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)

Ma. Riana C. Infante	633-7631
(Contact Person)	(Company Telephone Number)

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

2nd Quarter Ending June 30, 2019

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2019**

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) 633-7631 locals 278 and 281**
   Issuer's telephone number, including area code

9. Not Applicable

   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 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, 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 [   ]

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

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

a) Consolidated Statements of Financial Position
b) Consolidated Statements of Income
c) Consolidated Statements 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. Included in this report is summary of the Company's significant accounting policies.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 2nd Quarter of 2019 as compared with the most recent annual audited financial statements ending December 31, 2018.

Attached are the interim financial statements for and as of June 30, 2019.

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 - June 2019) 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, 2018; and
- 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 June 30 (Unaudited)	**2019**	2018	Change
Income Statement data			
Revenues from petroleum operations	**2,054.44**	4,198.16	(51.06%)
Petroleum production costs	**1,712.72**	3,189.57	(46.30%)
Depletion, depreciation & amortization	**336.81**	544.39	(38.13%)
Other income	**1,224.04**	1,068.05	14.60%
Balance Sheet data			
Cash and cash equivalents	**5,624.13**	6,099.02	(7.79%)
Crude oil inventory	**1,702.54**	1,223.18	39.19%
Equity instruments at fair value through other comprehensive income	**22,957.73**	–	100.00%
Debt instruments at amortized cost	**27,108.49**	–	100.00%
Property and equipment	**13,837.52**	14,227.92	(2.74%)
Provision for plug and abandonment	**326.33**	–	100.00%
Other data			
Average peso dollar exchange rate	**52.14**	52.31	(0.31%)
Number of employees	**15**	14	7.14%

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, transportation, marketing, utilization, conservation, stockpiling or storage of all 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, LOGPOCOR 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

June 30, 2019 vs. June 30, 2018

Revenues from petroleum operations at the end of June 30, 2019, which amounted to US$2.05 million, dropped by US$2.14 million or 51% from US$4.20 million at the end of second quarter of 2018. The decline in petroleum revenue was caused by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4 due to problems in the well's subsurface production mechanism. Further, Nido and Matinloc Field ceased commercial production this 2019. In addition, average crude oil price dropped to $65.97 per barrel for the period ended June 30, 2019 as compared to $73.79 per barrel for the same period last year.

Petroleum production costs at the end of the second quarter, which totaled to US$1.71 million, decreased by US$1.48 million or 46% from the same period last year. In 2018, actual costs were incurred to plug and abandon Libro and Tara wells.

Depletion, depreciation and amortization decreased by 38% due to decrease in volume of crude oil production.

Interest and dividend income amounted to US$1.22 million, an increase of 15% from US$1.07 million in 2018, arising from investment in preferred shares, bonds, and short-term and long-term deposits.

Financial Position

June 30, 2019

The Company's consolidated assets at the end of June 30, 2019, which amounted to US$92.89 million, is 2% or US$2.00 million higher than same period last year due to the following movements:

For the period ended June 30, 2019, cash and cash equivalents account amounted to US$5.62 million, as compared to US$6.10 million for same period last year. The account is partially decreased by purchase of additional investments.

Crude oil inventory amounted to US$1.70 million, an increase of 39% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher volume of crude oil on storage as of June 30, 2019.

Available-for-sale investments are presented as equity instruments at fair value through other comprehensive income according to PFRS 9, *Financial Instruments*, which amounted to US$22.96 million at the end of second quarter of 2019.

Held-to-maturity investments are presented as debt instruments at amortized cost according to PFRS 9, which amounted to US$27.11 million at the end of second quarter of 2019.

Consolidated property and equipment at the end of the second quarter of 2019 amounted to US$13.84 million. The decrease of 3% was mainly due to depletion and depreciation expenses.

Provision for plug and abandonment costs pertains to estimated costs to plug and abandon wells in SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfields amounting to US$0.33 million at the end of second quarter of 2019.

June 30, 2018

The Company's consolidated assets at the end of June 30, 2018, which amounted to US$90.90 million, is 1% or US$0.64 million higher than same period last year due to the following movements:

For the period ended June 30, 2018, cash and cash equivalents account amounted to US$6.10 million, as compared to US$11.89 million for same period last year. The decrease of 49% was mainly due to reclassification of placements to short-term investments account, which are placements in time deposits with maturities more than three months but less than one year and acquisition of bonds.

Receivable as of the second quarter of 2018 totaled US$1.01 million, a decrease of 44% or US$0.80 million from same period last year. This account 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 Consortia, respectively. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US$1.22 million, an increase of 5% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher volume of crude oil on storage as of June 30, 2018.

Available-for-sale investments amounted to US$11.54 million at the end of the second quarter of 2018, slightly lower than last year's US$12.96 million attributable to change in market value of investments held by the Company.

Investment in bonds totaled US$8.59 million at the end of the second quarter of 2018, higher than last year's US$5.15 million due to additional investments.

Consolidated property and equipment at the end of the second quarter of 2018 amounted to US$14.23 million. The decrease of 8% was mainly due to depletion and depreciation expenses.

June 30, 2017

The Company's consolidated assets at the end of June 30, 2017, which amounted to US$90.26 million, is 1% or US$0.86 million higher than same period last year due to the following movements:

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. For the period ended June 30, 2017, cash and cash equivalents account amounted to US$11.89 million, as compared to US$34.11 million for same period last year. The decrease of 65% was mainly attributable to the additional US$20.00 million placements in a three-year U.S. Dollar time deposit with a local bank which was classified as non-current assets under long-term investments.

Receivable as of the second quarter of 2017 totaled US$1.81 million, an increase of 50% or US$0.60 million from same period last year. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the period held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US$1.16 million, a decrease of 29% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The decrease was due to delivery of crude oil to customers, consistent with the increase in receivable account.

As of the second quarter of 2017, the Company's short-term investments amounting to US$1.19 million represent placements in time deposits and other money market instruments with original maturities of more than three months but less than one year while long-term investments amounting to US$40.00 million represent placements in three-year U.S. dollar time deposits with a local bank.

Available-for-sale investments reached US$12.96 million at the end of the second quarter of 2017, slightly lower than last year's US$13.24 million attributable to decrease in share price of stocks held by the Company.

Investment in bonds totaled US$5.15 million at the end of the second quarter of 2017, higher than last year's US$3.40 million due to additional investments.

