COVER SHEET

SEC Registration Number

4 0 0 5 8

COMPANY NAME

O R I E N T A L P E T R O L E U M A N D M I N E R A L S C O R P O R A T I O N A N D S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Vicente O. Caoile, Jr.
(Contact Person)

633-7631
(Company Telephone Number)

1 2 3 1
Month *Day*
(Fiscal Year)

S E C F O R M - 1 7 - A
(Form Type)

Month *Day*
(Annual Meeting)

Annual Report 2018

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

11,632
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2018**

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, 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

    The aggregate market value of the voting stock held by non-affiliates is ₱1.55 billion.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

Production Data for 2018 and 2017

Area	Volume (in bbls.)		Average Selling Price (in US$/bbl.)	
	2018	2017	**2018**	2017
Nido / Matinloc	94,770	125,774	68.00	53.04
Galoc	1,066,075	1,408,834	74.21	54.97

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

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

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

For the year ended December 31, 2018, the Company recorded total revenue from petroleum operations of US$7.69 million. The main source of this revenue was from Galoc operations which contributed a total of US$6.52 million. In 2017, the Company recorded petroleum revenue of US$7.64 million; US$6.52 million came from its share in the Galoc operation.

As of December 31, 2018, OPMC has fifteen (15) employees, twelve (12) executives and three (3) rank and file personnel. The Company is not expecting any change in the number of employees it presently employs. The Company has not entered into any Collective Bargaining Agreements (CBA).

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

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

The Company organized three (3) wholly-owned subsidiaries:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

The Company was incorporated and started commercial operations on May 2, 1988 with the principal objective of supplying overseas manufacturers, importers and designers with high quality furniture.

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

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

The Company was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transporting, marketing, utilization, conservation, stockpiling of any forms of energy products and resources. OPMC continues to recognize revenues arising from the operations of the assigned working interest. However, all related capitalizable expenses on such working interest continue to be capitalized to the Company's assigned costs of such working interest. On the other hand, depletion of such costs is transferred to OPMC and shown as a reduction of the assigned costs.

c) ORIENTAL LAND CORPORATION (OLC)

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

Item 2. Properties

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

Listed below are OPMC's exploration undertakings through a consortium effort with the DOE.

CONTRACT	LOCATION	Expiration Date	OPMC Share (%)
SC 6B (Bonita)	NW Palawan	February 28, 2024	16.364
SC 14A (Nido)	NW Palawan	December 17, 2025	42.940
SC 14B (Matinloc)	NW Palawan	December 17, 2025	17.703
SC 14B1 (N. Matinloc)	NW Palawan	December 17, 2025	27.772
SC14C (West Linapacan)	NW Palawan	December 17, 2025	30.288
SC14C (Galoc)	NW Palawan	December 17, 2025	7.785
SC 14D	NW Palawan	December 17, 2025	20.829

Item 3. Legal Proceedings

None.

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The principal market for OPMC's common equity is the Philippine Stock Exchange. Stock prices of the common stock are as follow:

STOCK PRICES (in pesos)	CLASS A High	CLASS A Low	CLASS B High	CLASS B Low
2019				
First Quarter	0.014	0.012	0.014	0.012
2018				
First Quarter	0.013	0.011	0.013	0.012
Second Quarter	0.014	0.011	0.014	0.012
Third Quarter	0.014	0.011	0.014	0.012
Fourth Quarter	0.014	0.012	0.014	0.012
2017				
First Quarter	0.013	0.010	0.013	0.011
Second Quarter	0.012	0.010	0.013	0.010
Third Quarter	0.014	0.010	0.015	0.010
Fourth Quarter	0.013	0.012	0.014	0.012

VOLUME (in billion shares)	CLASS A	CLASS B
2019		
First Quarter	2.709	11.051
2018		
First Quarter	2.048	1.328
Second Quarter	6.738	0.714
Third Quarter	8.801	0.816
Fourth Quarter	3.072	1.215
2017		
First Quarter	2.066	0.468
Second Quarter	1.304	0.286
Third Quarter	4.131	1.040
Fourth Quarter	1.069	4.041

As of December 31, 2018, there are approximately **11,632** stockholders both for Class "A" and "B" shares.

