC and Philodrill, which are the designated Operator of the Galoc Block and the Remaining Block, respectively, shall work together to perform their obligations and exercise their rights as Operator.

The Allocation of Contract Area Rights under Section 3 of the Block C Agreement provides that:

1) GPC shall be entitled to the FPIA, Production Allowance, Recovery of Operating Expenses and the Net Proceeds of the SC 14 insofar as it relates to the Galoc Block.

2) The portion of the Galoc Contract Area Rights allocable as FPIA, Production Allowance and Net Proceeds shall be distributed as follows:

    a) GPC shall be allocated an amount equal to its participating interest in the Galoc Block which is currently 58.291%.

    b) Nido Petroleum and Philodrill shall be allocated an amount equal to 17.500% and 4.375%, respectively.

    c) The balance of 19.834% shall be allocated to the Remaining Block (except GPC) in accordance with number 5 below.

3) The portion of the Galoc Contract Area Rights allocable to recovery of operating expenses (the reimbursement amount) shall be distributed as follows:

    a) First, an amount equal to the operating expenses incurred by the Galoc Block Owners in respect of production costs on and from the date of the 2nd Galoc well being brought on stream shall be allocated to each Galoc Block Owner in accordance with each Galoc Block Owner's participating interest.

    b) Second, an amount equal to the operating expenses incurred by GPC and Nido Petroleum in respect of the Galoc Block (excluding the $68 million historical cost assigned to the Galoc Block pursuant to the FA) shall be allocated 77.721% to GPC and the balance of 22.279% to Nido Petroleum.

    c) Third, any reimbursement amount remaining after applying the provisions of 3a and 3b above shall be allocated 58.291% to GPC, 17.500% to Nido Petroleum, 4.375% to Philodrill and 19.834% to the Galoc Block Owners (except GPC but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) until all the Galoc Block Owners have received in aggregate a total of $34 million in accordance with this provision. The 19.834% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.

    d) Fourth, any reimbursement amount remaining after applying the provisions of 3a, 3b and 3c above shall be allocated 38.861% to GPC, 17.500% to Nido Petroleum and the balance of 43.639% to the Galoc Block Owners (except GPC but including Nido Petroleum only in relation to its remaining 4.779% interest in the Galoc Block) until all the Galoc Block Owners have received in aggregate a total of $34 million in accordance with this provision. The 43.639% allocated to the Galoc Block

Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.

4) After the provisions in Clause 3.3 of the Block C Agreement (as detailed in number 3 above) have been satisfied, all the Galoc Block Owners shall share the reimbursement amount in accordance with each Galoc Block Owner's participating interest as follows:

   a) GPC, Nido Petroleum and Philodrill shall receive 58.291%, 17.500% and 4.375%, respectively; and

   b) The balance of 19.834% shall be distributed by GPC to the Galoc Block Owners (except Galoc but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) in accordance with Clause 5 of the Block C Agreement (see number 5 below).

5) All amounts due to the Galoc Block Owners (except GPC) pursuant to Clauses 3.2, 3.3c, 3.3d and 3.4 (see numbers 2, 3c, 3d and 4 above) (the "Outstanding Balance"), shall be distributed by GPC in accordance with written instructions to distribute the Outstanding Balance authorized by all the other Galoc Block Owners.

Effective July 1, 2009, the amount allocated to Petroenergy and AGRC in accordance with the Block C agreement shall be allocated to the remaining partners in accordance with the amount of additional interest they have purchased from Petroenergy and AGRC. The additional interest purchased are as follows: Nido Petroleum (0.60052%), Philodrill (0.19745%), Parent Company (0.13970%) and LOGPOCOR (0.07335%).

The Block C agreement shall terminate when SC 14 terminates.

Lifting Agreement
In 2008, GPC and its partners entered into a lifting agreement which provides for the lifting procedures to be applied by GPC to ensure that:

1) each lifter is able to lift its Lifting Entitlement on a timely basis;
2) each lifter receives its Actual Lifting Proceeds;
3) overlift and underlift position of each party are monitored and settled;
4) each lifter pays its Actual Lifting Deduction Payment to the GPC; and
5) GPC has sufficient funds in the Joint Account to pay the Philippine Government and the Filipino Group Entitlement.

The terms of the Block C Agreement shall prevail in the event of a conflict with the terms of this agreement.

The agreement shall terminate when SC 14 terminates unless terminated earlier by the unanimous written agreement by the parties.