Consolidated property and equipment at the end of the second quarter of 2017 amounted to US$15.42 million. The increase of about 2% was mainly due to the Company's share in Galoc-7 drilling costs partially offset by depletion and depreciation expenses.

As of the second quarter of 2017, accounts and other payables account amounted to US$0.61 million.

June 30, 2019 versus December 31, 2018

The Company's consolidated assets at the end of the period June 30, 2019, which amounted to US$92.89 million, is US$0.61 million higher compared to the end of 2018 of US$92.29 million due to the following movements:

Cash and cash equivalents as at June 30, 2019 amounted to US$5.62 million, as compared to US$10.52 million as of December 31, 2018. The decrease in this account was due to purchase of additional investments.

Current portion of long-term investments at the end of second quarter of 2019 amounted to US$20.00 million, lower than US$20.00 million compared to the end of 2018 due to purchase of additional investments.

Equity instruments at fair value through other comprehensive income amounted to US$22.96 million, higher than last year's US$11.64 million attributable to the additional acquisitions of preferred shares, adjusted by changes in the market value of investments.

Debt instruments at amortized cost amounted to US$27.11 million, higher than last year's US$12.99 million attributable to the purchase of additional bonds.

Consolidated property and equipment at the end of the second quarter of 2019 amounted to US$13.84 million, slightly higher as compared to US$13.72 million as of December 31, 2018. The slight increase was due to share in Galoc capital expenditures partially offset by depreciation and depletion expenses.

Provision for plug and abandonment costs as at June 30, 2019 amounted to US$0.33 million, a decrease of 84% from last year's US$2.06 million. The decrease was due to payment of cash calls issued during the first half of 2019.

The causes for material changes of June 30, 2019 figures as compared to December 31, 2018 figures of the following accounts are:

Accounts	June 30, 2019	December 31, 2018	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	$5,624,126	$10,523,121	($4,898,995)	(47%)	Decrease was mainly due to purchase of additional investments.
Current portion of long term investments	20,000,000	40,000,000	(20,000,000)	(50%)	Decrease was due to purchase of additional investments.
Equity instruments at fair value through other comprehensive income	22,957,726	11,641,849	11,315,877	97%	Increase was attributable to the additional acquisitions of preferred shares, adjusted by changes in the market value of investments
Debt instruments at amortized cost	27,108,491	12,990,099	14,118,392	109%	Increase was due to purchase of additional bonds.
Property and equipment	13,837,520	13,717,799	119,721	1%	Slight increase was due to share in Galoc capital expenditures partially offset by depreciation and depletion expenses.
Provision for plug and abandonment	326,331	2,061,848	(1,735,517)	(84%)	Decrease was due to payment of cash calls issued during the first half of 2019.

The causes for material changes of June 30, 2019 figures as compared to June 30, 2018 figures of the following accounts are:

Accounts	June 30, 2019	June 30, 2018	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	$5,624,126	$6,099,019	($474,893)	(8%)	Slight decrease was due to purchase of additional investments.
Crude oil inventory	1,702,542	1,223,184	479,358	39%	Increase was mainly due to higher volume of crude oil in tank and storage as of June 30, 2019.
Equity instruments at fair value through other comprehensive income	22,957,726	–	22,957,726	100%	Available-for-sale investments were presented as equity instruments at fair value through other comprehensive income according to PFRS 9, *Financial Instruments*.
Debt instruments at amortized cost	27,108,491	–	27,108,491	100%	Held-to-maturity investments were presented as financial

					assets at amortized cost according to PFRS 9, *Financial Instruments*.
Property and equipment	13,837,520	14,227,920	(390,400)	(3%)	Decrease was due to depletion and depreciation expense.
Provision for plug and abandonment	326,331	–	326,331	100%	This pertains to estimated costs to plug and abandon wells in SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfields.
Income Statement					
Revenues from petroleum operations	2,054,438	4,198,162	(2,143,724)	(51%)	Decline in petroleum revenue was caused by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4.
Petroleum production costs	1,712,720	3,189,569	(1,476,849)	(46%)	In 2018, actual costs were incurred to plug and abandon Libro and Tara wells.
Depletion, depreciation and amortization	336,806	544,390	(207,584)	(38%)	Decrease was due to decrease in volume of crude oil production.
Interest and other income	1,224,037	1,068,054	155,983	15%	Interest and other income arising from the Company's investment in preferred shares, bonds, and short-term and long-term deposits.

Key Performance Indicators

	June 30, 2019	June 30, 2018
Current Ratio	**32.98**	28.94
Net Working Capital Ratio	**0.30**	0.17
Return on Assets	**0.00**	0.00
Return on Equity	**0.02**	0.01
% of Debt-to-Equity	**0.03**	0.03
% of Asset-to-Equity	**1.03**	1.03

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. Percentage of asset to equity resulted from dividing total assets over stockholder's equity.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, short-term and long-term investments, equity instruments at fair value through other comprehensive income, AFS investments, debt instruments at amortized cost, HTM investments and accounts and other payables (excluding statutory liabilities). 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.

The main risks arising from the Group's financial instruments are liquidity, credit, foreign currency, and equity price 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 June 30, 2019 and 2018, all financial liabilities are expected to mature within one 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 consist of cash and cash equivalents, long-term investments, receivables and equity instruments at

FVOCI as at June 30, 2019 and loans and receivables and AFS investments as of June 30, 2018, which are usually on demand or collectible within three to twelve months.

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 cash equivalent, equity investments at FVOCI, AFS investments, debt instruments at amortized cost and HTM investments exposes 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.

In 2019 and 2018, the Group's cash in banks and cash equivalents, short-term and long-term investments are considered high-grade while the remaining financial assets are considered standard grade.

The Group uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that are deposited in/or transacted with reputable banks which have low probability of insolvency
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full

c) *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 statements of income can be affected significantly by movements in the U.S. Dollars.

e) *Equity price risk*

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks.

The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statement of financial position as equity instruments at FVOCI and AFS investments.

Fair Values

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, short-term investments, account and other payables (excluding statutory liabilities) approximate the fair value.

The fair value of long-term investments is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. The carrying value of the Group's long-term investments approximates its fair value.

The fair value of the equity instruments at FVOCI and 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.

The fair value of the debt instruments at amortized cost and HTM 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.

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.

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 $90.50 million and $88.39 million as of June 30, 2019 and 2018, respectively. No changes were made in the objectives, policies or processes during the periods ended June 30, 2019 and 2018.