List of Top 20 Stockholders As of December 31, 2018

	Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1.	PCD NOMINEE CORPORATION	82,273,069,951	41.14
2.	CONSOLIDATED ROBINA CAPITAL CORP.	37,051,952,896	18.53
3.	R. COYIUTO SECURITIES, INC.	26,212,760,122	13.11
4.	PRUDENTIAL GUARANTEE & ASSURANCE, INC.	13,341,635,799	6.67
5.	PCD NOMINEE CORPORATION (NON-FILIPINO)	5,012,237,833	2.51
6.	J.G. SUMMIT HOLDINGS, INC.	1,756,248,841	0.88
7.	F & J PRINCE HOLDINGS CORP.	1,260,888,642	0.63
8.	PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION	1,129,545,907	0.57
9.	PHIL. COMMUNICATIONS SATELLITE CORP.	1,103,946,216	0.55
10.	PAULINO G. PE	935,000,000	0.47
11.	GIBRALTAR INTERNATIONAL HOLDINGS, INC.	832,833,547	0.42
12.	DAVID GO SECURITIES CORP.	698,258,201	0.35
13.	MARGARET S. CHUA CHIACO	663,400,000	0.33
14.	TIONG KENG CHING	622,512,998	0.31
15.	VICTORIA DUCA	611,236,533	0.31
16.	ROBERT COYIUTO, JR.	565,664,986	0.28
17.	JAMES UY, INC.	471,843,600	0.24
18.	ERNESSON S. CHUA CHIACO	441,600,000	0.22
19.	GENEVIEVE S. CHUA CHIACO	441,600,000	0.22
20.	F. YAP SECURITIES, INC.	394,026,036	0.20
		175,820,262,108	87.94
	OTHERS	24,179,737,992	12.06
	TOTAL	**200,000,000,000**	**100.00**

Description of Registrant's Securities

Common Stock - all shares of stock of the Company enjoy the same rights and privileges, except that Class A shares shall be issued solely to Filipino citizens, whereas Class B shares can be issued to Filipino citizens or foreigners.

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

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

Dividends

The Company has not declared any cash or stock dividends in the last two (2) years (2018 and 2017).

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

The combined crude oil production from the Nido, Matinloc and North Matinloc Fields in 2018 totaled 94,770 barrels which was 25% lower than the fields' combined output of 125,774 barrels in 2017. On the other hand, Galoc Field's production for 2018 summed 1,066,075 barrels which was 24% lower than the total production of 1,408,834 barrels in 2017. The decrease in production in both operations was mainly due to the normal depletion of oil.

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

Results of Operations

2018 vs. 2017

Revenue from petroleum operations in 2018, which amounted to US$7.69 million, increased by 1% from US$7.64 million in 2017. Petroleum revenue from the Galoc operations, which comprised 85% of the total revenue, amounted to US$6.52 million in 2018 and 2017. Revenue from Nido/Matinloc operations, representing the remaining 15% of the total revenue, amounted to US$1.17 million in 2018 as compared to US$1.12 million in 2017.

Despite the decrease in crude oil production volume, petroleum revenue increased because of increase in average crude oil prices. Total crude oil production volume decreased by 24% from 1.53 million barrels in 2017 to 1.16 million barrels in 2018. However, average price per barrel increased to US$74.21 in 2018 as compared to US$54.97 in 2017 for Galoc operations. For Nido/Matinloc operations, average price per barrel increased to US$68.00 in 2018 as compared to US$53.04 in 2017.

Petroleum production costs in 2018, which totaled US$7.52 million, increased by 45% or US$2.33 million. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia. In 2018, actual costs were incurred to plug and abandon wells from Libro and Tara oilfields amounting to $0.79 million. Also, in 2018, estimated costs to plug and abandon wells from Nido, Matinloc and North Matinloc Oilfields amounted to $2.06 million.

Depletion and depreciation decreased by 29% due to the decrease in volume of crude oil production.

Interest and other income reached US$2.70 million in 2018, an increase of 16% from US$2.32 million in 2017 arising from investment in preferred shares, bonds, and short-term and long-term deposits.

