ORIENTAL PETROLEUM AND MINERALS CORPORATION
34th. Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City
☏: 633-7631 to 40, 637-1670 to 79 Extensions 277, 278, 279, 280, 281 • 🖷: 395-2586

May 27, 2013

Philippine Stock Exchange
PSE Centre, Exchange Road
Ortigas Center, Pasig City

Attention: **DISCLOSURES DEPARTMENT**
LISTING GROUP

Gentlemen:

Attached herewith is the Amended Definitive Information Statement of the company incorporating the Securities and Exchange Commission's comment on *Security Ownership of Certain Record and Beneficial Owners*. SEC requested to classify the shares into class 'A' or 'B' for Security Owners of more than 5% and Security Ownership of Management.

Thank you.

Very truly yours,

MA. RIANA M. CARATAY
Accounting Manager

ORIENTAL PETROLEUM AND MINERALS CORPORATION
34th. Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City
☎: 633-7631 to 40, 637-1670 to 79 Extensions 277, 278, 279, 280, 281 • 🖷: 395-2586

NOTICE OF THE REGULAR ANNUAL MEETING OF THE STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the stockholders of **ORIENTAL PETROLEUM AND MINERALS CORPORATION** will be held at **Ballroom C, D, & E, 4th Floor, Crowne Plaza Galleria Manila, Ortigas Ave., cor. One ADB Avenue, Quezon City, on Thursday, June 27, 2013 at 3:00 P.M.**, pursuant to the resolution of the Board of Directors adopted in accordance with the By-Laws. The agenda of the meeting is as follows:

I. Call to order
II. Proof of due notice of meeting and determination of quorum
III. Approval of minutes
IV. Reports of officers/ Approval of the Annual Report
V. Amendment to the Secondary Purpose clause of Article II of the Amended Articles of Incorporation to insert a new paragraph a) to authorize the corporation to engage in the business of power generation and re-adjust the present paragraph "a)" to "b" and the subsequent paragraphs accordingly, to read as follows: "a) To engage in the business of power generation in all its aspects".
VI. Election of Directors
VII. Election of External Auditors
VIII. Other matters or business as may properly come before the meeting
IX. Adjournment

Proxies on file with the Corporation will be recognized and/or used unless they have lapsed or have been specifically revoked or a new proxy is received by the Corporation.

Proxies must be filed with and received at the Corporation's office not later than by the close of business hours, five (5) working days prior to the date of meeting, viz., not later than 5:00 P.M. on June 20, 2013. Proxies received after the cut-off date shall not be recorded for this meeting.

Validation of proxies will begin on June 20, 2013 at 5:00 P.M. at the office of the Corporation

Pursuant to Article II, Section 6, par. 2 of the By-Laws, nominations for the position of directors, other than Independent Directors, must be received by the Corporate Secretary at least five (5) working days before the stockholders' meeting, i.e., not later than 5:00 P.M. on June 20, 2013. Nominations for Independent Director must be received by 5:00 P.M. on May 27, 2013. No further nominations shall be considered or entertained after the respective cut-off dates.

Only stockholders of record as at the close of business hours on May 27, 2013, shall be entitled to notice of, and to vote at, this meeting.

Pasig City, Metro Manila, May 3, 2013.

ETHELWOLDO E. FERNANDEZ
Corporate Secretary

COVER SHEET

4	0	0	5	8							

SEC Registration Number

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

34th Floor, Robinsons Equitable Tower, ADB Avenue, OrtiGas Center, Pasig City

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

Ehtelwoldo Fernandez
Corporate Secretary

(Contact Person)

633-7631 local 278

(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

SEC FORM-20-IS

(Form Type)

0	6		2	7

Month *Day*
(Annual Meeting)

DEFINITIVE INFORMATION STATEMENT

(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 20 – IS
Information Statement Pursuant to Section 17.1(b)
of the Securities Regulation Code

1.	Check the appropriate box	:
		[ ] Preliminary Information Statement
		[X] Definitive Information Statement
2.	Name of Registrant as specified in its charter	: **ORIENTAL PETROLEUM AND MINERALS CORPORATION**
3.	Province, country or other jurisdiction of incorporation or organization	: **Metro Manila, Philippines**
4.	SEC Identification Number	: **SEC Registration No. 40058**
5.	BIR Tax Identification Code	: **TIN No. 000-483-747-000**
6.	Address of principal office	: **34th Floor, Robinsons Equitable Tower, One ADB Ave., Ortigas Center, Pasig City**
7.	Registrant's telephone number, including area code	: **(632) 633-7631 to 40**
8.	Date, time and place of the meeting of security holders	: **June 27, 2013** **3: 00 P.M.** **Ballroom C, D, & E, 4th Floor** **Crowne Plaza Galleria Manila, Ortigas Ave., cor. One ADB Ave., Quezon City**
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	: **June 5, 2013**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P0.01 par value	**200 Billion**

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes ___X____ No _________

Oriental Petroleum and Minerals Corporation's common stock is listed in the Philippine Stock Exchange

I. GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

Date, time and place of meeting		**June 27, 2013** **3: 00 P.M.** **Ballroom C, D, & E, 4th Floor,** **Crowne Plaza Galleria Manila, Ortigas Ave. cor. One ADB Ave., Quezon City**
Complete mailing address of principal office	:	**34th Floor Robinsons Equitable Tower, One ADB Ave., Ortigas Center, Pasig City**
Approximate date on which the Information Statement is first to be sent or given to security holders	:	**June 5, 2013**

PART II. SOLICITATION INFORMATION

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair value of his share; (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) in case of any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (3) in case of any merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken.

There are no matters to be taken up that may warrant the exercise of the appraisal right.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

1. Directors or officers of the registrant at any time since the beginning of the last calendar year;
2. Nominees for election as a director of the registrant;
3. Associate of any of the foregoing persons.

Further, none of the Company's Directors has informed the Company in writing of their intentions to oppose any action taken by the Company at the meeting.

Voting Securities and Principal Holders Thereof

Each of the 200,000,000,000 outstanding shares of the Company is entitled to one (1) vote. Said outstanding shares, all of which are common shares, are broken down as follows:

Class "A" -	120,000,000,000
Class "B" -	80,000,000,000

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares of stock held in his name on the stock books of the Company as of the established record date, **May 27, 2013**, and said stockholder may vote such number of shares for as many as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Eleven (11) directors are to be elected at the annual stockholders' meeting and there are no voting trust holders or warrants.

PART III. CONTROL AND COMPENSATION INFORMATION

Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of April 30, 2013 were as follows:

Class	Name and Address of Record Owner and relationship with the Issuer	Names of Beneficial Owner and relationship with record owner	Citizenship	No. of Shares Held Class A	Class B	Total	% to Total
Common	PCD Nominee Corporation[a] 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo de Roxas (stockholder)	PCD Participants & their clients (see note a)	Filipino	82,789,029,378		82,789,029,378	41.39%
Common	Consolidated Robina Capital Corp.[b] 29/F Galleria Corporate Center Edsa Corner Ortigas Avenue (stockholder)	same as record owner (see note b)	Filipino	8,396,391,875	28,655,561,021	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.[c] 5th. Flr., Corinthian Plaza Paseo de Roxas, Makati City (stockholder)	same as record owner (see note c)	Filipino	15,258,221,371	6,392,985,132	21,651,206,503	10.83%
Common	Prudential Guarantee & Assurance Inc.[d] 119C Palanca St. Legaspi Village, Makati City (stockholder)	same as record owner (see note d)	Filipino	6,079,313,304	7,377,585,045	13,456,898,349	6.73%

Notes:

a. PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCDI"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCDI's participants, who hold the shares on their behalf, and their clients. PCDI is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

b. Consolidated Robina Capital Corporation is a 100% subsidiary of JG Summit Holdings, Inc. (JGSHI). OPMC and JGSHI share the following common directors: Mr. John Gokongwei, Jr., Mr. James L. Go, Mr. Lance Gokongwei and Gov.Gabriel Singson.
   - Any one of the following directors of the Company is authorized to vote: Messrs., John Gokongwei, Jr., James Go, Lance Gokongwei.
   - Indirect ownership of Mr. John Gokongwei, Jr. is 1 share, Mr. James Go is 2 shares and Mr. Lance Gokongwei is 3 shares. Mr. Gabriel Singson has no indirect ownership in CRCC.

c. R. Coyiuto Securities, Inc. is majority-owned by Mrs. Rosie Coyiuto, wife of Mr. Robert Coyiuto, Jr. Mr. Coyiuto is the President and COO of Oriental Petroleum and Minerals Corp.
   - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Philip K. Rico, Samuel Coyiuto, and James Coyiuto.
   - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.

d. Prudential Guarantee and Assurance, Inc. is majority owned by Coyiuto brothers.
   - Mr. Robert Coyiuto, Jr. is authorized to vote.
   - Indirect ownership of Mr. Robert Coyiuto, Jr. is 1,316,729 shares and Mr. James Coyiuto is 413,012 shares. Mr. Miguel Coyiuto has no indirect ownership in Prudential Guarantee and Assurance, Inc.

Security Ownership of Management as of April 30, 2013

		Amount and Nature of Beneficial Ownership (Direct)				
Title of Class	**Name of Beneficial Owner**	**Class A**	**Class B**	**Total**	**% to Total Outstanding**	**Citizenship**
A. Named Executive Officers[1]						
Common	James L. Go*	1		1	**	Filipino
Common	Robert Coyiuto, Jr.*	423,977,301	141,687,685	565,664,986	0.2828%	Filipino
Common	Apollo P. Madrid*	1,711,971	100,795	1,812,766	0.0009%	Filipino
Common	Ethelwoldo E. Fernandez*	604,787		604,787	0.0003%	Filipino
	Sub-total	426,294,060	141,788,480	568,082,540	0.2840%	
B. Other Directors and Executive Officers						
Common	John L. Gokongwei, Jr.	107,001		107,001	0.0001%	Filipino
Common	Amparo V. Barcelon	488,911	475,302	964,213	0.0005%	Filipino
Common	Antonio Go	1		1	**	Filipino
Common	Miguel R. Coyiuto	101,595		101,595	0.0001%	Filipino
Common	Lance Y. Gokongwei	1		1	**	Filipino
Common	Perry L. Pe*	513,621		513,621	0.0003%	Filipino
Common	Gabriel Singson	1		1	**	Filipino
Common	Ricardo Balbido, Jr.	100,000		100,000	0.0001%	Filipino
Common	James Coyiuto	1		1	**	Filipino
	Sub-total	1,311,132	475,302	1,786,434	0.0011%	
C. All directors and executive officers as a group unnamed		**427,605,192**	**142,263,782**	**569,868,974**	0.2851%	

[1] Chief Executive Officer and three (3) among the four (4) most highly compensated executive officers as of April 30, 2013.

*Company's executive officers; **less than 0.0001%

Shares owned by Foreigners

As of April 30, 2013, a total of 4,027,578,022 shares or about 2.014% of the total issued and outstanding shares are owned by foreigners.

Voting Trust holders of 5% or More

There are no persons holding more than 5% or a class under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the registrant since the beginning of its last calendar year.

Directors and Executive Officers

The names and ages of directors and executive officers of the Company are as follows:

Directors

Directors	***Names***	***Age***	***Citizenship***
Director, Chairman and Chief Executive Officer	James L. Go	73	Filipino
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	61	Filipino
Director	John Gokongwei, Jr.	86	Filipino
Director	Lance Y. Gokongwei	46	Filipino
Director	Antonio Go	72	Filipino
Director	Miguel R. Coyiuto	52	Filipino
Director	Amparo V. Barcelon	90	Filipino
Director	Gabriel Singson	83	Filipino
Director	James Coyiuto	59	Filipino
Director	Ricardo Balbido, Jr.	62	Filipino
Director, Assistant Corporate Secretary	Perry L. Pe	52	Filipino

Executive Officers

SVP – Operations and Administration	Apollo P. Madrid	72	Filipino
SVP – Legal and Corporate Secretary	Ethelwoldo E. Fernandez	84	Filipino
Chief Financial Officer/Treasurer	Jeanette U. Yu	60	Filipino

The Company's independent directors are Messrs. Antonio Go and Ricardo Balbido, Jr.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of the Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until successor shall have been elected, appointed or shall have qualified.

The following directors of the Corporation are expected to be nominated by management for re-election / election this year.

The Independent directors of the Company are elected according to SRC Rule 38 – *Independent Directors.*

Brief discussion of the directors' and executive officers' business experience and other directorships held in other reporting companies for the last five years.

James L. Go, 73, has been the Chairman and Chief Executive Officer of the Company since 2002. He is currently the Chairman of the Board of Directors of URC. He had been Chairman of URC since January 1, 2002 and was Chief Executive Officer from January 1, 2002 until April 18, 2012. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and as such, he heads the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of Robinsons Land Corporation and JG Summit Petrochemical Corporation. He is the Chairman and Chief Executive Officer of Robinsons, Inc. He is also the President and a Trustee of the Gokongwei Brothers Foundation, Inc. He was elected a director of the Philippine Long Distance Telephone Company (PLDT) on November 3, 2011 and was also appointed as a member of PLDT's Technology Strategy Committee. He is also a director of Cebu Air, Inc., United Industrial Corporation Limited, Singapore Land Limited, Marina Center Holdings, Inc., Hotel Marina City Private Limited and JG Summit Capital Markets Corporation. He received a Bachelor of Science degree and a Master of Science degree in Chemical Engineering from the Massachusetts Institute of Technology. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr.

Robert Coyiuto, Jr., 61, has been a Director of the Company since 1982 and was previously both Chairman of the Board and President from 1991 to 1993. He has been President and Chief Operating Officer of the Company since 1994. He is also the Chairman and CEO of Prudential Guarantee & Assurance, Inc., PGA Sompo Japan Insurance Inc., Chairman of Hyundai North Edsa, PGA Automobile Inc., PGA Cars Inc., Pioneer Tours Corporation, Coyiuto Foundation and Chairman & President, Calaca High Power Corporation He also serves as Vice Chairman of First Life Financial Co., Inc. and Director of Petrogen Insurance Corporation, National Grid Corporation of the Philippines, Universal Robina Corporation; Canon Philippines, Inc., Nominee of R. Coyiuto Securities, Inc. and Trustee of San Beda College.

John L. Gokongwei, Jr., 86, is a Director of the Company. He had been Chairman of the Board and CEO of the Company from 1994 to 2002. He continues to be a member of URC's Board and is the Chairman Emeritus of JG Summit Holdings, Inc. and certain subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited, and a director of Cebu Air, Inc., Robinsons Land Corporation and JG Summit Capital Markets Corporation. He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

Lance Y. Gokongwei, 46, has been a Director of the Company since 1994. He is the President and Chief Excutive Officer of Universal Robina Corporation. He had been President and Chief Operating Officer of URC since January 1, 2002. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is also the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. and JG Summit Petrochemical Corporation. He is the Chairman of Robinsons Bank, Chairman and President of JG Summit Capital Markets Corporation, and a director of United Industrial Corporation Limited, and Singapore Land Limited. He is also trustee, secretary and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the

University of Pennsylvania. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. and joined URC in 1988.

***Antonio L. Go** 72, was elected as an independent director of the company since 2007. He also currently serves as director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, United Industrial Corporation Limited, Pin-An Holdings, Inc., Equicom Information Technology, and ALGO Leasing and Finance, Inc. He is also a trustee of Go Kim Pah Foundation and Equitable Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Miguel R. Coyiuto, 52, has been a Director since 1995. He is also a Director of First Life Financial Co., Inc. Mr. Miguel R. Coyiuto is the brother of Mr. Robert Coyiuto, Jr.