As of June 30, 2019, 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 July 31, 2019 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	85,207,161,529	42.60%
Common	Consolidated Robina Capital Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	26,212,760,122	13.11%
Common	Prudential Guarantee & Assurance, Inc.	13,341,635,799	6.67%

As of July 31, 2019, OPMC has approximately 11,608 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 June 30, 2019 are as follows:

Board of Directors

Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	John Gokongwei, Jr.
Director	Lance Y. Gokongwei
Director	Antonio Go
Director	Benedicto Coyiuto
Director	Josephine Barcelon
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.*
Corporate Secretary	Vicente O. Caoile, Jr.
Assistant Corporate Secretary	Perry L. Pe*
	Rosalinda F. Rivera
SVP - Operations and Administration / Corporate Information Officer	Apollo P. Madrid
Finance Adviser	Aldrich T. Javellana
Chief Financial Officer / Compliance Officer	Ma. Riana C. Infante
Treasurer	Teresita H. Vasay

**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 and Chief Operating Officer

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Six Months Ended June 30 (UNAUDITED)		Year ended December 31
	2019	2018	2018 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	**$5,624,126**	$6,099,019	$10,523,121
Current portion of long-term investments	**20,000,000**	–	40,000,000
Receivables	**991,832**	1,008,027	969,238
Crude oil inventory	**1,702,542**	1,223,184	1,773,069
Short-term investments	**–**	7,527,136	–
Other current assets	**9,638**	13,962	10,338
Total Current Assets	**28,328,138**	15,871,327	53,275,766
Noncurrent Assets			
Equity instruments at fair value through other comprehensive income	**22,957,726**	–	11,641,849
Debt instruments at amortized cost	**27,108,491**	–	12,990,099
Long-term investments	**–**	40,000,000	–
Available-for-sale investments	**–**	11,544,597	–
Held-to-maturity investments	**–**	8,592,541	–
Property and equipment	**13,837,520**	14,227,920	13,717,799
Deferred exploration costs	**662,844**	662,844	662,844
Total Noncurrent Assets	**64,566,581**	75,027,902	39,012,591
	$92,894,719	$90,899,230	$92,288,357
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**$532,510**	$542,703	$496,888
Provision for plug and abandonment	**326,331**	–	2,061,848
Income tax payable	–	5,785	172,676
Total Current Liabilities	**858,841**	548,488	2,731,412
Noncurrent Liabilities			
Pension liability	**449,268**	388,991	387,141
Deferred tax liabilities - net	**1,084,167**	1,574,812	1,064,469
Total Noncurrent Liabilities	**1,533,435**	1,963,803	1,451,610
Total Liabilities	**2,392,276**	2,512,291	4,183,022
Equity			
Paid-up capital	**85,641,710**	85,546,043	85,546,043
Retained earnings	**5,938,395**	4,390,159	4,454,238
Reserve for changes in value of equity instruments at fair value through other comprehensive income	**(1,850,800)**	–	(2,668,084)
Reserve for fluctuation in value of available-for-sale investments	–	(2,286,100)	–
Remeasurement gains on pension liability - net	**178,836**	157,577	178,836
Cumulative translation adjustment	**594,302**	579,260	594,302
Total Equity	**90,502,443**	88,386,939	88,105,335
	$92,894,719	$90,899,230	$92,288,357

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
REVENUE FROM PETROLEUM OPERATIONS	**$2,054,438**	$4,198,162	**$958,385**	$2,335,600
COSTS AND EXPENSES				
Depletion, depreciation and amortization	**336,806**	544,390	**154,692**	277,944
Petroleum production costs	**1,712,720**	3,189,569	**836,129**	1,515,445
General and administrative	**302,621**	284,742	**186,728**	168,752
Foreign currency adjustment	**(557,829)**	448,157	**(557,829)**	448,157
	1,794,318	4,466,858	**619,720**	2,410,298
OPERATING INCOME (LOSS)	**260,120**	(268,696)	**338,665**	(74,698)
OTHER INCOME (EXPENSES) - net	**1,224,037**	1,068,054	**630,653**	495,600
INCOME BEFORE INCOME TAX	**1,484,157**	799,358	**969,318**	420,902
PROVISION FOR INCOME TAX	**–**	1,971	**–**	1,971
NET INCOME	**$1,484,157**	$797,387	**$969,318**	$418,931
Weighted Average Number of Common Stock Outstanding	**200,000,000,000**	200,000,000,000	**200,000,000,000**	200,000,000,000
Income per share	**$0.000007**	$0.000004	**0.000005**	$0.000002

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
NET INCOME	**$1,484,157**	$797,387	**$969,318**	$418,931
OTHER COMPREHENSIVE INCOME (LOSS)				
Item to be reclassified to profit or loss in subsequent periods:				
Movement in reserve for fluctuation in value of available-for-sale investments	–	(1,900,407)	–	(838,653)
Item not to be reclassified to profit or loss in subsequent periods:				
Movement in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income	**817,284**	–	**510,939**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**$2,301,441**	($1,103,020)	**$1,480,257**	($419,722)