2017 vs. 2016

Revenue from petroleum operations in 2017, which amounted to US$7.64 million, dropped by US$1.03 million or 12% from US$8.67 million in 2016. Petroleum revenue from the

Galoc operations, which comprised 85% of the total revenue, declined by US$1.20 million or 16%. Revenue from Nido/Matinloc operations, representing the remaining 15% of the total revenue, amounted to US$1.12 million in 2017 as compared to US$0.95 million in 2016.

Despite the increase in average crude oil prices, petroleum revenue declined brought by the decrease in crude oil production volume. The average price per barrel increased to US$54.97 in 2017 as compared to US$43.35 in 2016 for Galoc operations while US$53.04 in 2017 as compared to US$42.59 in 2016 for Nido/Matinloc operations. However, total crude oil production volume decreased by 18% from 1.86 million barrels in 2016 to 1.53 million barrels in 2017.

Petroleum production costs in 2017, which totaled US$5.18 million, increased by 11% or US$0.50 million. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.

Depletion and depreciation increased by 22% mainly due to higher depletion rate caused by lower remaining crude oil reserves of the Galoc Field as assessed by an independent audit firm.

Interest and other income reached US$2.32 million in 2017, an increase of 5% from US$2.22 million in 2016 which were derived mainly from the Company's investment in preferred shares, bonds, and short-term and long-term deposits.

2016 vs. 2015

Revenue from petroleum operations in 2016, which amounted to US$8.67 million, dropped by US$1.24 million or 4% from US$9.91 million in 2015. Petroleum revenue from the Galoc operations, which comprised 89% of the total revenue, declined by US$1.16 million or 13%. Revenue from Nido/Matinloc operations, representing the remaining 11% of the total revenue, amounted to US$0.95 million in 2016 as compared to US$1.02 million in 2015.

The decline in petroleum revenue was brought mainly by the decrease in average crude oil prices and crude oil production volume. The average price per barrel decreased to US$43.35 in 2016 as compared to US$54.00 in 2015 for Galoc operations while US$42.59 in 2016 as compared to US$47.31 in 2015 for Nido/Matinloc operations. Further, total crude oil production volume decreased by 28% from 2.59 million barrels in 2015 to 1.86 million barrels in 2016.

Petroleum production costs in 2016, which totaled US$4.68 million, decreased by 24% or US$1.46 million. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees.

Depletion, depreciation and amortization increased by 10% mainly due to higher depletion rate caused by lower remaining crude oil reserves of the Galoc Field as assessed by an independent audit firm as of December 31, 2015.

Other income mainly consists of dividend and interest incomes. Dividend income is derived from the Company's investment in preferred shares. Meanwhile, interest income is normally earned from cash in banks and short-term and long-term deposits. Increase in dividend and interest incomes was mainly attributable to higher range of interest rates for 2016 as compared to 2015.

Financial Position

2018

The Company's consolidated assets at the end of 2018, which amounted to US$92.29 million, is slightly higher than last year's US$92.11 million due to the following movements:

In 2018, cash and cash equivalents account amounted to US$10.52 million, as compared to US$5.41 million in 2017. The increase of 94% was mainly due to reclassification of investment in time deposit from short-term investment account to cash and cash equivalents, partially decreased by the acquisition of additional bonds.

Receivable at the end of 2018 totaled US$0.97 million, a decrease of 6% from last year's US$1.03 million. 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$1.77 million, an increase of 21% from last year's US$1.46 million. 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 crude oil volume in tank and storage in 2018 as compared to 2017.

Starting 2018, available-for-sale investments are presented as financial assets at fair value through other comprehensive income according to PFRS 9, *Financial Instruments*. Financial assets at fair value through other comprehensive income amounted to US$11.64 million at the end of 2018.

Starting 2018, held-to-maturity investments are presented as financial assets at amortized cost according to PFRS 9, *Financial Instruments*. Financial assets at amortized cost totaled US$12.99 million at the end of 2018.

Consolidated property and equipment at the end of 2018 amounted to US$13.72 million. The decrease of 7% was mainly due to depletion and depreciation expenses.