Amparo V. Barcelon, 90, has been a Director of the Company since 1986. She had been Vice Chairperson of the Board since 1986 to 2002. She is also the President of J. M. Barcelon and Co., Joam Investments Corporation, Jaybee Real Estate Corporation, Amarese Realty Development Corporation, ONA Real Estate Corporation.

James Coyiuto, 59, has been elected as Director of the Company last Annual Stockholders Meeting held on July 14, 2005. He is also the Director of Prudential Guarantee and Assurance, Inc., Guarantee Development Corporation and PGA, Sompo Japan Insurance Inc.

***Ricardo Balbido, Jr.,** 62, has been elected as an Independent Director of the Company last Annual Stockholders Meeting held on July 14, 2005. Currently, he is the President and CEO of Philippine Veterans Bank. He was formerly the President and COO of Dao Heng Bank, Inc., Senior Vice- President of Bank of the Philippine Islands and AVP of BPI Leasing Corporation. Mr. Balbido received his degree in Bachelor of Science in Business Administration Major in Accounting from Silliman University and earned his Master in Business Administration (full academics) from Ateneo de Manila University.

Gabriel Singson, 83, has been elected as Director of the Company during the annual stockholders meeting held last July 14, 2005. He is a director of Multinational Finance Group Ltd., Summit Forex Brokers Corporation, Summit Point Corporation, and a trustee of the Gokongwei Brothers Foundation, Inc., Tan Yan Kee Foundation and the Ateneo de Manila University. He is also the Chairman of Grepalife Financial Corporation and Chairman of the Advisory Board of Rizal Commercial Banking Corporation. He was the former Governor of the Bangko Sentral ng Pilipinas (1993-1999) and President of the Philippine National Bank (1992-1993). He obtained his LLB degree, cum laude, from the Ateneo Law School and received his Master of Laws from the University of Michigan Law School as a Dewitt Fellow and a Fulbright scholar.

Perry L. Pe, 52, has been the Assistant Corporate Secretary of the Company since 1994. He has been a Director since 1995. He is also the Corporate Secretary of SIAEP and A-Plus; Partner of Romulo, Mabanta, Buenaventura, Sayoc, and Delos Angeles Law Office; Director of Delphi Group, Ace Saatchi Saatchi, AG & P Philippines, Inc. Honorary Consul General of Denmark to the Philippines. Atty. Perry L. Pe is the son-in-law of Mr. John Gokongwei, Jr.

Apollo P. Madrid, 72, has been the Senior Vice President - Operations and Administration of the Company since 1990.

Ethelwoldo E. Fernandez, 84, has been the Corporate Secretary of the Company since 1995. He had been Senior Vice President-Legal of the Company since 1992. He had been counsel to the Law firm of Sycip, Salazar, Hernandez and Gatmaitan until 2003. He is also the Corporate Secretary of Prudential Guarantee and Assurance Inc.

Jeanette U. Yu, 60, has been Chief Financial Officer/Treasurer since 1994. She is also the Vice President of Universal Robina Corporation and Vice President – Treasurer of Cebu Air, Inc.

Information required by the SEC under SRC Rule 38 as amended on the nomination and election of Independent Directors

The following criteria and guidelines shall be observed in the pre-screening, short listing and nomination of Independent Directors:

A. DEFINITION

1. Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

    1.1. Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);

    1.2. Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

    1.3. Is not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;

    1.4. Has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years;

2. When used in relation to a company subject to the requirements above:

    2.1. Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and

    2.2. Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. QUALIFICATIONS OF INDEPENDENT DIRECTORS

1. An independent director shall have the following qualifications:

    1.1. He shall have at least one (1) share of stock of the corporation;

    1.2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;

    1.3. He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified Independent Directors up to the age of eighty (80);

    1.4. He shall have proven to possess integrity/probity; and

    1.5. He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

   2.1. He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

   2.2. His beneficial security ownership exceeds 10% of the outstanding capital stock of the company where he is such director;

   2.3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.

   2.4. Such other disqualifications which the company's Manual on Corporate Governance provides.

C. NOMINATION AND ELECTION OF INDEPENDENT DIRECTOR/S

1. The Nomination Committee (Committee) conducts the nomination of Independent Directors/s prior to a stockholders' meeting.

2. The Committee solicits nominations for candidates to become Independent Director of the corporation.

   2.1. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the candidates to determine whether they are qualified per definition and listed qualifications above, General Guidelines listed in the Corporate Governance Manual, Articles of Incorporation, By Laws of the Corporation, and perceived needs of the Board of Directors and the corporation such as, but not limited to the following:

   3.1. Nature of the business of the corporations which he is a Director of

   3.2. Age of the nominee for Independent Director

   3.3. Number of directorships/active memberships and officerships in other corporations or organizations

4. The Committee shall prepare a list of all candidates and evaluate the candidates based on the required above-listed required qualifications to enable it to effectively review the qualifications of the nominees for Independent Director/s.

5. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with SRC Rule 17.1(b) or SRC Rule 20, respectively, or in such other reports the company is required to submit to the Commission.

   5.1. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

6. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates

shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.

Below is the final list of nominees for Independent Directors:

1. **Ricardo Balbido, Jr.,** 62, has been elected as an Independent Director of the Company last Annual Stockholders Meeting held on July 14, 2005. Currently, he is the President and CEO of Philippine Veterans Bank. He was formerly the President and COO of Dao Heng Bank, Inc., Senior Vice- President of Bank of the Philippine Islands and AVP of BPI Leasing Corporation. Mr. Balbido received his degree in Bachelor of Science in Business Administration Major in Accounting from Silliman University and earned his Master in Business Administration (full academics) from Ateneo de Manila University.
   Mr. Balbido has been nominated as the other Independent Director by Mr. Apollo P. Madrid, a stockholder of the Corporation. They have no business or other relation, however, Mr. Madrid knows Mr. Balbido as a veteran banker.

2. **Antonio L. Go** 72, was elected as an independent director of the company since 2007. He also currently serves as director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, United Industrial Corporation Limited, Pin-An Holdings, Inc., Equicom Information Technology, and ALGO Leasing and Finance, Inc. He is also a trustee of Go Kim Pah Foundation and Equitable Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.
   Mr. Apollo P. Madrid nominated Mr. Antonio Go as candidate for Independent Director, a well - known banker. Mr. Madrid has no business and other relationship with Mr. Go. Further, Mr. Go is not related to any director or officer of the Company.

Below is the list of the Company's Nomination and Audit Committees:

Nomination Committee:	Audit Committee:
James L. Go – Chairman	Antonio L. Go – Chairman
Robert Coyiuto, Jr. - Member	Lance Y. Gokongwei – Member
Perry L. Pe – Member	Miguel Coyiuto – Member
Ricardo Balbido, Jr. – Member	James Coyiuto – Member
James Balbido – Member	Perry L. Pe – Member

Significant Employees

There are no persons who are not executive officers of the Corporation who are expected by the Corporation to make a significant contribution to the business.

Family Relationships

Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr. while Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. Mr. Perry L. Pe is the son-in-law of Mr. John Gokongwei, Jr. Mr. Miguel R. Coyiuto and Mr. James Coyiuto are the brothers of Mr. Robert Coyiuto, Jr.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the members of the Board of Directors and Executive Officers of the Company are involved currently and/or for the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limited their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law or have been found by a domestic or foreign court of competent jurisdiction, the Commission of comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

The Corporation in the regular conduct of its business has entered into transactions with affiliates and other related parties principally consisting of loans, leases, insurances and regular banking transactions. Under the policy of the Corporation and its subsidiaries, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The Corporation has not entered into any business transactions with any of its former senior management that will result to a more or less favorable terms that will have a material effect on the Corporation's financial position or financial performance.

Item 6. Executive Compensation

Summary Compensation Table

The following tables list the names of the Corporation's Chief Executive Officers and the four (4) most highly compensated executive officers for the two (2) most recent fiscal years and the ensuing year:

Name	**Position**	**Projected – Fiscal Year 2013** (in '000 US$)		
		Salary	**Other Compensation & Bonus**	**Total**
a) CEO & Four (4) most highly compensated executive officers		US$162.05	US$-	US$162.05
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations & Admin.			
Jeanette U. Yu	Treasurer and CFO			
Ethelwoldo Fernandez	Corporate Secretary			
b) All officers as a group		US$220.36	US$-	US$220.36

Name	**Position**	**Actual Year 2012** (in '000 US$)		
		Salary	**Other Compensation & Bonus**	**Total**
a) CEO & Four (4) most highly compensated executive officers		US$155.09	US$-	US$155.09
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations & Admin.			
Jeanette U. Yu	Treasurer and CFO			
Ethelwoldo Fernandez	Corporate Secretary			
b) All officers as a group		US$195.88	US$-	US$195.88

Name	**Position**	**Actual Year 2011** (in '000 US$)		
		Salary	**Other Compensation & Bonus**	**Total**
a) CEO & Four (4) most highly compensated executive officers		US$136.31	US$-	US$136.31
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations & Admin.			

Jeanette U. Yu	Treasurer and CFO			
Ethelwoldo Fernandez	Corporate Secretary			
b) All officers as a group		US$173.22	US$-	US$173.22

Compensation of Directors

For 2012, the Company paid a total of US$38,820.87 to its Directors.

Standard Arrangements

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as director for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

Employment Contracts and Termination of Employment and Change in control Agreement

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plans or arrangements with respect to the named executive officers.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the Corporation's CEO, the named executive officers, and all officers and directors as a group.

Item 7. Independent Public Accountants

The accounting firm of SyCip Gorres Velayo & Co. has been the Company's independent public accountants at least for the last sixteen (16) years. The same firm is being recommended for appointment by the stockholders for the ensuing year. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. SGV is expected to send a representative to the annual meeting with an opportunity to make statements if they so desire and will be available for questions from stockholders.

The current handling partner of SGV & Co. has been engaged by the Corporation for the fiscal year 2012 and is expected to be rotated every five (5) years in accordance with SRC Rule 68, as amended.

The information on Independent Accountant and other Related Matters are incorporated by reference to the attached Management Report to stockholders as required under SRC Rule 20.

OTHER MATTERS

Action with Respect to Reports

The Company will submit to the shareholders for approval the following:

1. Minutes of the Regular Stockholders' Meeting on June 28, 2012:

    - The President gave a brief summary of the operations of the year under review. The annual report for 2011 was submitted and approved.

    - The eleven (11) directors for incoming year, 2012-2013 were elected (see page 7 of this Report).

2. 2012 Annual Report, with Audited Financial Statements

3. Appointment of Sycip Gorres Velayo & Co. as Company's independent public accountants.

4. Ratification of acts of the Board of Directors and Officers of the Company in the regular course of business from June 28, 2012 to June 27, 2013.

Brief description of material matters approved by the Board of Directors and Management since the last annual stockholders' meeting of June 28, 2012 for ratification by the stockholders:

Date of Board/Management Approval	Description
June 28, 2012	Election of Officers, Members of the Governance Committees of the Corporation
May 3, 2013	Amendment of the Secondary Purpose in the Articles of Incorporation to include the business of Power Generation and engage in such activity.

The Corporation is considering diversifying into energy related business, from energy resource to energy utilization, to engage in the production, supply, etc. of electricity, directly or indirectly. This will enable Oriental Petroleum to seize and create opportunities for the corporation and its stockholders on an area critical to country development.

Recent Sales of Unregistered or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction. All shares of the Company are listed on the Philippine Stock Exchange.

Voting Procedures

The foregoing matters will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting.

The election is executed through balloting or by other means approved by the stockholders, done manually. Article II, Section 7, By-Laws: A Board of Election Inspectors appointed by the Board, composed of the Corporate Secretary and two (2) members, shall determine the validity of proxies, receive votes, ballots, etc. And determine and announce the results in the election of Directors.

Additional Information as of April 30, 2013 are as follows:

1. Market Price and Volume for the Corporation's Common Equity

	CLASS A		CLASS B	
	High	Low	High	Low
Stock price (in pesos)	0.022	0.021	0.022	0.022
Volume (in shares)	105,100,000		27,000,000	

2. As of April 30, 2013, there are approximately **12,078** stockholders both for Class "A" and "B" shares. The top 20 stockholders are:

STOCKHOLDERS	Number of Shares Held	% to Total
1. PCD NOMINEE CORPORATION	82,789,029,378	41.395
2. CONSOLIDATED ROBINA CAPITAL CORP.	37,051,952,896	18.526
3. R. COYIUTO SECURITIES, INC.	21,651,106,503	10.826
4. PRUDENTIAL GUARANTEE & ASSURANCE, INC.	13,456,898,349	6.728
5. PCD NOMINEE CORPORATION (NON-FILIPINO)	2,999,459,509	1.500
6. J.G. SUMMIT HOLDINGS, INC.	1,756,248,841	0.878
7. F & J PRINCE HOLDINGS CORP.	1,260,888,642	0.630
8. PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION	1,129,545,907	0.565
9. PHIL. COMMUNICATIONS SATELLITE CORP.	1,111,496,010	0.556
10. PAULINO G. PE	935,000,000	0.468
11. GIBRALTAR INTERNATIONAL HOLDINGS, INC.	832,833,547	0.416
12. DAVID GO SECURITIES CORP.	698,258,201	0.349
13. MARGARET S. CHUA CHIACO	663,400,000	0.332
14. TIONG KENG CHING	622,512,998	0.311
15. VICTORIA DUCA	611,236,533	0.306
16. ROBERT COYIUTO, JR.	565,664,986	0.283
17. JAMES UY, INC.	471,843,600	0.236
18. ERNESSON S. CHUA CHIACO	441,600,000	0.221
19. GENEVIEVE S. CHUA CHIACO	441,600,000	0.221
20. R. NUBLA SECURITIES, INC.	389,528,267	0.195
	169,880,104,167	84.940
OTHERS	30,119,895,833	15.060
TOTAL	**200,000,000,000**	**100.000**

3. Key Performance Indicators for the years ended December 31:

	2012	2011	2010
Current Ratio	**72.15**	64.62	40.09
Net Working Capital Ratio	**0.61**	0.58	0.39
Return on Assets	**8.15%**	12.27%	0.53%
Return on Equity	**14.49%**	15.10%	6.48%
Ratio of Debt-to-Equity	**0.04**	0.05	0.07

Figures are based on Audited 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.

4. Key Performance Indicators for the interim periods ended March 31:

	2013	2012	2011
Current Ratio	**76.55**	64.71	44.36
Net Working Capital Ratio	**0.61**	0.57	0.42
Return on Assets	**0.018**	(0.017)	0.012
Return on Equity	**0.026**	(0.012)	0.017
% of Debt-to-Equity	**0.04**	0.06	0.07

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.

PART II

INFORMATION REQUIRED IN A PROXY FORM

Not Applicable.

PART III

ORIENTAL PETROLEUM AND MINERALS CORPORATION, AS REGISTRANT, UNDERTAKES THAT A COPY OF THIS ANNUAL REPORT ON SEC FORM 17-A SHALL BE PROVIDED WITHOUT ANY CHARGE TO ANY STOCKHOLDER WHO MAKES A WRITTEN REQUEST FOR SUCH COPY. THE REQUEST SHOULD BE ADDRESSED TO THE CORPORATE SECRETARY, 34TH. FLOOR ROBINSONS EQUITABLE TOWER, ADB AVENUE, ORTIGAS CENTER, PASIG CITY.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 6, 2013.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
Issuer

May 22, 2013
Date

ETHELWOLDO E. FERNANDEZ
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Antonio L. Go**, Filipino, of legal age and a resident of Cambridge Circle North Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Oriental Petroleum and Minerals Corporation.