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid up capital				Other comprehensive income (loss)				
	Capital Stock	Subscription Receivable	Capital in Excess of Par Value	Retained Earnings (Deficit)	Reserve for Fluctuation in value of Available-for-Sale Investments	Reserve for Changes in Value of Equity Instruments at FVOCI	Remeasurement Gains on Pension Liability	Cumulative Translation Adjustment	Total
Balances as at January 1, 2019	**$82,268,978**	**$ (373,412)**	**$ 3,650,477**	**$ 4,454,238**	**$ -**	**$ (2,668,084)**	**$ 178,836**	**$ 594,302**	**$88,105,335**
Comprehensive income									
Net income for the period	–	–	–	**1,484,157**	–	–	–	–	**1,484,157**
Other comprehensive income	–	–	–	–	–	**817,284**	–	–	**817,284**
Total comprehensive income	–	–	–	**1,484,157**	–	**817,284**	–	–	**2,301,441**
Collection of subscription receivable		**95,667**	–	–	–	–	–	–	**95,667**
Balances as at June 30, 2019	**$82,268,978**	**$ (277,745)**	**$ 3,650,477**	**$ 5,938,395**	**$ -**	**$ (1,850,800)**	**$ 178,836**	**$ 594,302**	**$90,502,443**
Balances as at January 1, 2018	$82,268,978	$ (373,412)	$ 3,650,477	$ 3,592,772	$ (385,693)	$–	$ 157,577	$ 579,260	$89,489,959
Comprehensive income									
Net income for the period	–	–	–	797,387	–	–	–	–	797,387
Other comprehensive loss	–	–	–	–	(1,900,407)	–	–	–	(1,900,407)
Total comprehensive income (loss)	–	–	–	797,387	(1,900,407)	–	–	–	(1,103,020)
Balances as at June 30, 2018	$82,268,978	$ (373,412)	$ 3,650,477	$ 4,390,159	$ (2,286,100)	$–	$ 157,577	$ 579,260	$88,386,939
Balances as at April 1, 2019	**$82,268,978**	**$ (277,745)**	**$ 3,650,477**	**$ 4,969,077**	**$ -**	**$ (2,361,739)**	**$ 178,836**	**$ 594,302**	**$89,022,186**
Comprehensive income									
Net income for the period	–	–	–	**969,318**	–	–	–	–	**969,318**
Other comprehensive income	–	–	–	–	–	**510,939**	–	–	**510,939**
Total comprehensive income	–	–	–	**969,318**	–	**510,939**	–	–	**1,480,257**
Balances as at June 30, 2019	**$82,268,978**	**$ (277,745)**	**$ 3,650,477**	**$ 5,938,395**	**$ -**	**$ (1,850,800)**	**$ 178,836**	**$ 594,302**	**$90,502,443**
Balances as at April 1, 2018	$82,268,978	$ (373,412)	$ 3,650,477	$ 3,971,228	$ (1,447,447)	$–	$ 157,577	$ 579,260	$88,806,661
Comprehensive income									
Net income for the period	–	–	–	418,931	–	–	–	–	418,931
Other comprehensive loss	–	–	–	–	(838,653)	–	–	–	(838,653)
Total comprehensive income (loss)	–	–	–	418,931	(838,653)	–	–	–	(419,722)
Balances as at June 30, 2018	$82,268,978	$ (373,412)	$ 3,650,477	$ 4,390,159	$ (2,286,100)	$–	$ 157,577	$ 579,260	$88,386,939

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITES				
Income before income tax	**$1,484,157**	$799,358	**$969,318**	$420,902
Adjustments for:				
Depletion, depreciation and amortization	**336,806**	544,390	**154,692**	277,944
Unrealized foreign exchange loss (gain)	**(634,885)**	415,588	**(634,885)**	415,588
Gain on sale of available-for-sale investments	**–**	(83)	–	–
Interest income	**(943,680)**	(699,426)	**(482,682)**	(310,499)
Dividend income	**(280,357)**	(368,545)	**(147,971)**	(185,101)
Operating income before working capital changes	**(37,959)**	691,282	**(141,528)**	618,835
Decrease (increase) in:				
Short-term investments	**–**	2,728,104	**–**	2,791,038
Accounts receivable	**(113,957)**	(19,787)	**(176,015)**	(140,298)
Crude oil inventory	**70,527**	239,470	**(755,151)**	108,678
Other current assets	**700**	1,614	**381**	514
Increase (decrease) in accounts payable and accrued expenses	**(1,692,618)**	47,023	**(505,406)**	56,172
Cash generated from (used in) operations	**(1,773,307)**	3,687,706	**(1,577,719)**	3,434,939
Income taxes paid	**(155,081)**	(117,903)	**(155,081)**	(117,903)
Net cash provided by (used in) operating activities	**(1,928,388)**	3,569,803	**(1,732,800)**	3,317,036
CASH FLOWS FROM INVESTING ACTIVITES				
Interest received	**965,867**	713,957	**483,429**	375,772
Dividends received	**349,532**	363,159	**147,970**	154,847
Proceeds from sale of available-for-sale investments	**–**	931	**–**	–
Decrease in current portion of long-term investments	**20,000,000**	–	**20,000,000**	–
Acquisitions of:				
Equity instruments at fair value through other comprehensive income	**(10,498,593)**	–	**(9,888,775)**	–
Debt instruments at amortized cost	**(13,465,081)**	–	**(13,465,081)**	–
Held-to-maturity investments	**–**	(3,840,983)	**–**	–
Available-for-sale investments	**–**	(132,122)	**–**	(132,122)
Property and equipment	**(456,527)**	(21,115)	**(242,812)**	–
Net cash used in investing activities	**(3,104,802)**	(2,916,173)	**(2,965,269)**	398,497
CASH FLOWS FROM FINANCING ACTIVITES				
Receipt of subscription receivable	**95,667**	713,957	**–**	375,772
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**38,528**	32,569	**38,528**	32,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,898,995)**	686,199	**(4,659,541)**	3,748,102
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**10,523,121**	5,412,820	**10,283,667**	2,350,917
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$5,624,126**	$6,099,019	**$5,624,126**	$6,099,019

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
Aging of Accounts Receivable
As of June 30, 2019 (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
Trade receivable	**$ 600,396**	$600,396					
Interest receivable	**371,755**	371,755					
Dividend receivable	**19,682**	19,682					
Grand Total	**$ 991,832**	$991,832					

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 was incorporated on December 22, 1969.

On March 26, 2018, during the special meeting of its stockholders, the stockholders ratified the amendments of the Second and Fourth Articles of the Articles of Incorporation (AOI) to engage in the business of power generation and exploration, development, utilization and commercialization of renewable energy resources and to extend the corporate term for 50 years from December 22, 2019, respectively. The amendments to the AOI was approved by the Securities and Exchange Commission (SEC) on July 4, 2018.

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.

The Group is 19.40% owned by JG Summit Holdings, Inc. (JGHSI).

<u>Service Contract (SC) 14</u>
On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972 (Presidential Decree 87 dated November 21, 1972), the Group, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Petroleum Board, now 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 Nido, Matinloc, West Linapacan and 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, 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, Galoc and Matinloc. Total production from these fields is modest but enough to cover operating and overhead expenses of SC 14.

The Galoc oilfield located in Block C was declared commercial on June 22, 2009 with effectivity on June 19, 2009. Block D remains a retained area.

In December 2010, the DOE extended the term of SC 14 for another 15 years or up to December 17, 2025.

<u>SC 14 - Galoc</u>

<u>Farm-in Agreement (FA)</u>
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 59.845% 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 at June 30, 2019 and 2018, the Parent Company and its subsidiary Linapacan Oil Gas and Power Corporation (LOGPOCOR), hold a combined participating interest of 7.78505% in Galoc.