Accounts and other payables at the end of the year amounted to US$0.50 million. Income tax payable increased by US$0.05 million from 2017 due to higher income tax liability for the year partially offset by payment of income tax. Provision for plug and abandonment costs at the end of the year amounted to US$2.06 million which pertains to estimated costs to plug and abandon wells in SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfields.

2017

The Company's consolidated assets at the end of 2017, which amounted to US$92.11 million, is 2% higher than last year's US$90.75 million due to the following movements:

In 2017, cash and cash equivalents account amounted to US$5.41 million, as compared to US$11.20 million in 2016. The decrease of 52% was mainly due to reclassification of placements to short-term investments account, which are placements in time deposits with maturities of more than three months but less than one year.

Receivable at the end of 2017 totaled US$1.03 million, a decrease of 23% from last year's US$1.33 million. 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$1.46 million, an increase of 21% from last year's US$1.21 million. 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 crude oil volume in tank and storage in 2017 as compared to 2016.

Available-for-sale investments reached US$13.31 million at the end of 2017, slightly lower than last year's US$13.67 million attributable to the change in market value of investments.

Investment in bonds totaled US$5.21 million at the end of 2017, higher than last year's US$3.22 million due to additional acquisition of bonds.

Consolidated property and equipment at the end of 2017 amounted to US$14.75 million. The increase was mainly due to the Company's share in Galoc-7 drilling costs partially offset by depletion and depreciation expenses.

Accounts and other payables at the end of the year amounted to US$0.53 million, a decrease from US$0.62 million in 2016 due to payment of accrued expenses during the year. Income tax payable decreased by US$0.54 from 2016 due to payment of income tax and lower income tax liability for the year.

2016

The Company's consolidated assets at the end of 2016, which amounted to US$90.75 million, is 4% higher than last year's US$87.04 million 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. In 2016, cash and cash equivalents account amounted to US$11.20 million, as compared to US$51.01 million in 2015. The decrease of 78% was mainly attributable to US$40.00 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 at the end of 2016 totaled US$1.33 million, a decrease of 21% from last year's US$1.68 million. 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$1.21 million, a decrease of 24% from last year's US$1.59 million. 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 mainly due to lower crude oil volume in tank and storage in 2016 as compared to 2015.

In 2016, the Company's short-term investments amounting to US$4.87 million are 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 are placements in three-year U.S. dollar time deposits with a local bank.

Available-for-sale investments reached US$13.67 million at the end of 2016, slightly higher than last year's US$13.16 million attributable to additional investments made by the Company during the year.

Consolidated property and equipment at the end of 2016 amounted to US$14.58 million. The decrease of about 7% is mainly due to depletion and depreciation expenses.

As of December 31, 2016, deferred exploration cost amounted to US$0.66 million. A partial increase from last year represents the Company's share in SC-6 Bonita expenses.

In 2016, accounts and other payables account amounted to US$0.62 million.

The causes for material changes of December 31, 2018 figures as compared to December 31, 2017 figures of the following accounts are:

Accounts	December 31, 2018	December 31, 2017	Change	%	Remarks
Financial Position					
Cash and cash equivalents	$10,523,121	$5,412,820	$5,110,301	94%	Increase was due to reclassification of investment in time deposit from short-term investment account to cash and cash equivalents.
Current portion of long-term investments	40,000,000	–	40,000,000	100%	Increase was mainly due to reclassification of investment in time deposit under long-term investments.
Receivables	969,239	1,029,764	(60,525)	(6%)	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.
Crude oil inventory	1,773,069	1,462,654	310,415	21%	Increase was mainly due to higher crude oil volume in tank and storage in 2018 as compared to 2017.
Equity instrument at	11,641,849	–	11,641,849	100%	These financial assets are investments in preferred shares