2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Equitable Computer Services, Inc.	Director & President	Present
Equicom Savings Bank	Chairman	Present
Algo Leasing and Finance Inc.	Director	Present
Digital Telecommunications Phils. Inc.	Director	Present
Equicom Manila Holdings, Inc.	Director	Present
Equicom Information Technology, Inc.	Director	Present
Equitable Foundation, Inc.	Trustee	Present
Go Kim Pah Foundation, Inc.	Trustee	Present
Cebu Air, Inc.	Independent Director	Present
Maxicare Healthcare Corporation	Director	Present
Medilink Network Inc.	Director	Present
Pin-An Holdings, Inc.	Director	Present
United Industrial Corporation Limited (UIC)	Director	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Oriental Petroleum and Minerals Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Oriental Petroleum and Minerals Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this __ day of _____ 2013, at Makati City.

ANTONIO L. GO
Affiant

SUBSCRIBED AND SWORN to before me this _______ day of MAY 22 2013, 2013 at PASIG CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. P.P. EB6537238 issued at DFA, MANILA on OCTOBER 11, 2012.

ATTY. ROMUALDO C. PADILLA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
ROLL NO. 54298
PTR NO. 8431609 - 01-08-13 - PASIG
IBP NO. 923035 - 01-08-13 - RSM
TIN 170-266-059
40/F Robinsons-Equitable Tower
ADB Ave. cor. Poveda Road
Ortigas Center, Pasig City (02-3952581)

Doc No. 158;
Page No. 33;
Book No. IX;
Series of 2013

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Ricardo A. Balbido, Jr.**, Filipino, of legal age and a resident of 408 Ipo, Ayala Alabang, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Oriental Petroleum and Minerals Corporation.

2. I am affiliated with the following companies or organizations:

Company/ Organization	**Position/ Relationship**	**Period of Service**
Philippine Veterans Bank	President & CEO	12 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Oriental Petroleum and Minerals Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Oriental Petroleum and Minerals Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this __ day of _____ 2013, at Makati City.

RICARDO A. BALBIDO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this _______ day of MAY 2 2 2013, 2013 at PASIG CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 07871674 issued at Muntinlupa City on January 1, 2013.

Doc No. 159;
Page No. 33;
Book No. IX;
Series of 2013

ATTY. ROMUALD C. PADILLA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
ROLL NO. 54298
PTR NO. 8431609 - 01-08-13 - PASIG
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TIN 170-266-059
40/F Robinsons-Equitable Tower
ADB Ave. cor. Poveda Road
Ortigas Center, Pasig City (02-3952581)

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Oriental Petroleum and Minerals Corporation (OPMC) is a Philippine corporation incorporated on December 22, 1969 with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC's operational activities depend principally on its Service Contracts with the government.

The Company, together with other oil exploration companies (collectively referred to as "a or the Contractor"), entered into a Service Contract (SC) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of certain contract areas situated in offshore Palawan where oil discoveries were made. The Company's petroleum revenues and production and related expenses are derived from SC-14 Contract Area. SC 14 is composed of four Blocks, Block – A (Nido), Block -B (Matinloc), Block – C (Galoc & West Linapacan) and Block – D. Of these areas, only West Linapacan and Block –D are the non-producing areas; West Linapacan is currently under evaluation for re-activation after it was shut-in in 1991 due to water intrusion. Block – D, on the other hand, is designated as the Retention Block.

Production Data for 2012 and 2011

Area	Volume (in bbls.)		Average Selling Price (in US$/bbl.)	
	2012	2011	2012	2011
Nido / Matinloc	155,178	142,042	99.44	97.38
Galoc	1,445,229	2,143,622	113.89	111.78

Nido and Matinloc oilfields' combined production were sold and delivered to Pilipinas Shell while production from Galoc were sold and delivered to various customers. Sale is effected through physical transfer of crude oil from offshore production site from storage and processing ship to oil tanker of the buyer. Galoc crude oil can be sold at a higher price as compared to Nido/Matinloc crude oil due to volume.

Service Contracts (SCs) and Geophysical Survey and Exploration Contracts (GSECs) are the principal properties of the Company and owned by the State.

The contractors are bound to comply in the work obligations provided in the contract with the DOE. They should provide at their own risk the financing, technology and services needed in the performance of their obligations. Failure to comply with their work obligations means that they should pay the government the amount they should have spent had they pushed through with their undertaking. Operating agreement among the participating companies governs their rights and obligations under the contract.

Revenue from petroleum operations in 2012 totaled US$15.36 million, of which US$13.06 million came from Galoc operations. In 2011, the company recorded petroleum revenue of US$24.00 million; US$21.74 million came from its share in the Galoc operation.

As of December 31, 2012 OPMC has twelve (12) employees, ten (10) executives and two (2) rank and file personnel. The Company is not expecting any change in the number of employees it presently employs. The Company has not entered into any Collective Bargaining Agreements (CBA).

It is a common knowledge in the industry that the major risk involved in the business of oil exploration, such as OPMC, is in the success of exploration ventures. The ratio of successful exploration is estimated to be 1 out of every 400 wells explored. The Company together with its partners in the various Service Contracts, conduct technical studies and evaluation of the areas believed to have oil reserves.

The major risk involved in the business of oil exploration and production is the risk that accidents may occur during operations. The Company together with its partners in various Service Contracts, continue to take precautionary measures to mitigate accidents, like oil spill. Platform personnel regularly attend safety trainings and seminars. Likewise, platforms are supplied with equipments like oil spill boom, in case oil spill happens. The Consortia, in which the Company is part of, maintain sufficient funds to cover emergencies and accidents, apart from the insurance coverage of each operation/platform.

The Company organized three (3) wholly owned subsidiaries:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

The Company was incorporated and started commercial operations on May 2, 1988 with the 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 the Company's manufacturing operations effective May 1, 1994 due to continued operating losses. The management has no definite future plans for the Company's operations.

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

The Company 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. The Parent Company continues to recognize revenues arising from the operations of the assigned working interest. However, all related capitalizable expenses on such working interest continue to be capitalized to the Company's assigned costs of such working interest. On the other hand, depletion of such costs is transferred to the Parent Company and shown as a reduction of the assigned costs.

c) ORIENTAL LAND CORPORATION (OLC)

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

Item 2. Properties

The principal properties of the Company consist of petroleum exploration areas in the Philippines, onshore and offshore.

Listed below are OPMC's exploration undertakings through a consortium effort with the Department of Energy (DOE).

CONTRACT	LOCATION	Expiration Date	OPMC Share (%)
SC 6B (Bonita)	NW Palawan	February 28, 2024	14.063
SC 14A (Nido)	NW Palawan	December 17, 2025	42.941
SC 14B (Matinloc)	NW Palawan	December 17, 2025	17.703
SC 14B1 (N. Matinloc)	NW Palawan	December 17, 2025	27.772
SC14C (West Linapacan)	NW Palawan	December 17, 2025	7.752
SC14C (Galoc)	NW Palawan	December 17, 2025	7.785
SC 14D	NW Palawan	December 17, 2025	20.829

Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Principal market or markets where the registrant's common equity is traded:

- OPMC shares are actively traded in the Philippine Stock Exchange.

STOCK PRICES (in pesos)	CLASS A High	CLASS A Low	CLASS B High	CLASS B Low
2013				
First Quarter	.0240	.0200	.0250	.0200
2012				
First Quarter	.0320	.0170	.0330	.0180
Second Quarter	.0250	.0160	.0250	.0170
Third Quarter	.0190	.0170	.0210	.0180
Fourth Quarter	.0200	.0180	.0210	.0190
2011				
First Quarter	.0140	.0120	.0150	.0130
Second Quarter	.0160	.0120	.0170	.0130
Third Quarter	.0190	.0130	.0190	.0140
Fourth Quarter	.0190	.0150	.0190	.0160

VOLUME (in billion shares)	CLASS A	CLASS B
2013		
First Quarter	11.717	2.992
2012		
First Quarter	51.193	14.210
Second Quarter	15.792	2.660
Third Quarter	4.501	1.152
Fourth Quarter	6.436	1.373
2011		
First Quarter	2.706	1.054
Second Quarter	8.438	1.949
Third Quarter	14.303	3.417
Fourth Quarter	6.349	2.850

The Company has not declared any cash or stock dividends in the last two (2) years (2012 and 2011).

As of April 30, 2013, there are approximately **12,078** stockholders both for Class "A" and "B" shares. The top 20 stockholders are:

STOCKHOLDERS		Number of Shares Held	% to Total
1. PCD NOMINEE CORPORATION		82,789,029,378	41.395
2. CONSOLIDATED ROBINA CAPITAL CORP.		37,051,952,896	18.526
3. R. COYIUTO SECURITIES, INC.		21,651,106,503	10.826
4. PRUDENTIAL GUARANTEE & ASSURANCE, INC.		13,456,898,349	6.728
5. PCD NOMINEE CORPORATION (NON-FILIPINO)		2,999,459,509	1.500
6. J.G. SUMMIT HOLDINGS, INC.		1,756,248,841	0.878
7. F & J PRINCE HOLDINGS CORP.		1,260,888,642	0.630
8. PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION		1,129,545,907	0.565
9. PHIL. COMMUNICATIONS SATELLITE CORP.		1,111,496,010	0.556
10. PAULINO G. PE		935,000,000	0.468
11. GIBRALTAR INTERNATIONAL HOLDINGS, INC.		832,833,547	0.416
12. DAVID GO SECURITIES CORP.		698,258,201	0.349
13. MARGARET S. CHUA CHIACO		663,400,000	0.332
14. TIONG KENG CHING		622,512,998	0.311
15. VICTORIA DUCA		611,236,533	0.306
16. ROBERT COYIUTO, JR.		565,664,986	0.283
17. JAMES UY, INC.		471,843,600	0.236
18. ERNESSON S. CHUA CHIACO		441,600,000	0.221
19. GENEVIEVE S. CHUA CHIACO		441,600,000	0.221
20. R. NUBLA SECURITIES, INC.		389,528,267	0.195
		169,880,104,167	84.940
	OTHERS	30,119,895,833	15.060
	TOTAL	**200,000,000,000**	**100.000**

Description of Registrant's Securities

Common Stock - all shares of stock of the Company 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 to Filipino citizens or foreigners.

Recent Sales of Unregistered or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction. All shares of the Company are listed on the Philippine Stock Exchange.

Item 6. Management's Discussion and Analysis or Plan of Operation

At the end of calendar year 2012, Nido and Matinloc Oilfields had a combined crude oil production of 155,178 barrels, slightly higher than last year's 142,042 barrels. Galoc Oil Field on the other hand, produced a total of 1,445,229 barrels, a decrease of around 32.6% or 698,393 barrels from 2011 production mainly attributable to non-production in the 1st quarter of the year due to upgrading of the FPSO.

The Company has no plans to purchase or to sell any plant and / or significant equipment nor does it expect any significant change in the number of employees for the next 12 months.

Results of Operations

2012 vs. 2011

The Company posted Petroleum Revenues of US$15.36 million at the end of 2012; 36% lower than last year's US$24.00 million. The decrease was mainly due to non-production in Galoc in the first quarter of 2012 due to upgrading of the FPSO.

For 2012, the company's share in Galoc operations amounted to US$13.06 million, 40% lower than last year's US$21.74 million. Crude oil production in Galoc dropped from 2,143,622 barrels in 2011 to 1,445,229 barrels in 2012 due to the upgrade in FPSO which required shutting-in of production during the 1st quarter of 2012. Average crude oil price per barrel reached US$113.89/bbl in 2012 slightly higher than US$111.78/bbl in 2011.

Nido/Matinloc operations contributed US$ 2.30 million in petroleum revenues, slightly higher than last year's US$2.26 million.

Petroleum production costs amounted to US$6.02 million in 2012. This was 23% lower than last year's US$7.79 million due to the decrease in operating expenses particularly in Galoc operations due to the decrease in FPSO lease rates as it underwent upgrading during the first 3 months of the year.

Depletion and depreciation expense reached US$3.21 million for 2012, 61% lower than last year due to the decrease in crude oil production in the Galoc oilfield. Total production in Galoc for 2012 totaled 1,445,229 barrels, or a decrease of 33% from crude oil production in 2011.

Other income (expenses)-net totaled US$2.63 million in 2012 as against US$1.06 million in 2011. The increase of 148% was attributable to the increase in dividends income from investments and income from the sale of AFS securities.

2011 vs. 2010

For the year 2011, the Company recorded Petroleum Revenues at US$24.00 million, US$6.86 million higher than 2010's petroleum revenues of US$17.14 million.

The Company's petroleum revenues came mainly from its share in Galoc Operations amounting to US$21.74 million, 44% higher than last year's US$15.05 million. This increase was mainly due to the increase in average crude oil prices from US$82.06/bbl. in 2010 to US$111.78/bbl. in 2011.

In addition, Nido/Matinloc operations contributed US$ 2.26 million in petroleum revenues, 8% higher than last year's US$2.09 million. This positive variance was due to higher crude oil prices, from an average price of US$73.48/bbl. in 2010 to US$97.38/bbl. in 2011.

Both operations were based on Dubai Crude Oil Price; however, Galoc prices were more flexible in terms of price premiums due to higher volume.

Petroleum production costs totaled US$7.79 million in 2011. This was 37% higher than last year's US$5.67 million due to the increase in operating expenses particularly in Galoc operations which includes FPSO lease, fuel costs, management fees, fixed wing expenses among others.

Depletion and depreciation expense amounted to US$8.32 million for 2011, 4% lower than last year due to slightly lower crude oil production this year.

Other income (expenses)-net totaled US$1.06 million in 2011 as against US$0.79 million in 2010. The increase of 34% was mainly due to the increase in interest income from money market placements.

2010 vs. 2009

Petroleum revenues for the year ended December 31, 2010 amounted to US$ 17.14 million, an increase of US$11.62 million from last year's petroleum revenue of US$5.52 million.

The Company's petroleum revenues came mainly from its share in Galoc Operations amounting to US$15.05 million. This amount was US$11.36 million higher compared to last year's US$3.69 million share. The increase in crude oil prices (US$82.06/bbl. in 2010 vs. US$74.11/bbl. in 2009) contributed to the increase in revenues.

As for the Nido/Matinloc operations, it contributed US$ 2.09 million in revenues, 13% higher than last year's US$1.84 million. This positive variance was due to higher crude oil prices, from an average price of US$67.30/bbl. in 2009 to US$73.48/bbl. in 2010.

Crude oil prices are different between Galoc and Nido/Matinloc operations because the customers of each are different. Also, Galoc can command a better price since it can deliver a better volume as compared to Nido/Matinloc (325,000 barrels per delivery vs. 14,500 barrels per delivery).

Petroleum production costs for 2010 reached US$5.67 million, 127% higher than last year's US$2.50 million. The increase pertains mainly to the increase in operating expenses particularly in Galoc operations which includes FPSO lease, fuel costs, management fees, fixed wing expenses among others.

Depletion and depreciation expense amounted to US$8.69 million for 2010. This represents mainly depletion in the Galoc oilfield as a result of higher crude oil production.

Other income (expenses)-net totaled US$0.79 million in 2010 as against US$0.68 million in 2009. The increase of 29% was mainly due to the increase in interest income from money market placements.

Financial Position

2012

For the year ended December 31, 2012, the Company has consolidated assets of US$74.61 million, 15% higher than last year's US$65.07 million.