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 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 182 days of actual crude production or when sufficient data has been obtained or viability of the Galoc Field has been established by the contractors in conjunction with the DOE.

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

The EPT period ended on June 18, 2009.

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

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

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

3) without prejudice to the continuing obligations of any provisions of the JOA which are expressed to or by their natures would be required to apply after such final settlement.

Block C Agreement

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

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

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

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

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

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

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

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

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

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

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

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

    d) Fourth, any reimbursement amount remaining after applying the provisions of 3a, 3b and 3c above shall be allocated 38.861% to GPC, 17.500% to Nido Petroleum and the balance of 43.639% to the Galoc Block Owners (except GPC but including Nido Petroleum only in relation to its remaining 4.779% interest in the Galoc Block) until all the Galoc Block Owners have received in aggregate a total of $34 million in accordance with this provision. The 43.639% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.

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

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

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

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

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

The Block C agreement shall terminate when SC 14 terminates.

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

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

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

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

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

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

The DA shall terminate when SC 14 terminates.

In October 2016, the Galoc Block Consortium approved the drilling of Galoc-7 to test the Mid Galoc Prospect, which is estimated to contain oil resources of 6.2 million to 14.6 million barrels.

On November 8, 2016, the DOE approved the Galoc-7 drilling program, with an estimated budget amounting to US$31 million. GPC drilled the Galoc-7 well and a sidetrack, Galoc-7ST, from March to April 2017 using the drillship Deepsea Metro I. The wells encountered 7-12 meters of net sand, which is below the prognosed thickness. In view of this, and in consideration of low fuel prices, the Consortium decided to temporarily suspend all activities related to a possible Phase III development and concentrate its efforts in optimizing oil production at the Galoc Field in order to sustain profitability and prolong the field's economic life.

In mid-2018, there was a new Operator for the Galoc Block. In a Sale Purchase Agreement, Bangchak Corporation Public Co. (Thailand) which holds the 55.88% interest shares of GPC-1 and Nido Petroleum (Galoc) Pty Ltd. in the Galoc Block, sold their share to Tamarind Galoc Pte. Ltd.

Tamarind Galoc Pte. Ltd. is headquartered in Kuala Lumpur, Malaysia. Tamarind initiated several projects which include production optimization, conduct of a more refined well test, renegotiate lease contract with the owners of the FPSO "Rubicon Intrepid", renegotiate terms of the helicopter contract with INAEC, and conduct feasibility studies for the fabrication of a Condensate Recovery Unit to be installed at the FPSO "Rubicon Intrepid".

<u>SC 14 – West Linapacan</u>
A farm-in agreement was signed in May 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 75% interest out of the share in the farming-out parties/farmors. The farming-out parties / Farmors are free up to commercial "first oil" production.

Pitkin Petroleum Plc. will have earned 58.29% interest after fulfilling their work obligations. In February 2011, Pitkin farmed-out half of the 58.29% interest to Resources Management Associates Pty Ltd. of Australia (RMA). This transfer of interest was approved by the Department of Energy (DOE) in July 2011. The transfer of operatorship to RMA was approved by the DOE in April 2012. The Farmors continued to be carried free up to commercial first oil production. RMA carried technical studies that will lead to the drilling and re-development of the West Linapacan-A structure. An independent third party assessment was also commissioned to determine the range of recoverable reserves from the structure.

In 2014, preparations were made to drill a well with spud-in date no later than end December 2014. However, there was difficulty in raising the necessary funding for the drilling operations. Starting the second half of 2014, prices of crude oil worldwide started to dramatically decline. This decline continued up to the end of the year.

On January 14, 2015, the West Linapacan Block Farmors informed the Department of Energy/DOE of the termination of the Farm In Agreement due to the non-performance of work obligation by Pitkin Petroleum (hence RMA) for the rehabilitation of the West Linapacan field. In a letter dated March 12, 2015, the DOE acknowledged the termination of the Farm In Agreement between the Farmors and Pitkin (hence RMA) since RMA could not provide the proof of financial capability to perform the work program. The 58.29% participating interest previously assigned to Pitkin provided under the Farm In Agreement will be reassigned to the SC14C2 West Linapacan Block Farmors.

The joint venture partners developed a work program and budget for the year 2017 which was submitted to and subsequently approved by the DOE.

The main activity was to carry out a technical and commercial audit of the activities carried out by the previous Operator-RMA Hk Ltd. In addition, a contingent underwater survey, by way of a Remote Operated Vehicle (ROV), was considered to gather information on the conditions of the subsea equipments installed in the old West Linapacan wellheads.

In-house geotechnical studies continued to be carried out on the contract area. An Assessment Study was commissioned for a low capital expenditure re-development of the West Linapacan-A oilfield. The estimated oil reserves, however, differed significantly from earlier studies. An evaluation of other development options will be carried out. A Scoping Study was also commissioned for the possible re-entry and extended production test of the West Linapacan-A1 Well. The re-entry and EPT will be carried out for six months using coiled tubing. This procedure is undergoing evaluation.

Participating Interests
As of June 30, 2019 and 2018, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	(In percentage)	
	2019	2018
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)	**30.288**	30.288
Block C (Galoc)	**7.785**	7.785
Block D	**20.829**	20.829
SC 6 (Bonita)	**16.364**	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.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

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 equity instruments at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) investments that have been measured at fair value.

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, 2017.

The unaudited interim consolidated financial statements are presented in U.S. Dollars, the Parent Company's functional and presentation currency. All values are rounded to the nearest dollar, except when otherwise indicated.

For consolidation purposes, the financial statements of the Subsidiaries (OMWI and OLC) whose functional currency is Philippine Peso were translated to U.S. Dollars using the prevailing rate as of the reporting date for statement of financial position accounts and the weighted average rate for the reporting period for the statements of income and statements of comprehensive income accounts. The exchange differences arising from the translation are recognized in other comprehensive income (OCI), until disposal at which time the cumulative translation adjustment recognized in OCI is included in the statement of income.

The consolidated financial statements provide comparative information in respect of the previous period, except as regards to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*.

Statement of Compliance
The accompanying unaudited interim consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2019 and 2018. The subsidiaries are all incorporated in the Philippines.

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activity**	**2019**	2018
LOGPOCOR	Oil exploration and development	**100%**	100%
OMWI	Furniture manufacturing and distribution	**100%**	100%
OLC	Real estate	**100%**	100%

As at June 30, 2019 and 2018, OMWI and OLC subsidiaries of the Parent Company have ceased their operations.