Accounts	December 31, 2018	December 31, 2017	Change	%	Remarks
fair value through other comprehensive income					held by the Company.
Available-for-sale investments	–	13,313,921	(13,313,921)	(100%)	Starting 2018, available-for-sale investments are presented as equity instruments at fair value through other comprehensive income according to PFRS 9, *Financial Instruments*.
Debt instruments at amortized cost	12,990,099	–	12,990,099	100%	These financial assets are investments in bonds held by the Company.
Held-to-maturity investments	–	5,205,087	(5,205,087)	(100%)	Starting 2018, held-to-maturity investments are presented as debt instruments at amortized cost according to PFRS 9, Financial Instruments.
Property and equipment	13,717,797	14,751,195	(1,033,398)	(7%)	Decrease was due to depletion and depreciation expenses.
Income Statement					
Revenue from petroleum operations	7,691,544	7,644,185	47,359	1%	Despite the decrease in crude oil production volume, petroleum revenue increased brought by the increase in average crude oil prices.
Petroleum production costs	7,516,862	5,183,177	2,333,685	45%	These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs and management and technical fees of the consortia. In 2018, the Group recognized actual and estimated costs to plug and abandon wells from Libro and Tara oilfields and wells from Nido, Matinloc and North Matinloc oilfields.
Depletion and depreciation	1,084,380	1,516,656	(432,276)	(29%)	Decrease was due to lower depletion rate taking into consideration the remaining crude oil reserves of the Galoc Field.
Interest and other income	2,701,302	2,320,078	381,224	16%	Increase in income received arising from Company's investment in preferred shares, bonds, and short-term and long-term deposits.

Key Performance Indicators

	2018	2017	2016
Current Ratio	**19.50**	27.89	14.45
Net Working Capital Ratio	**0.55**	0.19	0.19
Return on Assets	**(1.69%)**	0.31%	2.03%
Return on Equity	**0.96%**	2.51%	3.22%
Ratio of Debt-to-Equity	**0.05**	0.03	1.04

Figures are based on Audited Financial Statements

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

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

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

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

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

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

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

8.1 Information on Independent Accountant

The Company's independent public accountant is the accounting firm of Sycip Gorres Velayo & Co. The current handling partner of SGV & Co. has been engaged by the Company in 2015 and is expected to be rotated every five (5) years.

8.2 External Audit Fees and Services

a. Audit and Audit-Related Fees

Our external auditor, SGV & Co. has billed the Company a total audit fee of US$18,693 for the last two (2) fiscal years, 2018 and 2017, for the audit of the Company's annual financial statements in connection with statutory and regulatory filings for the last two (2) fiscal years.

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

b. Tax Fees

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

c. All Other Fees

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

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

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

Directors

Directors	**Name**	**Age**	**Citizenship**
Director, Chairman and Chief Executive Officer	James L. Go	79	Filipino
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	67	Filipino
Director	John Gokongwei, Jr.	92	Filipino
Director	Lance Y. Gokongwei	52	Filipino
Director	Antonio L. Go	79	Filipino

Directors	Name	Age	Citizenship
Director	Benedicto Coyiuto	40	Filipino
Director	Josephine Barcelon	59	Filipino
Director	James Coyiuto	65	Filipino
Director	Ricardo Balbido, Jr.	68	Filipino
Director, Assistant Corporate Secretary	Perry L. Pe	57	Filipino

Executive Officers

Position	Name	Age	Citizenship
SVP - Operations and Administration	Apollo P. Madrid	78	Filipino
Finance Adviser	Aldrich T. Javellana	45	Filipino
Chief Financial Officer and Compliance Officer	Ma. Riana Infante	38	Filipino
Treasurer	Teresita H. Vasay	64	Filipino
Corporate Secretary	Vicente O. Caoile, Jr.	46	Filipino
Assistant Corporate Secretary	Rosalinda F. Rivera	48	Filipino

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

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

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

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

A brief discussion of the directors' and executive officers' business experience and other directorships held in other reporting companies are as follows:

James L. Go, 79, is the Chairman and Chief Executive Officer of OPMC. He is likewise the Chairman of JG Summit Holdings, Inc. and Cebu Air, Inc. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the PLDT Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr.