Cash and cash equivalents at the end of 2012 reached US$37.09 million, 12% higher than last year's US$33.04 million. An increase of around US$4.05 million was mainly due to dividends from the company's investments, mainly in preferred shares and the sale of AFS securities.

Accounts Receivable amounted to US$4.91 million which 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.

Crude oil inventory at year-end totaled US$4.02 million represents the Company's share in crude oil produced but not yet delivered as of year-end.

Available-for-sale equity Securities reached US$9.60 million at the end of 2012, 40% higher than last year's US$6.84 million. The Company continued to increase its portfolio mainly in preferred shares during the year thus the increase in this account.

Property and Equipment at the end of 2012 amounted to US$18.42 million as against last year's US$19.57 million. The net decrease of US$1.15 million was a result from an additional Capex of around US$2.06 for the Company's share in Galoc Phase-II and a deduction of US$3.21 million representing depletion and depreciation for 2012.

Accounts Payable and Accrued Expenses at the end of the year amounted to US$0.61 million.

2011

As of December 31, 2011, the Company has consolidated assets amounting to US$65.07 million, 15% higher than last year's US$56.52 million.

Cash and cash equivalents as of December 31, 2011 reached US$33.04 million, US$14.58 million higher than last year's US$18.46 million. This increase of about 79% was attributable mainly to increased cash flows from Petroleum Operations as well as increased in interest income from money market placements

Accounts Receivable totaled US$5.06 million at the end of 2011 which 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. The Consortiums have a 30-day term with its buyers, thus this account consists mainly of December deliveries.

As of end 2011, there had been no Crude oil inventory recorded as deliveries were made towards the end of the year. Also, Galoc had commenced its Turret Project thus operations were discontinued.

Available-for-sale equity Securities totaled US$6.84 million at the end of 2011, 28% higher than last year's US$5.36 million. The Company had increased its investment in preferred shares thus explains the increase in this account.

Property and Equipment at the end of 2011 amounted to US$19.57 million as against 2010 balance of US$27.88 million. The decrease of US$8.31 million represents depletion and depreciation.

As at the end of 2011, the Company posted US$0.59 million in Accounts Payable and Accrued Expenses.

2010

As of December 31, 2010, the Company has consolidated assets of US$56.52 million, an increase of US$1.46 million from last year's consolidated assets of US$55.06 million.

Cash and cash equivalents as of December 31, 2010 totaled US$18.46 million as against US$2.02 million last year. An increase of US$16.44 million was mainly due to cash flows from Galoc Operations as discussed above (see Results of Operations 2010 vs. 2009).

Accounts Receivable as of December 31, 2010 amounting to US$1.57 million 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. The Consortiums have a 30-day term with its buyers, thus this account consists mainly of December deliveries.

Crude oil inventory amounting to US$2.68 million represents the Company's share in oil produced and in tank as of December 31, 2010. Of this amount, US$2.50 million represents the Company's share in Galoc crude oil while the remaining US$0.18 million pertains to the Company's share in Nido/Matinloc crude oil.

Due from a related party had already been paid as of December 31, 2010 thus explains the zero balance.

As at the end of 2010, the Company recorded Available-for-sale equity Securities of US$5.36 million as against US$4.88 million in 2009. The increase refers mainly to the increase in price per share of securities held by the Company.

Property and Equipment at the end of 2010 amounted to US$27.88 million as against 2009 balance of US$36.57 million. The decrease of US$8.69 million represents depletion and depreciation.

The company wrote-off its share in SC-41 South Sulu Sea amounting to US$2.15 million due to the expiration of the service contract. This brings the deferred oil exploration and development account to US$0.56 million as of December 31, 2010.

Accounts Payable and Accrued Expenses at the end of 2010 amounted to US$0.57 million as against US$1.10 million in 2009. The decrease pertains mainly to the 2009 payable to Galoc operator which was already paid in January 2010.

The causes for material changes (5% or more) of December 31, 2012 figures as compared to December 31, 2011 figures of the following accounts are:

Accounts	December 31, 2012	December 31, 2011	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	37,087,816	33,036,104	4,051,712	12%	Increase refers to dividends received from investments and gain on sale of AFS securities.
Accounts Receivable	4,910,828	5,057,121	(146,293)	(3%)	Decrease pertains to lower crude oil volume sold and delivered.
Crude Oil Inventory	4,015,810	-	4,015,810	100%	Represents the company's share in crude oil produced but not yet delivered at year end.
Available – for Sale Securities	9,596,977	6,836,182	2,760,795	40%	Increase refers to additional investments made during the year.
Property, plant and equipment	18,422,696	19,568,646	(1,145,950)	(6%)	Please refer to the discussion under Financial Position on page 11.
Pension Liability	302,083	257,569	44,514	17%	Increase refers to accrual of pension liability recognized for the year 2012.
Income Statement					
Revenues from Petroleum Operations	15,355,795	24,003,972	(8,648,177)	(36%)	Decrease in petroleum revenues can be attributed to the decrease in crude oil production as discussed in the Results of Operations above (page 9).
Petroleum Production Costs	6,016,007	7,794,239	(1,778,232)	(23%)	Please see discussion above under Result of Operations 2012 vs. 2011 (page 9).
Depletion, depreciation and amortization	3,214,073	8,316,902	(5,102,829)	(61%)	Decrease refers to the decline in crude oil production due to shutting-in of Galoc oilfield during the 1st quarter of 2012.
Interest and Other Income (expenses) – net	2,634,257	1,062,122	270,157	148%	Increase refers mainly to increase in dividend income from investments and gain on sale of AFS securities.

I. Key Performance Indicators

	2012	2011	2010
Current Ratio	**72.15**	64.62	40.09
Net Working Capital Ratio	**0.61**	0.58	0.39
Return on Assets	**8.15%**	12.27%	0.53%
Return on Equity	**14.49%**	15.10%	6.48%
Ratio of Debt-to-Equity	**0.04**	0.05	0.07

Figures are based on Audited 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.

II. The Company has no knowledge of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

IV. There are no significant Capital expenditures during the reporting period.

V. There are no significant elements of income or loss that did not arise from the Company's continuing operations.

VI. There are no seasonal aspects that had a material effect on the Company's financial condition or results of operation.

Item 7. Financial Statement

The Audited Consolidated Financial Statements are filed as part of this report.

Item 8. Information on Independent Accountant and other Related Matters

1. External Audit Fees and Services
    a. Audit and Audit-Related Fees

    Our external auditor, SGV & Co. has billed the Company a total audit fee of US$17,190.74 for the last two (2) fiscal years, 2012 and 2011, for the audit of the Company's annual financial statements in connection with statutory and regulatory filings for the last two (2) fiscal years.

    Aside from the abovementioned service by the external auditor, there had been no other services that was requested from and performed by the external auditor.

b. Tax Fees

The Company had not contracted the external auditor for services related to tax accounting, compliance, advice, planning and any other form of tax services for the last two (2) fiscal years.

c. All Other Fees

The Company had not contracted the external auditor for product and services other than the services reported under items (a) and (b) above for the last two (2) fiscal years.

d. The audit committee's approval policies and procedures for the above services

The stockholders of the Company elect the external auditor during the Annual Stockholders Meeting. The audit committee evaluates and approves audit plans, programs, scope and frequency submitted by the external auditor.

2. Changes and Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9. Directors And Executive Officers Of The Registrant

The names and ages of directors and executive officers of the Company are as follows:

Directors

Director, Chairman and Chief Executive Officer	James L. Go	Filipino	73
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	Filipino	61
Director	John Gokongwei, Jr.	Filipino	86
Director	Lance Y. Gokongwei	Filipino	46
Director	Antonio Go	Filipino	72
Director	Miguel R. Coyiuto	Filipino	52
Director	Amparo V. Barcelon	Filipino	90
Director	James Coyiuto	Filipino	59
Director	Ricardo Balbido, Jr.	Filipino	62

Director,	Gabriel Singson	Filipino	83
Director, Assistant Corporate Secretary	Perry L. Pe	Filipino	52

Executive Officers

SVP- Operations and Administration	Apollo P. Madrid	Filipino	72
SVP – Legal and Corporate Secretary	Ethelwoldo E. Fernandez	Filipino	84
Chief Financial Officer/Treasurer	Jeanette U. Yu	Filipino	60

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of the Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until successor shall have been elected, appointed or shall have qualified.

The independent directors of the Company are elected according to SRC Rule 38 – *Independent Directors.*

A brief discussion of the directors' and executive officers' business experience and other directorships held in other reporting companies can be found in page 7-11 above.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the directors and officers has been involved in any bankruptcy proceeding in the past five (5) years nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limited their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

Significant Employees

There are no persons who are not executive officers of the Corporation who are expected by the Corporation to make significant contribution to the business.

Item 10. Executive Compensation

Summary of annual compensation of Executive Officers (in thousand US$)

	Projected 2013	ACTUAL 2012	2011
a) CEO & 4 most highly compensated James L. Go – Chairman/CEO Robert Coyiuto, Jr.– President/COO Apollo P. Madrid – SVP Operations Jeanette U. Yu – Treasurer / CFO Ethelwoldo Fernandez – Corp. Secretary	162.05	155.09	136.31
b) All officers as a group	220.36	195.88	173.22

c) Compensation of Directors

For 2012, the Company paid a total of US$38,820.87 to its Directors.

d) Standard Arrangements

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as director for the last completed fiscal year and ensuing year.

e) Other Arrangements

There are no other arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as director for the last completed fiscal year and ensuing year.

f) There are no employment contracts between the registrant and any of its executive officer.

g) There are no compensatory plan or arrangement, including payments to be received from the registrant, with respect to any executive officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with the registrant and its subsidiaries or from a change in control of the registrant or a change in any executive officer's responsibilities following a change in control and the amount involved, including all periodic payments or installments, which exceeds P2,500,000.

Item 11. Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of April 30, 2013 were as follows:

Class	Name and Address of Record Owner and relationship with the Issuer	Names of Beneficial Owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total
Common	PCD Nominee Corporation[a] 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo de Roxas (stockholder)	PCD Participants & their clients (see note a)	Filipino	82,789,029,378	41.39%
Common	Consolidated Robina Capital Corp.[b] 29/F Galleria Corporate Center Edsa Corner Ortigas Avenue (stockholder)	same as record owner (see note b)	Filipino	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.[c] 5th. Flr., Corinthian Plaza Paseo de Roxas, Makati City (stockholder)	same as record owner (see note c)	Filipino	21,651,206,503	10.83%
Common	Prudential Guarantee & Assurance Inc. [d] 119C Palanca St. Legaspi Village, Makati City (stockholder)	same as record owner (see note d)	Filipino	13,456,898,349	6.73%

Notes:

e. PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCDI"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCDI's participants, who hold the shares on their behalf, and their clients. PCDI is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

f. Consolidated Robina Capital Corporation is a 100% subsidiary of JG Summit Holdings, Inc. (JGSHI). OPMC and JGSHI share the following common directors: Mr. John Gokongwei, Jr., Mr. James L. Go, Mr. Lance Gokongwei and Gov.Gabriel Singson.
   - Any one of the following directors of the Company is authorized to vote: Messrs., John Gokongwei, Jr., James Go, Lance Gokongwei.
   - Indirect ownership of Mr. John Gokongwei, Jr. is 1 share, Mr. James Go is 2 shares and Mr. Lance Gokongwei is 3 shares. Mr. Gabriel Singson has no indirect ownership in CRCC.

g. R. Coyiuto Securities, Inc. is majority-owned by Mrs. Rosie Coyiuto, wife of Mr. Robert Coyiuto, Jr. Mr. Coyiuto is the President and COO of Oriental Petroleum and Minerals Corp.
   - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Philip K. Rico, Samuel Coyiuto, and James Coyiuto.
   - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.

h. Prudential Guarantee and Assurance, Inc. is majority owned by Coyiuto brothers.
   - Mr. Robert Coyiuto, Jr. is authorized to vote.
   - Indirect ownership of Mr. Robert Coyiuto, Jr. is 1,316,729 shares and Mr. James Coyiuto is 413,012 shares. Mr. Miguel Coyiuto has no indirect ownership in Prudential Guarantee and Assurance, Inc.

Security Ownership of Management as of April 30, 2013

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (Direct)	Citizenship	% to Total Outstanding
D. Named Executive Officers[2]				
Common	James L. Go*	1	Filipino	**
Common	Robert Coyiuto, Jr.*	565,664,986	Filipino	0.2828%
Common	Apollo P. Madrid*	1,812,766	Filipino	0.0009%
Common	Ethelwoldo E. Fernandez*	604,787	Filipino	0.0003%
	Sub-total	568,082,540		0.2840%
E. Other Directors and Executive Officers				
Common	John L. Gokongwei, Jr.	107,001	Filipino	0.0001%
Common	Amparo V. Barcelon	964,213	Filipino	0.0005%
Common	Antonio Go	1	Filipino	**
Common	Miguel R. Coyiuto	101,595	Filipino	0.0001%
Common	Lance Y. Gokongwei	1	Filipino	**
Common	Perry L. Pe*	513,621	Filipino	0.0003%
Common	Gabriel Singson	1	Filipino	**
Common	Ricardo Balbido, Jr.	100,000	Filipino	0.0001%
Common	James Coyiuto	1	Filipino	**
	Sub-total	1,786,434		0.0011%
F. All directors and executive officers as a group unnamed		569,868,974		0.2851%

Shares owned by Foreigners

As of April 30, 2013, a total of 4,027,578,022 shares or about 2.014% of the total issued and outstanding shares are owned by foreigners.

Voting Trust holders of 5% or More

There are no persons holding more than 5% or a class under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the registrant since the beginning of its calendar year.

[2] Chief Executive Officer and three (3) among the four (4) most highly compensated executive officers as of April 30, 2013.
*Company's executive officers; **less than 0.0001%

Item 12. Certain Relationships and Related Transactions

There had been no material transactions during the last two years, nor is any material transaction presently proposed, to which the Company was or is to be a party, in which any director or executive officer of the Company or owner of more than 10% of the Company's voting securities, any relative or spouse of any such director or officer who shares the home of such director or executive officer or owner or more than 10% of the Company's voting securities, is involved.

Related Party Transactions as disclosed in the Annual Audited Financial Statements follow:

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.

At the end of 2012, 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.

PART IV. CORPORATE GOVERNANCE

The level of compliance of the Corporation to the provisions of the Corporate Governance Manual was reported and explained in the Corporate Governance Self-Rating Form submitted by the Corporation to the Securities and Exchange Commission (SEC). Deviations from the provisions of the Corporate Governance Manual were also set out in the said form submitted to the SEC.

SIGNATURES

Pursuant to the requirements of Section17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of ________________ on April __________, 2013.

By:

James L. Go
Chairman of the Board
& Chief Executive Officer

Robert Coyiuto, Jr.
President &
Chief Operating Officer

Ethelwoldo E. Fernandez
Corporate Secretary

Jeanette U. Yu
Treasurer & Chief Finance Officer

Subscribed and sworn to before me this _______ day of April 2013, affiants executed to me their Community Tax Certificates (CTC) / Passport as follows:

Name	CTC / Passport No.	Date of Issue	Place of Issue
James L. Go	01722722	January 14, 2013	Pasig City
Robert Coyiuto, Jr.	08939205	January 19, 2013	Manila
Ethelwoldo E. Fernandez	12231457	February 8, 2013	Taytay, Rizal
Jeanette U. Yu	EB0786448	August 17, 2010	DFA, Manila

ORIENTAL PETROLEUM AND MINERALS CORPORATION
34th. Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City
☎: 633-7631 to 40, 637-1670 to 79 Extensions 277, 278, 279, 280, 281 • 🖷: 395-2586

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ORIENTAL PETROLEUM AND MINERALS CORPORATION is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SGV & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

for:

JAMES L. GO
Chairman of the Board / Chief Executive Officer

for:

ROBERT COYIUTO, JR.
President / Chief Operating Officer

JEANETTE U. YU
Treasurer / Chief Financial Officer

SUBSCRIBED and SWORN TO BEFORE ME THIS 22nd DAY OF MAY 2013 AT PASIG CITY.