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls a subsidiary if and only if the Group has:

1. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee, and
3. The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority voting rights result in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a.) The contractual arrangement with the other vote holders of the investee;
b.) Rights arising from other contractual arrangements; and
c.) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any gain or loss in profit or loss; and

- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company.

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The adoption of this amendment did not result in any impact on the consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments*

  PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group has applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The effect of adopting PFRS 9 follows:

a. Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit of loss (FVTPL), amortized cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, short-term investments, receivables and long-term investments amounting to \$5.41 million, \$10.26 million, \$1.03 million and \$40.00 million, respectively as at December 31, 2017 previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Held-to-maturity investments amounting to \$5.21 million as at December 31, 2017 previously classified as held-to-maturity investments are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Quoted equity instruments previously classified as AFS financial assets amounting to \$13.31 million as at December 31, 2017 are now classified and measured as financial assets at FVOCI. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at amortized cost all financial assets previously carried at amortized cost under PAS 39.

In summary upon the adoption of PFRS 9, the Company had the following required or elected reclassifications as at January 1, 2018:

	PAS 39 Measurement Category			PFRS 9 Measurement Category		
	Loans and Receivables	AFS	HTM	FVPL	Amortized Cost	FVOCI
Cash and cash equivalent	$5,412,820	$−	$−	$−	$5,412,820	$−
Short-term investments	10,255,240	$−	$−	$−	10,255,240	−
Receivables	1,029,764	−	−	−	1,029,764	−
Long-term investments	40,000,000	−	−	−	40,000,000	−
Debt instrument	−	−	5,205,087	−	5,205,087	−
Quoted equity instruments	−	13,313,921	−	−	−	13,313,921
	$56,697,824	$13,313,921	$5,205,087	$−	$61,902,911	$13,313,921

b. Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss. The adoption of ECL approach has no significant impact on the allowance for impairment losses recognized in the consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contracts with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue as the entity satisfies a performance obligation.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group is in various joint operations arrangements, which has producing fields from SC 14A Nido, SC 14B Matinloc and SC 14C1 Galoc. The revenue generated by the Consortium comes from the sale of petroleum products from these fields to its primary customers. In this regard, the Group recognizes its share in revenue from the joint operation. As at December 31, 2018 and 2017, the Group's joint arrangement is in the form of a joint operation, and is accounted for in accordance with PFRS 11, *Joint Arrangements.*

The Group assessed that the adoption of PFRS 15 has no impact since the Group's main source of revenues is from its share in revenue from the joint operation. Under PFRS 15, an entity shall apply the new standard to all contracts with customers, except for contractual rights and obligations that are within the scope of PFRS 11.

The adoption of PFRS 15 as at January 1, 2018 did not have a material impact on the consolidated statements of financial position, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendments are not applicable to the Group since none of the entities within the Group are considered as venture capital organization or other qualifying entities.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The adoption of these amendments did not result in any impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The adoption of this interpretation did not result in any impact on the consolidated financial statements.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through OCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation* (Part of *Annual Improvements to PFRSs* 2015 - 2017 Cycle)

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Part of *Annual Improvements to PFRSs* 2015 - 2017 Cycle)

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization* (Part of *Annual Improvements to PFRSs* 2015 - 2017 Cycle)

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Business Combinations*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. **Summary of Significant Accounting Policies**

<u>Cash and Cash Equivalents</u>
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.

<u>Short-term Investments</u>
Short-term investments are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year.

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition, Subsequent Measurement and Impairment Upon the Adoption of PFRS 9

Financial Assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost (debt instruments)
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss (debt instruments)

- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss (equity instruments)
- financial assets measured at fair value through profit or loss

Contractual cash flows characteristics. the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term and long-term investments, receivables and debt instruments at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI)
Debt instruments. A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of June 30, 2019, the Group does not have debt instruments at FVOCI.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of June 30, 2019, the Group elected to classify irrevocably its quoted equity instruments under this category.

Financial assets at fair value through profit or loss (FVPL)
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

As of June 30, 2019, the Group does not have financial assets at FVPL.

Impairment of financial assets
The Group recognizes an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, short-term and long-term investments and debt instruments at amortized costs, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a12-month basis. To estimate the ECL for cash and cash equivalents, short-term and long-term investments and debt instruments, the Company uses the ratings published by a reputable rating agency (i.e., Moody's, Fitch, Capital Intelligence, and Standard and Poor's).

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Other Financial Liabilities
This is the category most relevant to the Company and includes liabilities arising from operations.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's accounts and other payables are classified in this category.

Initial Recognition, Subsequent Measurement and Impairment Prior to the Adoption of PFRS 9

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 and Classification of Financial Instruments
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such 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.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value based on 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 or liability.

In cases an unobservable data is used, 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. These 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, loans and receivables are subsequently measured at amortized cost using the effective interest (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. 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 Group's cash and cash equivalents, short-term and long-term investments and receivables as at December 31, 2017.

HTM Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as "Interest income" in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income.

The Group's HTM investment refers to a quoted debt instrument as at December 31, 2017.

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 effective interest rate (EIR). Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been established.

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

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that 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 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 under PAS 39 and PFRS 9</u>
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original 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, 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 under PAS 39 and PFRS 9

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 set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

Crude Oil Inventory

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

Long-term Investments

Long-term investments are placements in time deposits and other money market instruments with original maturities of more than one year.

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 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

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly.

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

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 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.

Equity

Capital Stock

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of 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. If additional paid in capital is not sufficient, the excess is charged against retained earnings.

Subscriptions Receivable

Subscriptions receivable represents shares subscribed but not fully paid.

Retained Earnings

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

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Group's OCI in 2019 and 2018 pertains to reserve for fluctuation in value of AFS investments which can be reclassified to profit or loss in subsequent period and remeasurement gains (losses) on pension liability and changes in cumulative translation adjustment which cannot be recycled to profit or loss in the subsequent period.

Revenue Recognition

Accounting policy after adoption of PFRS 15

Revenue from sale of petroleum products is recognized at a point in time when the control of the goods has transferred from the Consortium Operator of the joint arrangement to the customer, which is typically upon delivery of the petroleum products to the customers. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from Petroleum Operation
Revenue from petroleum operation is recognized at a point in time when the control of the goods has transferred from the Consortium Operator, on behalf of the sellers, to the buyer at the delivery point. Revenue is measured at the fair value of the consideration received.

The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11.