Robert Coyiuto, Jr., 67**,** is a Director of the Company since 1982 and had been Chairman of the Board and President from 1991 to 1993; and President & Chief Operating Officer of the Company since 1994. He is a Presidential Adviser of Capital Market Development. He is also the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is also the Chairman of Prudential Guarantee & Assurance, Inc., PGA Sompo Insurance Corporation, PGA Cars, Inc., PGA Automobile, Inc., and Hyundai North EDSA. He is the Vice Chairman of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is a director of Universal Robina Corporation, Petrogen Insurance Corporation, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange and the Founding Principal of Porsche Training and Recruitment Center Asia.

John L. Gokongwei, Jr., 92, is a Director of the Company. He is the founder and Chairman Emeritus of JG Summit Holdings, Inc., Universal Robina Corporation and Robinsons Land Corporation. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., and a director of Cebu Air, Inc., and Robinsons Retail Holdings, Inc. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Master's degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

Lance Y. Gokongwei, 52, has been a Director of the Company since 1994. He is the President and Chief Executive Officer of JG Summit Holdings, Inc. He is the Chairman of Robinsons Retail Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is also the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and is a Director of United Industrial Corporation Limited. He is a trustee and secretary of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Antonio L. Go, 79, was elected as an Independent Director of the Company since 2007. He is also an Independent Director of JG Summit Holdings, Inc. He currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank and

ALGO Leasing and Finance Inc. He is also a Director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre Hong Kong, Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc. and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Benedicto Coyiuto, 40, was elected Director of the Company during the last Annual Stockholders' Meeting held on June 27, 2013. He is also a Director of Manila Polo Club. He is the Audi Philippines Head of PGA Cars, Inc. and Executive Assistant for General Affairs of PGA Sompo Japan Insurance, Inc. He is the son of Mr. Robert Coyiuto, Jr.

Josephine V. Barcelon, 59, was elected Director during the meeting of June 25, 2014. She is the President / Nominee of J.M. Barcelon & Co., Inc., Stockbroker, Member: Philippine Stock Exchange and CEO of the Barcelon Group of Companies.

***James Coyiuto**,* 65, was elected as Director of the Company since 2005. He is also the Director of Prudential Guarantee and Assurance, Inc., Guarantee Development Corporation and PGA, Sompo Japan Insurance Inc.

Ricardo Balbido, Jr., 68, has been elected as an Independent Director of the Company in 2005. He is presently the Chairman of the Board of Trustees of Silliman University. Currently, he is doing financial consultancy after retirement from his various banking stint as former President and CEO of Philippine Veterans Bank, former President and COO of Dao Heng Bank, Inc., former Senior Vice President of Bank of the Philippine Islands. He was also former President of the Philippine Clearing House Corporation, and Director of Bankers Association of the Philippines. Mr. Balbido received his degree in Bachelor of Science in Business Administration Major in Accounting from Silliman University and is a Certified Public Accountant. He earned full academics in Master in Business Administration from Ateneo de Manila University.

***Perry L. Pe**,* 57, has been the Assistant Corporate Secretary of the Company since 1994. He has been a Director since 1995. He is also the Corporate Secretary of SIAEP and A-Plus; Senior Partner of Romulo, Mabanta, Buenaventura, Sayoc, and Delos Angeles Law Office; Director of Delphi Group, Ace Saatchi Saatchi, AG & P Philippines, Inc., Island Quarry and Aggregate Corporation, Apo Land and Quarry Corporation. Honorary Consul General of Denmark to the Philippines. Atty. Perry L. Pe is the son-in-law of Mr. John Gokongwei, Jr.

Apollo P. Madrid, 78, has been the Senior Vice President - Operations and Administration of the Company since 1990.

Aldrich T. Javellana, 45, was appointed Finance Adviser of the Company in February 16, 2016. He is Senior Vice President and Treasurer of JG Summit Holdings, Inc. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.

Ma. Riana C. Infante, 38, was appointed Chief Financial Officer and Compliance Officer of the Company effective February 16, 2016. She joined OPMC in 2004 as an Accounting Manager. She is a Certified Public Accountant.