DOC. NO. 160
PAGE NO. 33
BOOK NO. IX
SERIES 7 2013

ATTY. ROMUALD C. PADILLA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
ROLL NO. 54298
PTR NO. 8431609 - 01-08-13 - PASIG
IBP NO. 923035 - 01-08-13 - RSM
TIN 170-266-059
40/F Robinsons-Equitable Tower
ADB Ave. cor. Poveda Road
Ortigas Center, Pasig City (02-3952581)

Oriental Petroleum and Minerals Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2012 and 2011
and Years Ended December 31, 2012, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Oriental Petroleum and Minerals Corporation

We have audited the accompanying consolidated financial statements of Oriental Petroleum and Minerals Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Oriental Petroleum and Minerals Corporation and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which discusses the suspension of the production activities in the West Linapacan Oilfield. Among the other operations of the Group, 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.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670033, January 2, 2013, Makati City

April 22, 2013

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In U.S. Dollars)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 19 and 20)	**$37,087,816**	$33,036,104
Receivables (Notes 7, 8 and 20)	**4,910,828**	5,057,121
Crude oil inventory (Note 3)	**4,015,810**	–
Other current assets	**10,331**	10,042
Total Current Assets	**46,024,785**	38,103,267
Noncurrent Assets		
Available-for-sale investments (Notes 9 and 20)	**9,596,977**	6,836,182
Property and equipment (Notes 8 and 10)	**18,422,696**	19,568,646
Deferred exploration costs (Notes 8 and 11)	**562,201**	559,332
Other noncurrent assets	**1,217**	1,140
Total Noncurrent Assets	**28,583,091**	26,965,300
	$74,607,876	$65,068,567
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12 and 20)	**$611,030**	$587,829
Income tax payable	**26,861**	1,840
Total Current Liabilities	**637,891**	589,669
Noncurrent Liabilities		
Pension liability (Note 16)	**302,083**	257,569
Deferred tax liability (Note 17)	**2,009,352**	2,538,583
Total Noncurrent Liabilities	**2,311,435**	2,796,152
	2,949,326	3,385,821
Equity		
Capital stock (Note 13)	**82,268,978**	82,268,978
Subscriptions receivable (Note 13)	**(374,252)**	(374,252)
Capital in excess of par value (Note 13)	**3,650,477**	3,650,477
Deficit	**(14,804,731)**	(24,462,367)
Reserve for fluctuation in value of available-for-sale investments (Note 9)	**931,803**	612,149
Cumulative translation adjustment	**(13,725)**	(12,239)
Total Equity	**71,658,550**	61,682,746
	$74,607,876	$65,068,567

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2012	2011	2010
REVENUE FROM PETROLEUM OPERATIONS (Note 8)	**$15,355,795**	$24,003,972	$17,140,483
PETROLEUM PRODUCTION COSTS (Note 8)	**6,016,007**	7,794,239	5,673,112
GROSS PROFIT	**9,339,788**	16,209,733	11,467,371
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**3,214,073**	8,316,902	8,693,959
General and administrative expenses (Note 14)	**434,549**	434,876	325,114
Unrealized foreign exchange losses (gains)	**(931,729)**	38,886	(791,387)
Interest income (Notes 6 and 19)	**(782,681)**	(626,415)	(377,720)
Deferred exploration cost written off (Note 11)	**–**	–	2,150,712
Other income (Note 15)	**(1,851,576)**	(435,707)	(414,245)
	82,636	7,728,542	9,586,433
INCOME BEFORE INCOME TAX	**9,257,152**	8,481,191	1,880,938
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	**128,747**	90,458	10,547
Deferred	**(529,231)**	(261,228)	(1,444,260)
	(400,484)	(170,770)	(1,433,713)
NET INCOME	**$9,657,636**	$8,651,961	$3,314,651
Basic/Diluted Earnings Per Share (Note 18)	**$0.000048**	$0.000043	$0.000017

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2012	2011	2010
NET INCOME	**$9,657,636**	$8,651,961	$3,314,651
OTHER COMPREHENSIVE INCOME (LOSS)			
Movement in reserve for fluctuation in value of available-for-sale investments (Note 9)	**319,654**	109,432	189,653
Changes in cumulative translation adjustment	**(1,486)**	–	(1,118)
	318,168	109,432	188,535
TOTAL COMPREHENSIVE INCOME	**$9,975,804**	$8,761,393	$3,503,186

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Deficit	Reserve for Fluctuation in value of Available-for-Sale Investments (Note 9)	Cumulative Translation Adjustment	Total
			For the Year Ended December 31, 2012				
Balances at beginning of year	**$82,268,978**	**($374,252)**	**$3,650,477**	**($24,462,367)**	**$612,149**	**($12,239)**	**$61,682,746**
Net income	**–**	**–**	**–**	**9,657,636**	**–**	**–**	**9,657,636**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**319,654**	**(1,486)**	**318,168**
Total comprehensive income (loss)	**–**	**–**	**–**	**9,657,636**	**319,654**	**(1,486)**	**9,975,804**
Balances at end of year	**$82,268,978**	**($374,252)**	**$3,650,477**	**($14,804,731)**	**$931,803**	**($13,725)**	**$71,658,550**
			For the Year Ended December 31, 2011				
Balances at beginning of year	$82,268,978	($374,252)	$3,650,477	($33,114,328)	$502,717	($12,239)	$52,921,353
Net income	–	–	–	8,651,961	–	–	8,651,961
Other comprehensive income	–	–	–	–	109,432	–	109,432
Total comprehensive income	–	–	–	8,651,961	109,432	–	8,761,393
Balances at end of year	$82,268,978	($374,252)	$3,650,477	($24,462,367)	$612,149	($12,239)	$61,682,746
			For the Year Ended December 31, 2010				
Balances at beginning of year	$82,268,978	($374,252)	$3,650,477	($36,428,979)	$313,064	($11,121)	$49,418,167
Net income	–	–	–	3,314,651	–	–	3,314,651
Other comprehensive income (loss)	–	–	–	–	189,653	(1,118)	188,535
Total comprehensive income (loss)	–	–	–	3,314,651	189,653	(1,118)	3,503,186
Balances at end of year	$82,268,978	($374,252)	$3,650,477	($33,114,328)	$502,717	($12,239)	$52,921,353

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$9,257,152**	$8,481,191	$1,880,938
Adjustments for:			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**3,214,073**	8,316,902	8,693,959
Movement in pension liability (Note 16)	**26,248**	26,792	(56,041)
Gain on disposal of available-for-sale investments (Notes 9 and 15)	**(1,251,587)**	–	–
Unrealized foreign exchange loss (gain)	**(931,729)**	38,886	(791,387)
Interest income (Notes 6 and 19)	**(782,681)**	(626,415)	(377,720)
Dividend income (Note 15)	**(599,989)**	(435,707)	(412,082)
Cumulative translation adjustment	**(1,486)**	–	(1,118)
Deferred exploration cost written-off (Note 11)	**–**	–	2,150,712
Gain on disposal of property and equipment (Notes 10 and 15)	**–**	–	(2,163)
Operating income before working capital changes	**8,930,001**	15,801,649	11,085,098
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**174,426**	(3,489,525)	117,059
Crude oil inventory	**(4,015,810)**	2,683,659	(2,132,431)
Other current assets	**(289)**	(36)	151
Other noncurrent assets	**–**	–	(58)
Decrease in accounts and other payables	**(5,309)**	(1,516)	(532,065)
Net cash flows generated from operations	**5,083,019**	14,994,231	8,537,754
Income tax paid	**(103,726)**	(88,618)	(17,865)
Net cash flows provided by operating activities	**4,979,293**	14,905,613	8,519,889
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments (Note 9)	**1,915,282**	–	–
Interest received	**754,548**	626,415	377,720
Dividends received (Note 15)	**599,989**	435,707	412,082
Acquisitions of available-for-sale investments (Note 9)	**(2,585,659)**	(1,393,349)	(17,647)
Acquisitions of property and equipment (Note 10)	**(2,068,123)**	(4,585)	(4,231)
Additions to deferred exploration costs (Note 11)	**(2,869)**	(1,600)	–
Decrease in amounts due from a related party	–	–	7,081,192
Proceeds from sale of property and equipment	–	–	2,163
Net cash flows provided by (used in) investing activities	**(1,386,832)**	(337,412)	7,851,279

(Forward)

	Years Ended December 31		
	2012	2011	2010
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**$459,251**	$8,163	$64,039
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,051,712**	14,576,364	16,435,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**33,036,104**	18,459,740	2,024,533
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$37,087,816**	$33,036,104	$18,459,740

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. Dollars)

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 was incorporated on December 22, 1969.

The Parent Company's principal office is located at 40th 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.

In 2012 and 2011, production activities continued 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, 2012 and 2011, 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%).

<u>Extended Production Test (EPT) Agreement</u>
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.

As of December 31, 2012, the Group has funded \$0.49 million of its share in the decommissioning liability.

The DA shall terminate when SC 14 terminates.

SC 14C - 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 of the farming-out parties/farmors. The farming-out parties / Farmors are carried 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 December 31, 2012 and 2011, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	2012	2011
	(In Percentage)	
SC 14 (Northwest Palawan)		
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**	7.572
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 Group, 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 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 consolidated financial statements, have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and crude oil inventory that have been measured at fair value.

The 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.

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

Basis of Consolidation
The 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. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2012. Except as otherwise indicated, the adoption of the new and amended standards, as well as the Philippine Interpretations, did not have any effect on the financial statements of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. As the Group does not have investment properties and property and equipment measured using the fair value model and revaluation model, respectively, the amendment has no impact on the conosolidated financial statements of the Group.

<u>Standards Issued but not yet Effective</u>
Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments to standards and improvements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective in 2013

- 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 to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. 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 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

  A reassessment of control was performed by the Group on all its interests in other entities and has determined that there are no additional entities that need to be consolidated or entities to be deconsolidated.

- 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's consolidated 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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- 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 Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has insignificant impact on its accounting for retirement benefits.

- PAS 27, *Separate Financial Statements* (Revised)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (Revised)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, 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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset").

  The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Group expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- 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 financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9*, Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, 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 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 into PFRS 9, including the embedded derivative 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 consolidated financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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 careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2012 annual financial reporting. Therefore, these consolidated financial statements do not reflect the impact of the said standard.

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. 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.

Annual Improvements of PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

- 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.

4. Summary of Significant Accounting Policies

Revenue Recognition

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.

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

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.

Determination of fair value
The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

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 December 31, 2012 and 2011, 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.

The Group's loans and receivables include cash in banks and cash equivalents and receivables.

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.

As of December 31, 2012 and 2011, the Group has available-for-sale investments amounting to $9.60 million and $6.84 million, respectively.

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.

The Group's other financial liabilities include accounts and other payables.

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 earn 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 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 theProperty 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
The Group assesses at each reporting date whether there is an indication that the Group's property and equipment and deferred exploration costs 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 represents shares subscribed but not fully paid.

Deficit
Deficit represents accumulated losses of the Group and with consideration of any changes in accounting policies and errors applied retrospectively.

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).

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.

<u>Income Taxes</u>
Current income tax
Current income 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 income tax
Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 income 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 income 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.

Pension Expense

Pension expense is actuarially determined using the projected unit credit (PUC) method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Pension expense includes current service cost, interest cost, past service cost, actuarial gains and losses and the effect of any curtailment or settlement.

The net pension liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less any actuarial gains or losses not recognized. The defined benefit obligation is calculated annually by independent actuaries using the PUC method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative actuarial gains and losses at the end of the previous period exceed the 10% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in the consolidated statement of income, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Foreign Currency-denominated Transactions and Translations

The consolidated financial statements are presented in U.S. Dollar, which is the Parent'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 statements 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.

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.

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.

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 consolidated financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the amount reported in the 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 in estimates are reflected in the 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 consolidated financial statements.

Determination of functional currency
The entities within the Group determine the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The Parent Company's functional currency is the US Dollar. The functional currency of OMWI and OLC is Philippine Peso.

As of December 31, 2012 and 2011, the Group's cumulative translation adjustment amounted to ($13,725) million and ($12,239), respectively.

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. The classification of financial assets and financial liabilities of the Group are presented in Note 20.

Operating leases - Group as lessee
The Group has entered into property leases for its operations (Note 19). The Group has determined that the lessor retains all the significant risks and rewards of ownership of these properties that 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 (see Note 20).

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 income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

As of December 31, 2012 and 2011, the total carrying value of the Group's receivables amounted to $4.91 million and $5.06 million, respectively (see Note 7). No allowance for impairment was provided in 2012 and 2011.

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.

A net increase in market value of AFS investments amounting $0.32 million, $0.11 million and $0.19 million was recognized in 2012, 2011 and 2010, respectively. AFS investments amounted to $9.60 million and $6.84 million as of December 31, 2012 and 2011, respectively (see Note 9).

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.

Estimated proven oil reserves totaled 10.90 million barrels for Galoc oil field and 1.37 million for Nido oil field as of December 31, 2012 and 2011.

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 December 31, 2012 and 2011, the Group's property and equipment amounted to \$18.42 million and \$19.57 million, respectively. Depletion, depreciation and amortization expense amounted to \$3.21 million, \$8.32 million and \$8.69 million in 2012, 2011 and 2010, respectively (see Note 10).

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 consolidated financial statements.

The related balances follow:

	2012	2011
Property and equipment (Note 10)	**$18,422,696**	$19,568,646
Deferred exploration costs (Note 11)	**562,201**	559,332

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 FRS 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 $0.56 million as of December 31, 2012 and 2011 (see Note 11). No provision for impairment loss was recognized in 2012, 2011 and 2010.

In 2012 and 2011, the Group incurred additional $2,869 and $1,600, respectively for the training assistance that DOE has required for the 15 year period extension of SC 6.

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 (see Note 16).

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.

Pension liability amounted to $0.30 million and $0.26 million as of December 31, 2012 and 2011, respectively (see Note 16).

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.

As of December 31, 2012 and 2011, the Group has unrecognized deferred tax assets on temporary differences amounting $0.97 million and $1.27 million, respectively (see Note 17).

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 obligations for plug and abandonment costs. As of December 31, 2012 and 2011, the Group has not recognized any asset retirement obligation.

6. Cash and Cash Equivalents

	2012	2011
Petty cash fund	**$216**	$216
Cash in banks	**64,206**	42,501
Short-term deposits (Note 19)	**37,023,394**	32,993,387
	$37,087,816	$33,036,104

Cash in banks earn 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 ranging from 1.38% to 3.88% in 2012 and 1.56% to 4.75% in 2011.

Interest income earned on cash in banks and short-term deposits amounted to $0.78 million, $0.63 million, and $0.38 million in 2012, 2011 and 2010, respectively (see Note 19).

There are no cash restrictions on the Group's cash balance as of December 31, 2012 and 2011.

7. Receivables

	2012	2011
Due from operators (Note 8)	**$4,533,581**	$4,781,857
Trade receivables	**265,229**	191,379
Interest receivable	**78,293**	50,160
Dividend receivable	**33,725**	33,725
	$4,910,828	$5,057,121

"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 December 31, 2012 and 2011.