Accounting policy before adoption of PFRS 15
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 is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest.

Interest Income
Interest income is recognized as it accrues using the EIR 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 the dividend is established, which is generally when the shareholders approve the dividend.

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

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

Petroleum Production Cost
Petroleum production cost represents costs that are directly attributable in recognizing revenue from petroleum operations.

General and Administrative Expenses
General and administrative expenses constitute the costs of administering the business and are recognized when incurred.

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 in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided, using the liability method, on all temporary differences, with certain exceptions, at 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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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 arrangements, when 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, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference 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; 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 financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. 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 assets 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 rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Foreign Currency-denominated Transactions and Translations

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

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

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

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.

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.

Provisions

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

Contingencies

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

Events After the Reporting Date

Post year-end events up to the date of auditor's report 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 in 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 and Classification of a Joint Arrangement

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to operations and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group considers the rights and obligations arising from:
  a. The legal form of the separate vehicle;
  b. The terms of the contractual arrangement; and
  c. Other facts and circumstances (when relevant).

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

As at June 30, 2019 and 2018, the Group's joint arrangement is in the form of a joint operation.

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 determination of functional currency was based on the primary economic environment in which each of the entities generates and expends cash. The Parent Company and LOGPOCOR's functional currency is the US Dollar. The functional currency of OMWI and OLC is Philippine Peso.

Provisions and Contingencies
In the normal course of business, the Group is subject to certain exposure and claims by third parties. The Group does not believe that this exposure will have a probable material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the judgement and estimates or in the effectiveness of the strategies relating to this exposure.

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 statements of comprehensive income and consolidated statements of changes in equity, as appropriate.

Estimation of Provision for ECLs of Receivables Upon Adoption of PFRS 9
The Group uses a provision matrix to calculate ECLs for receivables and debt instruments at amortized cost. The provision rates are based on days past due of each counterparty that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults of the counter parties, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of counter party's actual default in the future.

No provision for ECL on the Group's receivables were recognized in 2019 and 2018.

Estimating Provision for Plug and Abandonment Costs
Significant estimates and assumptions are made in determining the provision for decommissioning. Factors affecting the ultimate amount of liability include estimates of the extent and costs of decommissioning activities, technological changes, regulatory changes, cost increases, and changes in discount and foreign exchange rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The Group recognized provision for plug and abandonment costs amounting to \$2.06 million as at December 31, 2018. In 2018, the Group also recognized plug and abandonment costs in consolidated statement of income amounting to \$2.86 million which pertains to actual costs to plug and abandon wells from Libro, Tara South and estimated costs to plug and abandon Nido, Matinloc and North Matinloc fields.

Impairment of Financial Assets Carried at Amortized Cost Prior to the Adoption of PFRS 9
The Group assesses on a regular basis if there is objective evidence of impairment of loans and receivables and HTM investments. 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 and HTM investments. The Group did not assess its loans and receivables and HTM investments 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.

Impairment of AFS Investments Measured at Fair Value Prior to the Adoption of PFRS 9
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 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.

Estimation of Oil Reserves
The estimation of oil reserves requires significant judgment and assumptions by management and engineers and has a material impact on the consolidated financial statements, particularly on the depletion of wells, platforms and other facilities and impairment testing. There is the inherent uncertainty in estimating oil reserve quantities arising from the exercise of significant management judgment and consideration of inputs from geologists/engineers and complex contractual arrangements involved as regards the Group's share of reserves in the service contract area. This reserve estimate also depends on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of these data.

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.

Pension Expense
The cost of pension and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions include among others, the determination of the discount rate, salary increase rate and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Salary increase rate is based on expected future inflation rates for the specific country and other relevant factors and employee turnover rate is based on Group's experience on employees resigning prior to their retirement.

Recognition of Deferred Tax Assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Petty cash fund	**$195**	$187
Cash in banks	**274,364**	31,886
Short-term deposits	**5,349,567**	6,066,946
	$5,624,126	$6,099,019

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 2.19% p.a. to 5.50% p.a. in 2019 and 2.25% p.a. to 3.75% p.a. in 2018.

There are no cash restrictions on the Group's cash balance as at June 30, 2019 and 2018.

7. Receivables

This account consists of:

	2019	2018
Trade receivables	**$600,396**	$604,974
Interest receivable	**371,755**	277,841
Dividend receivable	**19,682**	125,212
	$991,832	$1,008,027

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

Trade receivables are noninterest-bearing and are generally on one (1) to thirty (30) days' terms. There are no past due nor impaired receivables as of June 30, 2019 and 2018.

Dividend receivable pertains to cash dividends to be received by the Group in relation to its quoted equity instruments at fair value through other comprehensive income and AFS financial assets.

8. Investments

Short-term investments
In 2017, the Group availed of various short-term money-market investments with various banks amounting to $10.26 million as of December 31, 2017. These investments have original maturities of more than three (3) months but less than one (1) year. These investments earn interests of 1.80% and 2.25% and will mature on various dates from January 8, 2018 to December 14, 2018.

Long-term investments
In 2016, the Group availed of various long-term investment with a local bank amounting to $40.00 million. These investments earn interest of 2.75% and will mature starting May 10, 2019 to October 7, 2019.

Equity Instruments at FVOCI and Available-for-sale investments
Starting 2018, AFS investments are presented as equity instruments at FVOCI according to PFRS 9. AFS investments represent equity instruments in quoted shares carried at fair value as at the end of the reporting period.

Movement in the reserve for fluctuation in value of equity instruments at FVOCI/AFS investments at fair value are as follows:

	2019	2018
At January 1	**($2,668,084)**	($385,693)
Unrealized gain (loss) during the year	**817,284**	(1,900,407)
At June 30	**($1,850,800)**	($2,286,100)

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

	2019	2018
At January 1	**$11,641,849**	$13,313,921
Movement in reserve for fluctuation in value of equity instruments at FVOCI/AFS investments	**817,284**	(1,900,597)
Additions	**10,498,593**	132,122
Disposal	**–**	(849)
At June 30	**$22,957,726**	$11,544,597

Held-to-maturity investment

Starting 2018, HTM investments are presented as debt instruments at amortized cost according to PFRS 9.

In 2018, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $8.06 million (₱425.00 million). The various bonds pay interests at rates ranging from 6.08% to 8.51% per annum and will mature starting November 9, 2020 to October 25, 2028.