Decommissioning Agreement (DA)
On December 12, 2008, GPC and its partners entered into a DA which provides for the terms upon which the wells, offshore installations, offshore pipelines and the Floating Production Storage and Offloading (FPSO) facility used in connection with the joint operations in respect of the Galoc Development shall be decommissioned and abandoned in accordance with the laws of the Philippines, including all regulations issued pursuant to the Oil Exploration and Development Act of 1972.

In accordance with the DA, each party has a liability to fund a percentage of the decommissioning costs (to be determined at a later date), which shall be equal to the party's percentage interest. The funding of the decommissioning costs shall commence on the date ("Funding Date") GPC issues a written notice to the DOE after completion of the EPT, specifying the date of commencement of commercial operations of the Galoc Block. The decommissioning cost, as funded, shall be kept in escrow with a bank of international standing and repute to be appointed by GPC.

The DA shall terminate when SC 14 terminates.

SC 14 – West Linapacan
A farm-in agreement was signed in July 2008 with Pitkin Petroleum Plc. The agreement requires the farm-in party / farminee to carry out, at its own cost, technical studies, drill a well or wells, and redevelop the West Linapacan-A oilfield. In return, Pitkin Petroleum Plc. will earn 70% interest out of the share in the farming-out parties/farmors. The farming-out parties / Farmors are free up to commercial "first oil" production.

In a later development, Pitkin Petroleum Plc. transferred and assigned a portion of their interest to RMA (HK) Ltd. Technical studies will continue after which a decision will be made to proceed or not to a front end engineering and design (FEED).

Participating Interests
As of March 31, 2014 and March 31, 2013, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	2014	2013
SC 14 (Northwest Palawan)	(in Percentage)	
Block A (Nido)	**42.940**	42.940
Block B (Matinloc)	**17.703**	17.703
Block B-1 (North Matinloc)	**27.772**	27.772
Block C (West Linapacan)	**7.572**	30.287
Block C (Galoc)	**7.785**	7.785
Block D	**20.829**	20.829
SC 6 (Bonita)	**14.063**	14.063

Among the other operations of the Grroup, the suspension of the production activities in the West Linapacan Oilfield raises uncertainties as to the profitability of the petroleum operations for the said oilfield. The profitability of petroleum operations related to the said oilfield is dependent upon discoveries of oil in commercial quantities as a result of the success of redevelopment activities thereof.

On June 30, 2009, the Group acquired additional interest in SC 14-Galoc from Petroenergy and AGRC. Participating interest increased by 0.213%, resulting to increase in wells, platforms and other facilities amounting $0.16 million (Note 10).

2. **Basis of Preparation**

The accompanying unaudited interim consolidated financial statements of the Parent Company and its wholly-owned subsidiaries, LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the "Group", which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the unaudited interim consolidated financial statements, have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value.

The unaudited interim consolidated financial statements are presented in U.S. Dollars, the Parent Company's functional currency. Amounts are adjusted to the nearest dollar unless otherwise indicated.

The unaudited interim consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2013.

Statement of Compliance
The accompanying unaudited interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. The subsidiaries are all incorporated in the Philippines.

The financial statements of LOGPOCOR, OMWI and OLC are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date such control ceases.

3. Summary of Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the application, for the first time, of certain standards and amendments that require restatement of previous consolidated financial statements. These include PAS 19 and amendments to PAS 1, *Presentation of Financial Statements*. The Company also applied, for the first time, PFRS 13, *Fair Value Measurement* which is applied prospectively.

Several other amendments apply for the first time in 2013. Unless otherwise indicated the adoption of these standards and amendments did not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendments are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single - 8 - cntrol model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

The adoption of the standard does not have impact on the Group's consolidated financial position or performance.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The adoption of PFRS 11 affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities.

The adoption of PFRS 12 affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 21.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's consolidated financial position and financial performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of consolidated financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective, restatement or reclassification of items in the financial statements) are not required. During the year the Group adopted Revised PAS 19, *Employee Benefits* which requires retrospective application. Presentation of additional comparative period was made to comply with the requirement of the standard.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's consolidated financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its consolidated financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's consolidated financial position or performance.

Standards Issued but not yet Effective
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2013. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or

cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has no derivative during the year.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that the amendments will have material consolidated financial impact in the future financial statements.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's consolidated financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted

to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's consolidated financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the

amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules- based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

In compliance with SEC Memorandum Circular No.3, series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After a careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2013 annual evaluation; the Group has decided not to early adopt PFRS 9 for its 2013 annual financial reporting. Therefore, these financial statements do not reflect the impact of the said standard.
PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

4. Summary of Significant Accounting Policies

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from petroleum operation
Revenue from producing oil wells is recognized as income at the time of production.