8. **Interest in Jointly Controlled Assets**

The Group's interests in the jointly controlled assets in the various SCs and GSECs, and any liabilities incurred jointly with the other venturers, as well as the related revenue and expenses of the venture, which are included in the consolidated financial statements, are as follows:

	2012	2011
Current assets:		
Receivables		
Due from operators (Note 7)	**$4,533,581**	$4,781,857
Noncurrent assets:		
Property and equipment (Note 10)		
Wells, platforms and other facilities	**71,347,034**	69,305,379
Less accumulated depletion, depreciation and amortization	**52,961,194**	49,749,526
Deferred exploration costs (Note 11)	**562,201**	559,332
	18,948,041	20,115,185
	$23,481,622	$24,897,042

	2012	2011	2010
Revenue from petroleum operations	**$15,355,795**	$24,003,972	$17,140,483
Cost of petroleum operations:			
Petroleum production costs	**6,016,007**	7,794,239	5,673,112
Depletion, depreciation and amortization expenses (Note 10)	**3,214,073**	8,316,902	8,693,959
	9,230,080	16,111,141	14,367,071
	$6,125,715	$7,892,831	$2,773,412

Details of the petroleum production costs are as follow:

	2012	2011	2010
Floating, production, storage and offloading	**$2,747,295**	$3,610,705	$3,113,211
Turret	**611,418**	543,580	119,040
Repairs and Maintenance	**609,597**	719,650	172,554
Supply Vessel	**525,771**	687,053	229,093
General and administrative - consortium	**524,292**	565,870	224,532
Helicopter Services	**411,213**	480,003	234,121
Insurance expenses	**173,679**	177,448	133,607
Freight costs	**141,813**	347,246	250,758
Static Tow Vessel	**104,994**	304,437	236,855

(Forward)

	2012	2011	2010
Operations Management	**$77,540**	$172,282	$390,725
Marketing Fees and Offtake costs	**42,390**	118,883	177,248
Logistics base	**12,092**	19,093	139,175
Others *	**33,913**	47,989	252,193
	$6,016,007	$7,794,239	$5,673,112

* *Others include miscellaneous expenses, utilities, postage and telephone charges.*

9. Available-for-Sale Investments

	2012	2011
Quoted shares - at fair value	**$9,558,662**	$6,800,305
Unquoted shares - at cost	**38,315**	35,877
	$9,596,977	$6,836,182

Movement in the reserve for flunctuation in value of AFS financial assets are as follow:

	2012	2011
Balance at the beginning of year	**$612,149**	$502,717
Unrealized gain during the year	**669,014**	109,432
Realized gain transferred to statements of income	**(349,360)**	–
Balance at end of year	**$931,803**	$612,149

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

	2012	2011
Balances at beginning of year	**$6,800,305**	$5,322,259
Additions	**2,585,659**	1,393,349
Disposals	**(1,013,054)**	–
Reserve for fluctuation in value of AFS investments	**669,014**	109,432
Unrealized foreign exchange gains (loss)	**516,738**	(24,735)
Balances at end of year	**$9,558,662**	$6,800,305

In May 2012, the Group purchased 1.00 million Series “G” preferred shares amounting to $2.32 million from a publicly listed entity. Also, the Group purchased additional 0.10 million preferred shares from another publicly listed entity amounting to $0.26 million in June 2012.

In October 2012, the Group sold its 984.12 million shares with an original cost of $0.66 million for $1.92 million, realizing a gain on sale of $1.25 million (see Note 15). As of December 31, 2011, the fair value of the shares disposed amounted to $1.01 million.

The carrying values of unquoted shares - at cost have been determined as follows:

	2012	2011
Balances at beginning of year	**$35,877**	$35,877
Unrealized foreign exchange gains (losses)	**2,438**	–
Balances at end of year	**$38,315**	$35,877

10. **Property and Equipment**

The rollforward analyses of this account follow:

	2012			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
Balances at beginning of year	**$69,305,379**	**$167,373**	**$43,158**	**$69,515,910**
Additions	**2,041,655**	**26,468**	**–**	**2,068,123**
Balances at end of year	**71,347,034**	**193,841**	**43,158**	**71,584,033**
Accumulated Depletion, Depreciation and Amortization				
Balance at beginning of year	**49,749,526**	**167,373**	**30,365**	**49,947,264**
Depletion, depreciation and amortization (Note 8)	**3,211,668**	**1,389**	**1,016**	**3,214,073**
Balance at end of year	**52,961,194**	**168,762**	**31,381**	**53,161,337**
Net Book Values	**$18,385,840**	**$25,079**	**$11,777**	**$18,422,696**

	2011			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
Balances at beginning of year	$69,305,379	$167,373	$38,573	$69,511,325
Additions	–	–	4,585	4,585
Balances at end of year	69,305,379	167,373	43,158	69,515,910
Accumulated Depletion, Depreciation and Amortization				
Balances at beginning of year	41,435,766	167,373	27,223	41,630,362
Depletion, depreciation and amortization (Note 8)	8,313,760	–	3,142	8,316,902
Balances at end of year	49,749,526	167,373	30,365	49,947,264
Net Book Values	$19,555,853	$–	$12,793	$19,568,646

11. **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:

	2012	2011
SC 6	**$552,444**	$549,575
Others	**9,757**	9,757
	$562,201	$559,332

SC 6

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.

SC 41

The SC 41 consortium has fully complied with the work program for the first seven-year exploration stage of the contract. However, during the consortium meeting held on January 10, 2005, Union Oil of California (UNOCAL), the block operator, informed the partners of its intent to drop out of the service contract. UNOCAL's appreciation of the last two wells drilled in the block, which yielded generally negative results, prompted this decision. Sandakan Oil (OXY), BHP Billiton and TransAsia have also withdrawn, leaving a small all-Filipino consortium. The remaining members of the consortium have until April 10, 2005 to either opt for the three year extension of the contract period or to relinquish the area. The remaining consortium members had negotiated with the DOE for a reduction in the service contract in commitment well in year 8 to one well to the geological and geophysical program. The remaining consortium members voted Philex Mining Corporation as the interim operator of the block.

The consortium was given a 1-year extension by the DOE after the withdrawal of foreign parties. This extension gave the consortium time to evaluate further the possibilities of oil in the South Sulu Sea area. Basic Petroleum has been elected as the new operator of this block until mid-2006.

In 2006, SC 41 Consortium entered into a farm-in agreement with Tap Oil Ltd. of Australia (Tap Oil) and subsequently signed the Deed of Assignment. Tap Oil will earn majority of the interest and will become the operator of SC 41.

As stated in the farm-in agreement, Tap Oil will shoulder the cost of acquisition and interpretation of 300 square kilometers of Three-Dimensional seismic survey under the Contract Year-Eight. Results of the seismic survey will be used to identify possible drillable structures. Tap Oil has the option to drill a deepwater well on the 9th Contract Year (May 2007- May 2008).

However, during 3D seismic survey in May 2007, the survey area was increased from 300 sq. km. to not less than 600 sq. km., with Tap Oil funding the whole cost of the project consistent with the Farm-in Agreement. With this development, the operator applied with the DOE for an extension of 1 year from May 10, 2008 to May 10, 2009. Another extension of 1 year (May 2009 - May 2010) was secured by the SC 41 Consortium from the DOE for the reprocessing of the 3-Dimensional Seismic data for pre-stack depth migration (PSDM), regional basin modeling and re-evaluation of the prospectivity of the area. As a result, several prospect leads and structures have been identified that could be candidates for future drilling operations. The Group has a carried or non-paying interest of 5.463% in SC 41 under the farm-in agreement with Tap Oil.

Efforts of Tap Oil to invite new partners to the Sulu Sea Block and to secure extension of the term of SC 41 from the DOE were not favorably rewarded. In August 2010, the contract for SC 41 was surrendered to the DOE. The related deferred acquisition cost amounting $2.15 million was subsequently written-off by the Parent Company.

12. Accounts and Other Payables

	2012	2011
Accounts payable	**$475,785**	$454,115
Dividends payable	**99,384**	99,384
Subscriptions payable	**26,488**	26,488
Taxes payable	**9,373**	7,842
	$611,030	$587,829

Accounts payable 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.

13. Paid up Capital

Under the existing laws of the Republic of the Philippines, at least 60% of the Company's issued capital stock should be owned by citizens of the Philippines for the Company to own and hold any mining, petroleum or renewable energy contract area. As of December 31, 2012, the total issued and subscribed capital stock of the Parent Company is 97.99% Filipino and 2.01% non-Filipino, as compared to 98.61% Filipino and 1.39% non-Filipino as of December 31, 2011 and 98.56% Filipino and 1.44% non-Filipino as of December 31, 2010.

As of December 31, 2012 and 2011, 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. There were no issuances of additional common shares in 2012 and 2011.

The Parent Company's track record of capital stock follows:

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of yearend
Listing by way of introduction	10,000,000,000	₱0.01	Mar. 24, 1970	
Additions:				
	2,500,000,000	0.01	Mar. 23, 1981	
	37,500,000,000	0.01	Aug. 5, 1988	
	50,000,000,000	0.01	Nov. 14, 1989	
	100,000,000,000	0.01	May 31, 1995	
December 31, 2010	200,000,000,000			12,411
Deduct: Movement	–			(132)
December 31, 2011	200,000,000,000			12,279
Deduct: Movement	–			(157)
December 31, 2012	200,000,000,000			12,122

14. **General and Administrative Expenses**

	2012	2011	2010
Staff costs (Notes 16 and 19)	**$367,342**	$320,200	$252,446
Professional fees	**19,443**	27,135	18,454
Printing	**14,353**	14,781	12,198
Registration and filing fees	**9,141**	7,033	6,946
Rent (Note 19)	**5,349**	27,303	9,093
Transportation and communication	**5,033**	5,544	6,341
Messengerial services	**4,477**	19,444	13,112
Entertainment, amusement and recreation	**3,772**	2,921	1,685
Utilities	**2,772**	3,764	–
Insurance	**466**	181	534
Advertising and publication	**246**	246	229
Taxes and licenses	**72**	11	86
Repairs and maintenance	**–**	–	266
Miscellaneous	**2,083**	6,313	3,724
	$434,549	$434,876	$325,114

15. **Other Income**

	2012	2011	2010
Gain on sale of AFS investments	**$1,251,587**	$–	$–
Dividend income	**599,989**	435,707	412,082
Gain on disposal of property and equipment	**–**	–	2,163
	$1,851,576	$435,707	$414,245

The dividend income is derived primarily by the Group from its investment in preferred shares.

16. **Retirement Plan**

The Group has a non-funded noncontributory tax-qualified defined benefit type of retirement plan covering substantially all of its employees. The benefits are based on defined contribution formula with a minimum lump-sum guarantee of 1 month for every year of service up to 20 years and 1.5 months in excess of 20 years.

Components of pension expense in the consolidated statements of income included in general and administrative expenses under 'Staff costs' account are as follows:

	2012	2011	2010
Current service cost	**$8,660**	$8,005	$7,283
Interest cost on defined benefit obligation	**17,588**	18,787	9,388
Amortization of net actuarial gains	**–**	–	(9,428)
Total pension expense	**$26,248**	$26,792	$7,243

The pension liability recognized in the consolidated statements of financial position amounted to $302,083 and $257,569 as of December 31, 2012 and 2011, respectively.

Movements in net pension liability follow:

	2012	2011
Balances at beginning of year	**$257,569**	$231,101
Pension expense	**26,248**	26,792
Foreign currency translation adjustment	**18,266**	(324)
Balances at end of year	**$302,083**	$257,569

Changes in the present value of defined benefit obligation follow:

	2012	2011
Balances at beginning of year	**$257,569**	$231,101
Current service cost	**8,660**	8,005
Interest cost on defined benefit obligation	**17,588**	18,787
Foreign currency translation adjustment	**18,266**	(324)
Balances at end of year	**$302,083**	$257,569

The principal actuarial assumptions used in determining the pension liability for the Group's plan follow:

	2012	2011
Rate of salary increase	**5.50%**	5.50%
Discount rate		
Beginning	**6.58%**	8.03%
Ending	**5.65%**	6.58%

Amounts for the current and previous four periods follow:

	2012	2011	2010	2009
Present value of defined benefit obligation	**$302,083**	$257,569	$231,101	$125,550

Experience adjustments gains are as follows:

	2012	2011	2010	2009
Defined benefit obligation	**$–**	$–	$–	$5,007

17. **Income Tax**

	2012	2011	2010
Current			
Final	**$101,886**	$88,618	$10,547
MCIT	**26,861**	1,840	–
	128,747	90,458	10,547
Deferred	**(529,231)**	(261,228)	(1,444,260)
	($400,484)	($170,770)	($1,433,713)

The Group’s deferred tax liability represents the deferred income tax effects of the excess of book base over tax base of property and equipment amounting $2.01 million and $2.54 million as of December 31, 2012 and 2011, respectively.

As of December 31, deferred tax assets have not been recognized with respect to the deferred tax effects of the following temporary difference:

	2012	2011
NOLCO	**$2,884,587**	$3,975,905
Pension liability	**302,083**	257,569
MCIT	**33,489**	12,428
	$3,220,159	$4,245,902

The MCIT and NOLCO that are available for offset against future income tax due and future taxable income follow:

Inception Year	MCIT	NOLCO	Tax Effect of NOLCO	Expiry Year
2010	$–	$2,579,381	$773,814	2013
2011	1,840	305,206	91,562	2014
2012	31,649	–	–	2015
	$33,489	$2,884,587	$865,376	

The following are the movements in NOLCO and MCIT:

NOLCO	**2012**	2011
Balances at beginning of year	**$3,975,905**	$3,670,699
Addition	**–**	305,206
Applied/Expired	**(1,091,318)**	–
Balances at end of year	**$2,884,587**	$3,975,905

MCIT	2012	2011
Balances at beginning of year	**$12,428**	$10,588
Addition	**31,649**	1,840
Applied/Expired	**(10,588)**	–
Balances at end of year	**$33,489**	$12,428

The reconciliation of the statutory income tax rate to the effective income tax follows:

	2012	2011	2010
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expense	**18.74**	27.57	90.48
Changes in unrecognized deferred tax assets on deductible temporary differences	**(3.20)**	1.08	58.55
Interest income subjected to final tax	**(2.44)**	(2.21)	(1.51)
Dividend income	**(1.87)**	(1.54)	(6.57)
Movements in deferred tax liabilities	**(4.16)**	(3.08)	(76.78)
Income exempt from tax	**(40.69)**	(67.67)	(203.70)
Others	**(0.71)**	13.84	33.31
Effective income tax rate	**(4.33%)**	(2.01%)	(76.22%)

18. **Basic/Diluted Earnings Per Share**

The Group's earnings per share were computed as follows:

	2012	2011	2010
Net income	**$9,657,636**	$8,651,961	$3,314,651
Divided by weighted average number of common shares outstanding	**200,000,000,000**	200,000,000,000	200,000,000,000
	$0.000048	$0.000043	$0.000017

For the years ended December 31, 2012, 2011 and 2010, there were no outstanding dilutive potential common shares.

19. **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.