Teresita Vasay, 64, was appointed Treasurer of the Company effective October 1, 2014. She is also the Treasurer of the Summit Media Group and a Director of various condominium corporations for RLC projects. Ms. Vasay is a Certified Public Accountant and a Licensed Real Estate Broker. She was formerly the Treasurer of Robinsons Land Corporation and the Vice President-Controller of the Robinsons Retail Group. She had experience in consumer financing from Filinvest Credit Corporation and practiced public accounting with SGV & Co. prior to joining the Gokongwei group of companies.

Vicente O. Caoile, Jr., 46, was appointed as the Corporate Secretary of the Company effective October 1, 2018. He is the Managing Partner of Adarlo Caoile & Associates Law Offices (ACALaw). He is also the Assistant Corporate Secretary of PGA Cars, Inc., PGA Automobile, Inc., Autoextreme Performance, Inc., and Automaxx Resources, Inc. He holds a Juris Doctor, second honors, from Ateneo de Manila University and Bachelor of Science in Commerce, Major in Legal Management from De La Salle University Manila.

***Rosalinda F. Rivera**,* 48, was appointed as the Assistant Corporate Secretary of the Company effective October 1, 2018. She is the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., and JG Summit Petrochemical Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

The Company's independent directors are Messrs. Ricardo Balbido, Jr. and Antonio Go. They have possessed the qualifications of independent directors as set forth in the SRC Rule 38 – Independent Director, since the time of their initial election.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

Significant Employees

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

Item 10. Executive Compensation

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

Name	**Position**	**Projected - Year 2019** (in '000 US$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US$260.59	US$-	US$260.59
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Teresita H. Vasay	Treasurer			
b) All officers as a group		US$367.91	US$-	US$367.91

Name	**Position**	**Actual - Year 2018 (in '000 US$)**		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US$246.54	US$-	US$246.54
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Teresita H. Vasay	Treasurer			
b) All officers as a group		US$399.10	US$-	US$399.10

Name	Position	Actual Year 2017 (in '000 US$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US$245.00	US$-	US$245.00
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	CFO / Compliance Officer			
Teresita H. Vasay	Treasurer			
b) All officers as a group		US$350.39	US$-	US$350.39

Compensation of Directors

For 2018, the Company paid a total of US$20,894 to its Directors.

Standard Arrangements

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

Other Arrangements

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

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

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

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

Item 11. Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of December 31, 2018 were as follows:

Class	Name and Address Record/ Beneficial Owner	Amount and Nature of Ownership (Record and/or beneficial ownership)		Citizenship	% to Total
Common	PCD Nominee Corporation[a] Old Makati Stock Exchange Bldg. Ayala Avenue, Makati City	82,273,069,951	Record	Filipino	41.14%
Common	Consolidated Robina Capital Corp.[b] CFC Bldg., E. Rodriguez Avenue Bagong Ilog, Pasig City	37,051,952,896	Record	Filipino	18.53%
Common	R. Coyiuto Securities, Inc.[c] 5th Flr., Corinthian Plaza Paseo de Roxas, Makati City	26,212,760,122	Record	Filipino	13.11%
Common	Prudential Guarantee & Assurance Inc. [d] 119C Palanca St. Legaspi Village, Makati City	13,341,635,799	Record	Filipino	6.67%

Notes:

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

b. Consolidated Robina Capital Corporation is a 100% subsidiary of JG Summit Holdings, Inc. OPMC and JGSHI share the following common directors: Mr. John Gokongwei, Jr., Mr. James L. Go and Mr. Lance Gokongwei.
   - Any one of the following directors of the Company is authorized to vote: Messrs., John Gokongwei, Jr., James Go, Lance Gokongwei.
   - Indirect ownership of Mr. John Gokongwei, Jr. is 1 share, Mr. James Go is 2 shares and Mr. Lance Gokongwei is 3 shares.

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

d. Prudential Guarantee & Assurance, Inc. is majority-owned by Coyiuto Brothers.
   - Mr. Robert Coyiuto, Jr. is authorized to vote.