Interest income
Interest income is recognized as it accrues using the effective interest method, the rate that exactly discounts

estimated future cash receipts through the expected life of the financial asset to the net carrying amount of that financial asset.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Costs and Expenses
Cost of services and general and administrative expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized:

(a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
(c) immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Petroleum Production Cost
Petroleum production cost represents costs that are directly attributable in recognizing oil revenue.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs.

Financial instruments within the scope of PAS 39 are classified as either financial assets or liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of March 31, 2014 and 2013, the Group has no financial assets and liabilities at FVPL and HTM investments.

Day 1 difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables" and "Due from a related party".

AFS investments

AFS investments are those non derivative financial assets that are designated as such or do not qualify as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government securities, equity investments and other debt instruments.

After initial measurement, AFS investments are measured at fair value with unrealized gains or losses being recognized directly in the consolidated statement of comprehensive income as "Reserve for fluctuation in value of AFS investments". When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been established.

Other financial liabilities
Issued financial instruments or their components, which are not designated as FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount of premium on the issue and fees that are an integral part of the effective interest rate (EIR). Any effects on restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to consolidated statement of financial position caption "Accounts and other payables" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability, income tax payable and deferred tax liabilities).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed

financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in consolidated statement of income during the period in which it arises.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed the amortized cost at the reversal date.

AFS investments carried at cost
If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments carried at fair value
In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from other comprehensive income and recognized in consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Other income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placements and that are subject to insignificant risk of change in value.

Crude Oil Inventory
Crude oil inventory is valued at the prevailing market price at the time of production.

Property and Equipment
Transportation equipment and office furniture and equipment are carried at cost less accumulated depreciation and any impairment in value.

Wells, platforms and other facilities are carried at cost less accumulated depletion, depreciation and amortization and any impairment in value.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Subsequent costs are capitalized as part of these assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred. In situations where it can be clearly demonstrated that to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

When assets are retired or otherwise disposed of, the cost of the related accumulated depletion and depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

Depreciation of property and equipment, other than wells, platforms and other facilities, commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Transportation equipment	6

Office furniture and equipment	5-10

Depletion, depreciation and amortization of capitalized costs related to the contract areas under "Wells, platforms and other facilities" in commercial operations is calculated using the unit-of-production method based on estimates of proved reserves. The depletion base includes the estimated future development costs of the undeveloped areas.

The EUL and depletion and depreciation, residual values and amortization methods are reviewed periodically to ensure that the period and methods of depletion and depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Interest in Jointly Controlled Assets

Interests in jointly controlled assets are accounted for by recognizing in the consolidated financial statements the Group's share in the jointly controlled assets and are included principally in the "Property and equipment" and "Deferred exploration costs" accounts in the consolidated statement of financial position and any liabilities incurred jointly with the other venturers as well as the related revenues and expenses of the joint venture. The Group also recognized the expenses which it has incurred in respect of its interest in the joint venture and the related liabilities.

Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC/Geophysical Survey and Exploration Contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. The exploration costs relating to the SC/GSEC area where oil and gas in commercial quantities are discovered are subsequently capitalized as "Wells, platforms and other facilities" shown under the "Property and equipment" account in the consolidated statement of financial position upon commercial production. When the SC/GSEC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred oil exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property and equipment and deferred exploration costs.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate.

Capital in Excess of Par Value

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized in the "Capital in excess of par value" account; any incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from it.

Subscription Receivable

Subscription receivable represents shares subscribed but not fully paid.

Deficit

Deficit represents the cumulative balance of net income (loss), dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specific asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (b), or (d) and at the date of renewal or extension period for the scenario (c).

Operating Lease

Group as a lessee

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, on all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction in a transaction that is not a business combination and at the time of transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized as other comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pension Expense

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account “Remeasurement gains (losses) on pension liabilities” are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Foreign Currency-Denominated Transactions and Translations

The consolidated financial statements are presented in U.S. Dollar, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign currency translations are charged or credited to the consolidated statement of income.

All differences are taken to the consolidated statements of income with the exception of differences on foreign currency borrowings that provide, if any, a hedge against a net investment in a foreign entity. These are taken directly to equity until disposal of the net investment, at which time they are recognized in the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Parent Company's subsidiary, OMWI, and OLC is Philippine Peso. As at reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (the US Dollars) at the exchange rate at the reporting date and the consolidated statements of income accounts are translated at weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment" account in the equity section of the consolidated statements of financial position. Upon disposal of a subsidiary, the deferred cumulative translation adjustment amount recognized in equity relating to that particular subsidiary is recognized in the consolidated statement of income.