In 2017, the Group acquired fixed rate bond from a corporate bond issuer amounting to $2.01 million (₱100 million). The bonds pay interests at a rate of 5.1683% per annum. The bonds will mature on May 18, 2024.

In 2016, the Group acquired fixed rate corporate bonds from a corporate bond issuer amounting to ₱9.89 million ($0.21 million). The bonds pay interests a rate of 4.8500% per annum. The bonds will mature on March 23, 2026.

In 2015, the Group acquired fixed rate corporate bonds from a corporate bond issuer amounting to ₱150.00 million ($3.28 million). The bonds pay interests on a quarterly basis at a rate of 6.0169% per annum. The bonds will mature on August 6, 2027.

The carrying value of HTM investment as at March 31, 2018 amounted to $9.05 million.

The carrying values of investments in bonds, classified as debt instruments at amortized cost in 2019 and HTM investments in 2018, are as follows:

	2019	2018
Balances at beginning of year	**$12,990,099**	$5,205,087
Additions	**13,465,081**	3,840,983
Unrealized foreign exchange gain (loss)	**653,311**	(453,529)
Balances at end of year	**$27,108,491**	$8,592,541

9. **Property and Equipment**

The roll-forward analysis of this account follows:

	2019			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
At January 1	**$88,225,470**	**$234,951**	**$45,294**	**$88,505,715**
Additions	**456,234**	**–**	**293**	**456,527**
At June 30	**88,681,704**	**234,951**	**45,587**	**88,962,242**
Accumulated Depletion, Depreciation and Amortization				
At January 1	**74,551,458**	**202,769**	**33,689**	**74,787,916**
Depletion, depreciation and amortization	**333,227**	**3,426**	**153**	**336,806**
At June 30	**74,884,685**	**206,195**	**33,842**	**75,124,722**
Net book value at June 30	**$13,797,019**	**$28,756**	**$11,745**	**$13,837,520**

	2018			
	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
At January 1	$88,195,602	$213,834	$45,294	$88,454,730
Additions	–	21,115	–	21,115
At June 30	88,195,602	234,949	45,294	88,475,845
Accumulated Depletion, Depreciation and Amortization				
At January 1	$73,475,040	$195,228	$33,267	$73,703,535
Depletion, depreciation and amortization	540,061	4,115	214	544,390
At June 30	74,015,101	199,343	33,481	74,247,925
Net book value at June 30	$14,180,501	$35,606	$11,813	$14,227,920

10. **Deferred Exploration Costs**

The full recovery of the deferred oil exploration costs incurred in connection with the Group's participation in the acquisition and exploration of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities from the respective petroleum, concessions and the success of the future development thereof. Deferred exploration costs primarily relate to SC 6.

<u>SC 6 Bonita</u>
SC 6 Bonita Block is part of the retained area of the original SC 6 granted in 1973. The 10-year exploration period and the subsequent 25-year production period expired last February 2009.

In 2009, a 15-year extension period for the Bonita Block was requested from and subsequently granted by the DOE. The conditions for the grant of the 15-year extension period required 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. The term of SC 6 will expire on February 28, 2024.

In 2010, a third party expressed interest to farm-in to and acquire interest share in SC 6B by carrying out additional geoscientific studies with option to drill. The farm-in agreement was approved by the DOE in February 2011. The agreement requires the farm-in party to carry out a geological and geophysical program to evaluate the petroleum potential of SC 6. After the study, the farm-in party have the option to acquire interest share in the block. The subsequent work program entails the drilling of a well and the production of hydrocarbons from such well.

In 2013, the farm-in agreement with a third party was not finalized and the participating interests of the joint venture partners reverted to the original interest participation distribution.

In 2014, the Bonita block is under a 2nd Extension Period of five (5) years (March 2014 to March 2019). A work program and budget for the initial two-year extension period (March 2014 to March 2016) has been submitted to and approved by the DOE. These include the processing and interpretation of satellite gravity data and three-dimensional seismic data.

The joint venture continued to carry out reprocessing of three-dimensional seismic data through a geophysical company based in Kuala Lumpur, Malaysia. The reprocessed data will then be interpreted in-house to identify leads or prospects that could be possible targets for drilling.

In 2016, additional cost incurred for the yearly work program amounting to $610 by the Group.

In 2017, a European third party expressed interest to farm-in to the Bonita Block. A draft of the Farm-In Agreement was reviewed by the joint venture partners and was submitted to the DOE for their review and approval. The same third party was required in 2018 to submit a work program and budget as well as updated financial statements.

In 2018, the DOE approved the inclusion of the Cadlao Production License Area as part of Service Contract-6B.

One of the joint venturers, Phinma Energy Corporation (formerly, Trans-Asia Oil & Energy Corporation), relinquished its participating interest of 14.063% and assigned this to the remaining partners. The relinquishment and assignment of interest was approved by the DOE.

11. Accounts and Other Payables

This account consists of:

	2019	2018
Accounts payable and accrued expenses	**$425,247**	$439,777
Dividends payable	**79,882**	76,652
Subscriptions payable	**27,381**	26,274
	$532,510	$542,703

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.

Provision for Plug and Abandonment

Provision for plug and abandonment for SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfileds. The Consortium plans to plug and abandon the remaining nine (9) wells at the Nido, Matinloc and North Matinloc oilfields within the third quarter of 2019. These oilfields have already reached their end of life, having been in production since the late 1970's to early 1980's. As at December 31, 2018, the Group provided provision for plug and abandonment costs amounting to $2.06 million related to the plug and abandonment works.

12. Paid up Capital

This account consists of:

	2019	2018
Class A - $0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	**$49,361,387**	$49,361,387
Class B - $0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	**32,907,591**	32,907,591
Subscriptions receivable	**(277,745)**	(373,412)
Capital in excess of par value	**3,650,477**	3,650,477
	$85,641,710	$85,546,043

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

13. Other Income

This account consists of:

	2019	2018
Dividend	**$280,357**	$368,545
Interest	**943,680**	699,426
Others	**–**	83
	$1,224,037	$1,068,054

The dividend income is derived primarily by the Group from its investments in equity instruments. Interest income came from investments in bonds, money market placements and deposits in banks.

14. Related Party Transactions

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

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

As of June 30, 2019 and 2018, the Company had Cash and Cash equivalents maintained at various banks including an affiliated bank. The Company likewise leases an office space from an affiliate that is renewable annually.

Terms and conditions of transactions with related parties
Outstanding balances at the end of the period 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 2019 and 2018. 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.