The amounts and the balances arising from the significant related party transactions are as follows:

	2012			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
a. **Affiliated bank**				
Cash and cash equivalents	**$24,049,028**	**$24,049,028**	1.38% to 3.88% per annum	No impairment
Interest income	**269,048**	**–**		
	$24,318,076	**$24,049,028**		
b. **Affiliate**				
Rent	**$5,349**	**$–**	Non-interest bearing, payable on demand	Unsecured

	2011			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
a. Affiliated bank				
Cash and cash equivalents	$7,784,070	$7,784,070	1.56% to 4.75% per annum	No impairment
Interest income	281,789	–		
	$8,065,859	$7,784,070		
b. Affiliate				
Rent	$27,303	$–	Non-interest bearing, payable on demand	Unsecured

a. The Group has money market placements with Robinson's Savings Bank, a subsidiary of a stockholder.

b. The Group entered into a lease agreement with an affiliate covering the office space it occupies, which is renewable annually.

c. Compensation of key management personnel of the Group follows:

	2012	2011	2010
Short-term employee benefits	**$155,086**	$136,312	$95,328
Post employment benefits	**6,023**	6,024	4,016
	$161,109	$142,336	$99,344

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise loans and receivables, accounts payable and other payables. 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 follows:

- 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.

Fair Values
Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, accounts and other payables 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 reportingdate. 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.

As at December 31, 2012 and 2011, the fair value of AFS investments under level 1 hierarchy amounted to $9.56 million and $6.80 million, respectively (see Note 9).

The fair value of unquoted AFS financial assets is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable methods for arriving at the reliable fair value. Accordingly, these unquoted AFS financial assets are presented at cost.

The main risks arising from the Group financial instruments are liquidity, credit, equity price, 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.

   As of December 31, 2012 and 2011, all financial liabilities are expected to mature within one (1) year. All commitments up to a year are either due within the time frame or are payable on demand.

   Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as of December 31, 2012 and 2011 consist of loans and receivables and AFS investments, which are usually on demand or collectible within a term of thirty (30) days.

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 table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2012	2011
Loans and receivables		
Cash in banks and cash equivalents	**$37,087,600**	$33,035,888
Due from operators	**4,533,581**	4,781,857
Trade receivables	**265,229**	191,379
Interest receivable	**78,293**	50,160
Dividend receivable	**33,725**	33,725
AFS investments	**9,596,977**	6,836,182
	$51,595,405	$44,929,191

Above financial assets have a credit quality of "low risk" and are neither past due nor impaired as of December 31, 2012 and 2011. The Group classifies credit quality as low risk when that credit can proceed with favorable credit terms and can offer term of up to thirty (30) days.

c) *Equity price risk*
Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated statement of financial position as AFS investments. As of December 31, 2012 and 2011, AFS investment exposed to equity price risk amounted to $9.60 million and $6.84 million, respectively (see Note 9).

The following table shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be the same in the following year.

The sensitivity analysis below is performed for a reasonably possible movement of the market indices with all other variables held constant, on the statement of comprehensive income.

Philippine Stock Exchange Market index	Change in Market Index	Impact on Income before Income Tax
2012	**32.95%**	**$909,814**
	-32.95%	**(909,814)**
2011	+4.07%	$68,447
	-4.07%	(68,447)

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 U.S. Dollars.

The following table shows the foreign currency-denominated assets and liabilities expressed in Philippine Peso (PHP) and their U.S. Dollar (USD) equivalents as of December 31:

	2012		2011	
	In USD	**In PHP[(1)]**	In USD	In PHP[(1)]
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**$37,087,816**	**₱1,522,454,848**	$33,036,104	₱1,448,302,799
Interest receivable	**78,293**	**3,213,927**	50,160	2,199,014
Dividend receivable	**33,725**	**1,384,411**	33,725	1,478,504
AFS investments	**9,596,977**	**393,955,906**	6,836,182	299,698,219
	46,796,811	**1,921,009,092**	39,956,171	1,751,678,536
Other Financial Liabilities				
Accounts and other payables	**475,785**	**19,530,975**	454,115	19,908,402
Net foreign currency-denominated assets	**$46,321,026**	**₱1,901,478,117**	$39,502,056	₱1,731,770,134

[1] The exchange rates used in as of December 31, 2012 and 2011are $0.0244 to ₱1 to and $0.0228 to ₱1, respectively.

The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before income tax in 2012 and 2011. There is no other impact on the Group's equity other than those already affecting income.

	Currency	Increase (decrease) in PHP rate	Effect on income before income tax
2012	**PHP**	**+2.0%**	**$926,421**
		-2.0	**(926,421)**
2011	PHP	+2.0%	$790,041
		-2.0	(790,041)

e) *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. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Group considers as capital the equity attributable to the equity holders, which amounted to \$71.66 million and \$61.68 million as of December 31, 2012 and 2011, respectively. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

21. Operating Segment

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the basis that is used internally for evaluating segment performance and allocating resources to segments. The Group only operates in one geographical location, thus, no information on geographical segments is presented.

The Group derives its revenues only from the Parent Company, with segment assets and liabilities amounting to \$74.61 million and \$0.94 million, respectively, as of December 31, 2012 and \$65.07 million and \$0.85 million, respectively, as of December 31, 2011. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

Segment assets and segment liabilities exclude deferred tax assets and liabilities.

22. Approval of Financial Statements

The accompanying consolidated financial statements were authorized for issue by the BOD on April 22, 2013.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

This schedule is not applicable since the Group is at a deficit position amounting to $14.80 million and $24.46 million as of December 31, 2012 and 2011, respectively.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

FINACIAL SOUNDNESS INDICATORS

FOR THE YEAR ENDED DECEMBER 31, 2012

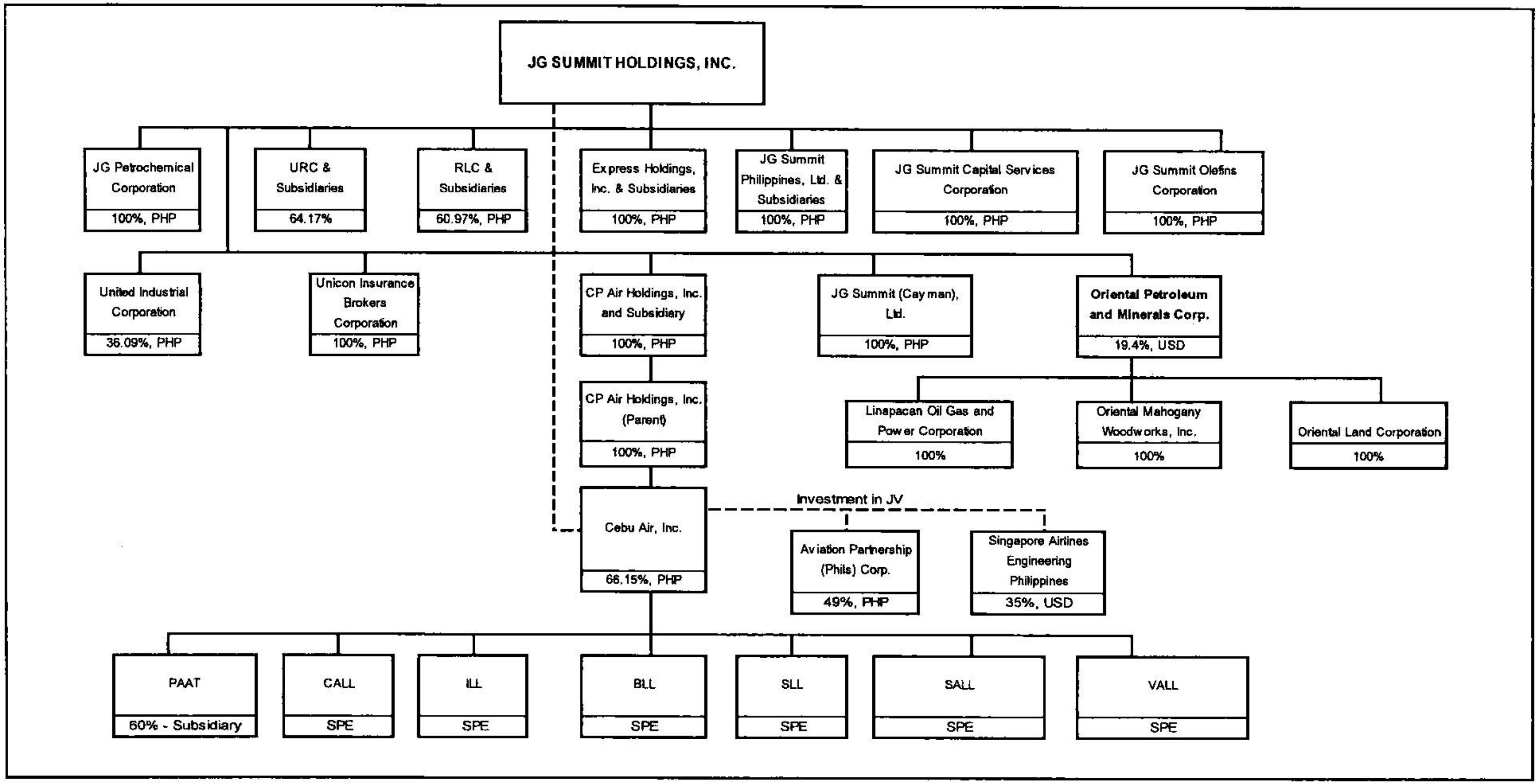
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2012 and 2011:

Financial ratios		2012	2011
Current ratio	$\frac{\text{Current assets (CA)}}{\text{Current liabilities (CL)}}$	7215.15%	6462.81%
Net working capital ratio	$\frac{\text{CA} - \text{CL}}{\text{Total assets}}$	60.83%	57.65%
Return on assets	$\frac{\text{Operating income}}{\text{Average assets}}$	8.15%	12.27%
Return on equity	$\frac{\text{Net income}}{\text{Average equity}}$	14.49%	15.10%
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	4.12%	5.49%

ORIENTAL PETROLEUM AND MINERALS CORPORATION

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

FOR THE YEAR ENDED DECEMBER 31, 2012



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 M. Caratay

(Contact Person)

633-7631

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

SEC FORM-17-Q

(Form Type)

Month *Day*

(Annual Meeting)

1st Quarter Ending March 31, 2013

(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

S T A M P S

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, 2013**

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 2013 as compared with the most recent annual audited financial statements ending December 31, 2012.

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 2013) 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, 2012.
- 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)	**2013**	2012	Change
Income Statement data			
Revenues from petroleum operations	3,833.19	440.01	771.17%
Depletion, depreciation & amortization	724.31	84.03	761.91%
Petroleum production costs	1,718.34	1,315.44	30.63%
Interest Income	171.92	178.40	(3.64%)
Balance Sheet data			
Cash and cash equivalents	37,725.40	35,449.67	6.42%
Available-for-sale equity securities	10,269.27	7,201.11	42.61%
Accounts receivable	8,672.40	2,029.21	327.38%
Accounts payable & accrued expenses	620.35	579.32	7.08%
Other data			
Average peso dollar exchange rate	40.78	43.046	(5.27%)
Number of employees	12	11	9.09%

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, 2013 vs. March 31, 2012</u>

For the period ending March 31, 2013, the company posted petroleum revenues of US$3.83 million, 771% higher than last year's US$0.44 million. The increase was mainly due to the company's revenue share in Galoc operations. In 2012, production in Galoc was shut-in to upgrade the FPSO. Recommencement of production started only in April of 2012.

Petroleum production costs as of March 31, 2013 amounted to US$1.72 million, 31% higher than in the first quarter of 2012, which can be attributed to the normal production in Galoc this year. As discussed in the previous paragraph, there was an operational upgrade which required shutting-in of production in Galoc and in turn affect the operating costs in 2012.

Depletion, depreciation and amortization as of March 31, 2013 totaled US$0.72 million, 762% higher than last year's US$0.08million. The increase pertains mainly to depletion recognized from the production in Galoc oilfield.

Other income (expenses) –net increased by US$107,655 or 31% which is due to the increase in dividend income from various investments.

Financial Position

<u>March 31, 2013</u>

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.

<u>March 31, 2012</u>

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, 2011

As of March 31, 2011, the company has consolidated assets amounting to US$57.37 million, 4.34% higher than last year's US$54.98. This increase can be attributed mainly to the increase in the Accounts Receivable.

Accounts Receivable as of March 31, 2011 amounts to US$3.79 million, US$3.35 million higher than the same period last year due to more crude oil deliveries were made this quarter as compared to 1st quarter last year.

As at the end of March 31, 2011, the Company recorded Available-for-sale equity Securities of US$5.36million as against US$4.87 million in the same period of 2010. The increase is mainly due to the increase in market price per share of the equities held by the company.

Consolidated Property and Equipment at the end of 1st quarter of 2011 amounted to US$26.73 million. The decrease of about US$9.66 million from the same period last year was due to depletion and depreciation.

Deferred oil exploration cost amounted to US$0.56 million, 79.41% lower than last year. The company wrote-off its share in SC-41 South Sulu Sea amounting to US$2.15 million due to the expiration of the service contract.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st quarter of 2011 amounted to US$0.56 million.

March 31, 2013 versus December 31, 2012

Consolidated Cash and Cash Equivalents consist of cash in bank and money market placements. As of March 31, 2013, this account totaled US$37.73 million; slightly higher than December 31, 2012 balance. The increase in this account pertains mainly to the company's share in the cash distribution from the Nido/Matinloc operations and dividend income received.

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, 2013, Accounts Receivable reached US$8.67 million, 77% higher than the balance at the beginning of the year. The increase was due to crude oil produced and delivered within the first quarter of the month.

Crude oil inventory totaled US$1.08 million, which represent the company's share in the consortium's crude oil inventory as of March 31, 2013.

Available-for-sale investments amounted to US$10.27 million, an increase of 7% from US$9.60 million at the beginning of the year. This was mainly due to increase in share prices of the investments held by the company.

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

The causes for material changes (5% or more) of March 31, 2013 figures as compared to December 31, 2012 figures of the following accounts are:

Accounts	March 31, 2013	December 31, 2012	Change	%	Remarks
Balance Sheet					
Cash	37,725,399	37,087,816	637,583	1.72%	Increase refers to the company's share in the cash distribution from Nido/Matinloc operations as well as dividend income.
Accounts Receivable – net	8,672,404	4,910,828	3,761,576	76.60%	Please refer to the discussion above.
Crude oil inventory	1,082,935	4,015,810	(2,932,875)	(73.03%)	Please refer to the discussion above.
Available for sale equity	10,269,267	9,596,977	672,290	7.01%	Increase in this account is attributed mainly to the increase in share prices of the stocks held by the company.

The causes for material changes (5% or more) of March 31, 2013 figures as compared to March 31, 2012 figures of the following accounts are:

Accounts	March 31, 2013	March 31, 2012	Change	%	Remarks
Balance Sheet					
Cash	37,725,399	35,449,669	2,275,730	6.42%	Increase pertains mainly to the company's share in the cash distribution from oil operations as well as dividend income received.
Accounts Receivable – net	8,672,404	2,029,212	6,643,192	327.38%	Please refer to the discussion under Financial Position 2013.
Crude oil inventory	1,082,935	-	1,082,935	100.00%	This refers to the company's share in the crude oil inventory at the end of the reporting period.
Available for-sale equity	10,269,267	7,201,109	3,068,158	42.61%	Increase pertains mainly to the increase in share prices of the stocks held by the company.
Property, plant and equipment	18,731,108	19,484,611	(753,503)	(3.87%)	Decrease pertains to depletion and depreciation.

Income Statement					
Revenues from Petroleum Operations	3,833,192	440,006	3,393,186	771.17%	Increase refers to the company's share in the Galoc operations as discussed under Result of Operations above.
Petroleum Production Costs	1,718,341	1,315,437	402,904	30.63%	Please refer to the discussion above (Result of Operations, p.4).
Depletion, depreciation and amortization	724,306	84,305	640,271	761.91%	Increase can be attributed to depletion recognized for Galoc operations.
Other Income (expenses) – net	452,943	345,288	107,655	31.18%	Increase in this account represents increase in dividend income.