Earnings Per Share

Earnings per share is determined by dividing net income (loss) by the weighted average number of shares outstanding for each year after retroactive adjustment for any stock dividends declared. Diluted earnings per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of dilutive potential common shares.

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's business segments consist of: (1) oil exploration and development; (2) furniture manufacturing and distribution; and (3) real estate. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

Provisions
Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the unaudited interim consolidated financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the amount reported in the unaudited interim consolidated financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change I n estimates are reflected in the unaudited interim consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the unaudited interim consolidated financial statements.

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be U.S. Dollar. The U.S. Dollar is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue and costs of the Group's operations.

Classification of financial instruments

The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Operating leases - Group as lessee
The Group has entered into property leases for its operations. The Group has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair values of financial assets and liabilities
The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgments. While components of fair value measurements were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect the consolidated statement of comprehensive income and consolidated statement of changes in equity, as appropriate.

Fair values of financial assets and financial liabilities amounted to $53.24 million and $0.47 million, respectively, as of March 31, 2014, and $56.67 million and $0.49 million, respectively, as of March 31, 2013.

Impairment of loans and receivables
The Group assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original EIR. The Group uses individual impairment assessment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified. The amount of loss is recognized in the consolidated statement of comprehensive income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

As of March 31, 2014 and 2013, the total carrying value of the Group's receivables amounted to $4.52 million and $8.67 million, respectively. No allowance for impairment was provided in 2014 and 2013.

Impairment of AFS investments
Quoted shares - at fair value
An impairment loss arises with respect of AFS investments when there is objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group's expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect recoverability of the Group's investments.

Unquoted shares - at cost
Management believes that while the range of fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of equity investments. As a result, the Group carries unquoted AFS investments at cost, less any impairment in value.

Estimation of proven oil reserves
Proven reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable

governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

Estimation of useful lives of property and equipment
The Group reviews annually the EUL of transportation equipment and office furniture and equipment based on expected asset utilization. It is possible that future results of operations could be affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of these assets would increase the recorded depreciation expense and decrease noncurrent assets.

As of March 31, 2014 and 2013, the Group's property and equipment amounted to $26.10 million and $18.73 million, respectively. Depletion, depreciation and amortization expense amounted to $2.59 million and $0.72 million in 2014 and 2013, respectively.

Impairment of nonfinancial assets
The Group assesses impairment on property and equipment and deferred exploration costs whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset or investment exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the unaudited interim consolidated financial statements.

Impairment and write-off of deferred exploration costs
The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred exploration costs need not be assessed for impairment.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources,* are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The carrying value of deferred exploration costs amounted to $0.59 million and $0.56 million as of March 31, 2014 and 2013, respectively. No provision for impairment loss was recognized in 2014 and 2013.

In August 2010, deferred exploration costs amounting $2.15 million were written off, subsequently after the surrender of the contract of SC 41 to the DOE.

Pension expense
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

Recognition of deferred tax assets
Deferred tax assets are recognized for all temporary deductible differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Management has determined based on business forecasts of succeeding years that there is not enough taxable income against which the deferred tax assets will be recognized.

Asset retirement obligation
Plug and abandonment costs are based on estimates made by the service contract operator. These costs are not clearly provided for in the SCs. Management believes that there are no legal and constructive obligation for plug and abandonment costs. As of March 31, 2014 and 2013, the Group has not recognized any asset retirement obligation.

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Petty cash fund	**$217**	$216
Cash in banks	**34,151**	50,661
Short-term deposits	**39,697,550**	37,674,522
	$39,731,918	$37,725,399

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates which ranges from 1.00% to 2.00% in 2014 and 1.35% to 3.75% in 2013.

7. **Receivables**

This account consists of:

	2014	2013
Due from Operators	**$2,608,242**	$1,513,553
Trade receivables	**1,860,686**	7,031,297
Interest receivable	**49,145**	93,829
Dividend receivable	**-**	33,725
	$4,518,073	$8,672,404

Due from Operators represents the excess of proceeds from crude oil liftings over the amounts advanced by the contract operator for the Group's share in exploration, development and production expenditures.

Trade receivables pertain to share of the Group on the receivables from customers for the sale of crude oil.

Trade receivables and amounts due from Operators are noninterest-bearing and are generally on one (1) to thirty (30) days' terms.

There are no past due nor impaired receivables as of March 31, 2014 and 2013.

8. **Available-for-Sale Investments**

This account consists of:

	2014	2013
Quoted shares - at fair value	**$8,953,007**	$10,230,952
Unquoted shares - at cost	**35,002**	38,315
	$8,988,009	$10,269,267

The carrying values of listed shares have been determined as follows:

	2014	2013
At January 1	**$9,003,318**	$9,558,662
Reserve for fluctuation in value of AFS investments	**-**	672,290
Unrealized foreign exchange gains (loss)	**(50,311)**	-
At March 31	**$8,953,007**	$10,230,952

The carrying values of non-listed shares have been determined as follows:

	2014	2013
At January 1	**$35,002**	$38,315
Unrealized foreign exchange gains (loss)	**-**	-
At March 31	**$35,002**	$38,315

9. Property and Equipment

The rollforward analysis of this account follows:

2014

	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost	-	-	-	
At January 1	84,741,910	193,841	43,910	84,979,661
Additions	985,251	-	-	985,251
Disposals	-	-	-	-
At March 31	**85,727,161**	**193,841**	**43,910**	**85,964,912**
Accumulated depletion, depreciation and amortization				
At January 1	57,065,286	177,171	32,303	57,274,760
Additions	2,586,609	695	38	2,587,342
Disposals		-	-	-
At March 31	**59,651,895**	**177,866**	**32,341**	**59,862,102**
Net book value at March 31	**26,075,266**	**15,975**	**11,569**	**26,102,811**

2013

	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost	-	-	-	
At January 1	71,347,034	193,841	43,158	71,584,033
Additions	1,032,718	-	-	1,032,718
Disposals	-	-	-	-
At March 31	**72,379,752**	**193,841**	**43,158**	**72,616,751**
Accumulated depletion, depreciation and amortization				
At January 1	52,961,194	168,762	31,381	53,161,337
Additions	723,382	695	229	724,306
Disposals		-	-	-
At March 31	**53,684,576**	**169,457**	**31,610**	**53,885,643**
Net book value at March 31	**18,695,176**	**24,384**	**11,548**	**18,731,108**

10. Deferred Exploration Costs

The full recovery of the deferred oil exploration costs incurred in connection with the Group's participation in the acquisition and exploration of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities from the respective petroleum, concessions and the success of the future development thereof.

This account consists of various SCs as follows:

	2014	2013
SC 6	**$569,564**	$552,444
Others	**20,665**	9,757
	$590,229	$562,201

<u>SC 6</u>
The Bonita Block is part of the retained area of the original SC 6.

A 15-year extension period for the block was requested from and subsequently granted by the DOE in March 2009.

The conditions for the grant of the 15-year extension period require the submission and implementation of a yearly work program and budget. It includes as well financial assistance to the DOE for training and scholarships in geological and engineering studies.

11. Accounts and Other Payables

This account consists of:

	2014	2013
Accounts payable and accrued expenses	**$470,335**	$494,480
Dividends payable	**99,384**	99,384
Subscriptions payable	**26,488**	26,488
	$596,207	$620,352

Accounts payable and accrued expenses mainly consist of unpaid legal service fees. These are noninterest-bearing and are normally settled in thirty (30) to sixty (60)-day terms.

Dividends payable include amounts payable to the Group's shareholders.

12. Paid up Capital

As of March 31, 2014 and 2013, this account consists of:

Class A - $0.0004 (₱0.01) par value	
Authorized - 120 billion shares	
Issued and outstanding - 120 billion shares	$49,361,387
Class B - $0.0004 (₱0.01) par value	
Authorized - 80 billion shares	
Issued and outstanding - 80 billion shares	32,907,591
Subscriptions receivable	(374,252)
Capital in excess of par value	3,650,477
	$85,545,203

All shares of stock of the Group enjoy the same rights and privileges, except that Class A shares shall be issued solely to Filipino citizens, whereas Class B shares can be issued either to Filipino citizens or foreign nationals.

13. Other Income

This account consists of:

	2014	2013
Dividend	**$196,199**	$281,026
Interest	**148,776**	171,917
	$344,975	$452,943

The dividend income is derived primarily by the Group from its investment in preferred shares. Interest income came from money market placements and deposits in banks.

14. **Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Affiliates are related entities of the companies by virtue of common ownership and representation to management where significant influence is apparent.

As of March 31, 2014 and 2013, the Company had Cash and Cash equivalents maintained at various banks including an affiliated bank, Robinson's Bank. The company likewise leases an office space from an affiliate that is renewable annually.

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts due from related parties in 2014 and 2013. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.