I. Key Performance Indicators

	March 31, 2013	March 31, 2012
Current Ratio	**76.55**	64.71
Net Working Capital Ratio	**0.61**	0.57
Return on Assets	**0.018**	(0.017)
Return on Equity	**0.026**	(0.012)
% of Debt-to-Equity	**0.04**	0.06

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.

Fair Values

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 $10.27 million and $7.20 million as of March 31, 2013 and 2012.

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.

<u>Capital Management</u>

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 $74.10 million and $61.36 million as of March 31, 2013 and 2012, respectively. No changes were made in the objectives, policies or processes during the periods ended March 31, 2013 and 2012.

As of March 31, 2013, 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, 2013 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	83,191,840,902	41.60%
Common	Consolidated Robina Capital Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	21,652,380,152	10.83%
Common	Prudential Guarantee & Assurance, Inc.	13,456,898,349	6.73%

As of April 30, 2013, OPMC has approximately 12,203 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, 2013 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	Miguel R. 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
Date:

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Three Months Ended March 31 (UNAUDITED)		Year ended December 31
	2013	2012	2012 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	$ 37,725,399	$ 35,449,669	37,087,816
Accounts receivable	8,672,404	2,029,212	4,910,828
Crude oil inventory	1,082,935	-	4,015,810
Other current assets	10,116	9,986	10,331
Total current assets	47,490,854	37,488,867	46,024,785
Noncurrent Assets			
Available-for-sale investments	10,269,267	7,201,109	9,596,977
Property and equipment - net	18,731,108	19,484,611	18,422,696
Deferred exploration costs	562,201	559,332	562,201
Other assets	1,217	1,140	1,217
Total Noncurrent assets	29,563,792	27,246,192	28,583,091
	$ 77,054,647	$ 64,735,059	$ 74,607,876
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	$ 620,352	$ 579,320	611,030
Income taxes payable	26,861	1,840	26,861
Pension liability	302,083	257,569	302,083
Deferred tax liability	2,009,352	2,538,583	2,009,352
Total Liabilities	2,958,647	3,377,312	2,949,326
Stockholders' Equity			
Paid-up capital	85,545,203	85,545,203	85,545,203
Other comprehensive income (loss)	1,590,368	964,837	918,078
Deficit	(13,039,571)	(25,152,292)	(14,804,731)
Total Equity	74,096,000	61,357,748	71,658,550
	$ 77,054,647	$ 64,735,059	$ 74,607,876

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, 2013		March 31, 2012
INCOME				
Revenues from petroleum operations	**$**	**3,833,192**	$	440,006
COSTS AND EXPENSES				
Depletion, depreciation and amortization		**724,306**		84,035
Petroleum production costs		**1,718,341**		1,315,437
General and administrative		**78,328**		75,747
Foreign Exchange (Gain) / Loss		**-**		-
		2,520,975		1,475,219
OPERATING INCOME (LOSS)		**1,312,218**		(1,035,213)
OTHER INCOME (EXPENSES) - Net		**452,943**		345,288
INCOME (LOSS) BEFORE INCOME TAX		**1,765,160**		(689,925)
PROVISION FOR INCOME TAX		-		-
NET INCOME (LOSS)	**$**	**1,765,160**	$	(689,925)
Weighted Average Number of Common Stock Outstanding		200,000,000,000		200,000,000,000
Income (Loss) per share	$	0.000009	$	(0.000003)

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, 2013		March 31, 2012
NET INCOME (LOSS)	**$**	**1,765,160**	$	(689,925)
OTHER COMPREHENSIVE INCOME (LOSS)				
Reserve for fluctuation in value of available-for-sale investment		**672,290**		364,927
Cumulative translation adjustment				-
		672,290		364,927
TOTAL COMPREHENSIVE INCOME (LOSS)	**$**	**2,437,450**	$	(324,998)

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Paid up capital					Other comprehensive income (loss)			
	Capital Stock	Subscription receivables	Capital in excess of par value	Total paid up capital	Deficit	Reserve for fluctuation in value of AFS	Cumulative translation adjustment	Total other comprehensive income (loss)	Total
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
At January 1, 2011	$ 82,268,978	$ (374,252)	$ 3,650,477	$ 85,545,203	$ (33,114,328)	$ 502,717	$ (12,239)	$ 490,478	$ 52,921,353
Net income for the period	-			-	859,780	-		-	859,780
Other comprehensive income (loss)	-			-		(2,030)	-	(2,030)	(2,030)
Total comprehensive income	-	-	-	-	859,780	(2,030)	-	(2,030)	857,750
At March 31, 2011	$ 82,268,978	$ (374,252)	$ 3,650,477	$ 85,545,203	$ (32,254,548)	$ 500,687	$ (12,239)	$ 488,448	$ 53,779,103

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, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITES		
Income (Loss) before income tax	**$ 1,765,160**	$ (689,925)
Adjustments for:		
Depletion, depreciation and amortization	**724,306**	84,035
Interest income	**(171,917)**	(178,402)
Dividend income	**(281,026)**	(166,885)
Cumulative translation adjustment	**-**	-
Operating income (loss) before working capital changes	**2,036,522**	(951,177)
Decrease (increase) in:		
Accounts receivable	**(3,746,040)**	3,026,159
Crude oil inventory	**2,932,875**	-
Other current assets	**215**	56
Increase (decrease) in accounts payable and accrued expenses	**9,322**	(8,509)
Increase (decrease) in deferred tax liability	**-**	-
Cash generated from (used in) operations	**1,232,894**	2,066,528
Income taxes paid	**(0)**	-
Net cash provided (used) by operating activities	**1,232,894**	2,066,528
CASH FLOWS FROM INVESTING ACTIVITES		
Interest received	**156,381**	180,152
Dividends received	**281,026**	166,885
Acquisitions of property and equipment	**(1,032,718)**	-
Increase in amounts due from affiliates	**-**	-
Net cash provided by (used in) investing activities	**(595,310)**	347,037
CASH FLOWS FROM FINANCING ACTIVITES	**-**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**637,583**	2,413,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**37,087,816**	33,036,104
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 37,725,399**	$ 35,449,669

See accompanying notes to the Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
Aging of Accounts Receivable
As of March 31, 2013 (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	$ **8,544,850**	8,544,850					
Dividends receivable	**33,725**	33,725					
Interest receivable	**93,829**	93,829					
Grand Total	$ **8,672,404**	8,672,404					

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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.

As of March 31, 2013, the Group has funded $0.49 million of its share in the decommissioning liability.

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, 2013 and March 31, 2012, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	2013	2012
SC 14 (Northwest Palawan)		
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

The profitability of petroleum operations and full recovery of unamortized costs of wells, platforms and other facilities and deferred exploration costs incurred in connection with the Parent Company and LOGPOCOR's participation in the acquisition, exploration and development of petroleum concessions are dependent upon the discoveries of additional oil and gas in commercial quantities and the success of future development 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, 2012.

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. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2012. Except as otherwise indicated, the adoption of the new and amended standards, as well as the Philippine Interpretations, did not have any effect on the financial statements of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments) The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)

  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant* *and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. As the Group does not have investment properties and property and equipment measured using the fair value model and revaluation model, respectively, the amendment has no impact on the financial statements of the Group.

Standards Issued but not yet Effective
Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Company's financial statements are listed below. The Company will adopt these standards, interpretations, amendments to standards and improvements when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective in 2013

- 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.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

- 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

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

  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

  The adoption of PFRS 12 will affect disclosures only and have no impact on the Company'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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- 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 Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013.

  The adoption of PAS 19 Revised has no financial impact on the Company's financial statements since administrative and management functions are performed by the Parent Company

- PAS 27, *Separate Financial Statements* (Revised)

  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (Revised)

  As a consequence of the issuance of the new PFRS 11 and PFRS 12, 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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- 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 Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9, *Financial Instruments*

  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, 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 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 into PFRS 9, including the embedded derivative 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 Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. 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.

Annual Improvements of PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

- 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 Company's 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 Company expects that this amendment will not have any impact on its 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 Company's financial position or performance.

4. Summary of Significant Accounting Policies

Revenue Recognition

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:

Oil revenue

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.

Petroleum Production Cost

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

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.

Determination of fair value

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

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, 2013 and 2012, 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.

As of March 31, 2013 and 2012, the Group has available-for-sale investments amounting to \$10.27 million and \$7.20 million, respectively.

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.

Paid up Capital

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Subscription receivable represents shares subscribed but not fully paid.

Capital in excess of par value represents the excess of cost over the par value.

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

<u>Leases</u>
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.

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.

<u>Income Tax</u>
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, using the liability method, on all temporary differences at the 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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.

Pension Expense

Pension expense is actuarially determined using the projected unit credit (PUC) method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Pension expense includes current service cost, interest cost, past service cost, actuarial gains and losses and the effect of any curtailment or settlement.

The net pension liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less any actuarial gains or losses not recognized. The defined benefit obligation is calculated annually by independent actuaries using the PUC method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative actuarial gains and losses at the end of the previous period exceed the 10% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in the consolidated statement of income, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Foreign Currency-Denominated Transactions and Translations

The unaudited interim consolidated financial statements are presented in U.S. Dollar, which is the Group's functional and presentation 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.

Earnings (Losses) Per Share

Earnings (losses) 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.

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.

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.

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 (Note 19). 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 $56.67 million and $0.49 million, respectively, as of March 31, 2013, and $44.68 million and $0.45 million, respectively, as of March 31, 2012.

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, 2013 and 2012, the total carrying value of the Group's receivables amounted to $8.67 million and $2.03 million, respectively. No allowance for impairment was provided in 2013 and 2012.

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.

Estimated proven oil reserves totaled 10.90 million barrels for Galoc oil field and 1.37 million for Nido oil field.

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, 2013 and 2012, the Group's property and equipment amounted to $18.73 million and $19.48 million, respectively. Depletion, depreciation and amortization expense amounted to $724,306 and $84,035 in 2013 and 2012, 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 $0.56 million as of March 31, 2013 and 2012. No provision for impairment loss was recognized in 2011 and 2012.

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 (Note 16). 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, 2013 and 2012, the Group has not recognized any asset retirement obligation.

6. Cash and Cash Equivalents

This account consists of:

	2013	2012
Petty cash fund	**$216**	$216
Cash in banks	**50,661**	36,167
Short-term deposits	**37,674,522**	35,413,286
	$37,725,399	$35,449,669

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 1.35% to 3.75% in 2013 and 1.56% to 4.75% in 2012.

7. Receivables

This account consists of:

	2013	2012
Due from Operators	**$1,513,553**	$1,315,692
Trade receivables	**7,031,297**	631,385
Interest receivable	**93,829**	48,410
Dividend receivable	**33,725**	33,725
	$8,672,404	$2,029,212

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, 2013 and 2012.

8. Available-for-Sale Investments

This account consists of:

	2013	2012
Quoted shares - at fair value	**$10,230,952**	$7,165,232
Unquoted shares - at cost	**38,315**	35,877
	$10,269,267	$7,201,109

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

	2013	2012
At January 1	**$9,558,662**	$6,800,305
Reserve for fluctuation in value of AFS investments	**672,290**	364,927
Unrealized foreign exchange gains (loss)	**-**	-
At March 31	**$10,230,952**	$7,165,232

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

	2013	2012
At January 1	**$38,315**	$35,877
Unrealized foreign exchange gains (loss)	**-**	-
At March 31	**$38,315,**	$35,877

9. Property and Equipment

The rollforward analysis of this account follows:

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**

2012

	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost	-	-	-	
At January 1	69,305,379	167,373	43,158	69,515,910
Additions	-	-	-	-
Disposals	-	-	-	-
At March 31	69,305,379	167,373	43,158	69,515,910
Accumulated depletion, depreciation and amortization				
At January 1	49,749,526	167,373	30,365	49,947,264
Additions	83,746	-	288	84,035
Disposals		-	-	-
At March 31	49,833,272	167,373	30,653	50,031,299
Net book value at March 31	19,472,107	-	12,505	19,484,611

11.**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:

	2013	2012
SC 6	**$552,444**	$549,575
Others	**9,757**	9,757
	$562,201	$559,332

SC 6

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.

In 2011, additional cost amounting $1,600 was incurred by the Group.

SC 41

The SC 41 consortium has fully complied with the work program for the first seven-year exploration stage of the contract. However, during the consortium meeting held on January 10, 2005, Union Oil of California (UNOCAL), the block operator, informed the partners of its intent to drop out of the service contract. UNOCAL's appreciation of the last two wells drilled in the block, which yielded generally negative results, prompted this decision. Sandakan Oil (OXY), BHP Billiton and TransAsia have also withdrawn, leaving a small all-Filipino consortium. The remaining members of the consortium have until April 10, 2005 to either opt for the three year extension of the contract period or to relinquish the area. The remaining consortium members had negotiated with the DOE for a reduction in the service contract in commitment well in year 8 to one well to the geological and geophysical program. The remaining consortium members voted Philex Mining Corporation as the interim operator of the block.

The consortium was given a 1-year extension by the DOE after the withdrawal of foreign parties. This extension gave the consortium time to evaluate further the possibilities of oil in the South Sulu Sea area. Basic Petroleum has been elected as the new operator of this block until mid-2006.

In 2006, SC 41 Consortium entered into a farm-in agreement with Tap Oil Ltd. of Australia (Tap Oil) and subsequently signed the Deed of Assignment. Tap Oil will earn majority of the interest and will become the operator of SC 41.

As stated in the farm-in agreement, Tap Oil will shoulder the cost of acquisition and interpretation of 300 square kilometers of Three-Dimensional seismic survey under the Contract Year-Eight. Results of the seismic survey will be used to identify possible drillable structures. Tap Oil has the option to drill a deepwater well on the 9th Contract Year (May 2007- May 2008). However, during 3D seismic survey in May 2007, the survey area was increased from 300 sq. km. to not less than 600 sq. km., with Tap Oil funding the whole cost of the project consistent with the Farm-in Agreement. With this development, the operator applied with the DOE for an extension of 1 year from May 10, 2008 to May 10, 2009. Another extension of 1 year (May 2009 - May 2010) was secured by the SC 41 Consortium from the DOE for the reprocessing of the 3-Dimensionl Seismic data for pre-stack depth migration (PSDM), regional basin modeling and re-evaluation of the prospectivity of the area. As a result, several prospect leads and structures have been identified which could be candidates for future drilling operations. The Group has a carried or non-paying interest of 5.463% in SC 41 under the farm-in agreement with Tap Oil.

Efforts of Tap Oil to invite new partners to the Sulu Sea Block and to secure extension of the term of SC 41 from the DOE were not favorably rewarded. In August 2010, the contract for SC 41 was surrendered to the DOE. The related deferred acquisition cost amounting $2.15 million was subsequently written-off by the Parent Company.

12. **Accounts and Other Payables**

This account consists of:

	2013	2012
Accounts payable and accrued expenses	**$494,480**	$453,448
Dividends payable	**99,384**	99,384
Subscriptions payable	**26,488**	26,488
	$620,352	$579,320

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.

13. Paid up Capital

As of March 31, 2013 and 2012, 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.

15. Other Income

This account consists of:

	2013	2012
Dividend	**$281,026**	$166,885
Interest	**171,917**	178,403
	$452,943	$345,288

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.

19. 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, 2013 and 2012, 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 a 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 2013 and 2012. 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.