Security Ownership of Management as of December 31, 2018

Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (Direct)			% to Total	Citizenship
			Class A	Class B	Total		
A.	**Named Executive Officers [1]**						
Common	James L. Go*	Chairman and CEO	2,139,000,001	–	2,139,000,001	1.0695%	Filipino
Common	Robert R. Coyiuto, Jr.*	Director, President and Chief Operating Officer	423,977,301	141,687,685	565,664,986	0.2828%	Filipino
Common	Apollo P. Madrid*	SVP – Operations and Administration	1,711,971	100,795	1,812,766	0.0009%	Filipino
		Sub-total	2,564,689,273	141,788,480	2,706,477,753	1.3532%	
B.	**Other Directors and Executive Officers**						
Common	John L. Gokongwei, Jr.	Director	107,001	–	107,001	0.0001%	Filipino
Common	Josephine Barcelon	Director	100,000	–	100,000	0.0001%	Filipino
Common	Antonio Go	Director	1	–	1	**	Filipino
Common	Benedicto Coyiuto	Director	10,000	–	10,000	**	Filipino
Common	Lance Y. Gokongwei	Director	1	–	1	**	Filipino
Common	Perry L. Pe	Director and Asst. Corporate Secretary	513,621	–	513,621	0.0003%	Filipino
Common	Ricardo Balbido, Jr.	Director	100,000	–	100,000	0.0001%	Filipino
Common	James Coyiuto	Director	1	–	1	**	Filipino
		Sub-total	830,625	–	830,625	0.0006%	
C.	**All directors and executive officers as a group unnamed**		2,565,519,898	141,788,480	2,707,308,378	1.3538%	

[1] Chief Executive Officer and two (2) among the four (4) most highly compensated executive officers as of December 31, 2018.
*Company's executive officers
**less than 0.0001%

Voting Trust holders of 5% or More

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

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

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

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

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

At the end of 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.

PART IV. CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Group adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Ethics and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Group observes good governance and management practices. This is to assure the shareholders that the Group conducts its business with the highest level of integrity, transparency and accountability.

The Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

PART V. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

None.

(b) Reports on SEC Form 17-C

The following is a summary of submissions of SEC Form 17-C filed during the last two quarters of 2018:

Date of Report	Item Reported
October 1, 2018	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
October 1, 2018	Results of Organizational Meeting of Board of Directors
July 4, 2018	Results of Annual Stockholders' Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City ~~of~~ PASIG CITY ~~April~~ APR 1 2 2019 ~~2019~~.

By:

James L. Go Chairman and Chief Executive Officer	**Robert Coyiuto, Jr.** President and Chief Operating Officer
Ma. Riana C. Infante Chief Financial Officer	-OUT OF THE COUNTRY- **Vicente O. Caoile, Jr.** Corporate Secretary

APR 1 2 2019

Subscribed and sworn to before this ____ day of April 2019, affiants executed to me their CTC / government issued identification cards as follows:

Name	CTC / Government ID No.	Date of Issue	Place of Issue
James L. Go	P0986521A	November 23, 2016	DFA NCR Central
Robert Coyiuto, Jr.	P7236639A	May 19, 2018	DFA Manila
Ma. Riana C. Infante	P4098424A	August 20, 2017	DFA NCR East
Vicente O. Caoile, Jr.	EC3085208	January 5, 2015	DFA NCR Northeast

Doc. No. 372
Page No. 76
Book No. I
Series of 2019.

ATTY. ANTONIO B. BETITO
Notary Public – Pasig City
Commission No. 152 (2019-2020)
709 Mega Plaza Condo. ADB Ave. Pasig City
Attorney's Roll No. 27614
IBP #069369/01-15-19/Rizal
PTR#5284597/01-15-19/Pasig City
MCLE Compliance No. VI March 9, 2019

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

FORM 17-A, ITEM 7

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Oriental Petroleum and Minerals Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

James L. Go Chairman of the Board and Chief Executive Officer	**Robert Coyiuto, Jr.** President and Chief Operating Officer	**Ma. Riana C. Infante** Chief Financial Officer

APR 1 2 2019

Signed this ____ day of ____ 2019

APR 1 2 2019

SUBSCRIBED AND SWORN to before this ___ day of April 2019 affiants executed to me their respective CTC / government issued identification cards as follows:

Name	CTC / Government ID No.	Date of Issue	Place of Issue
James L. Go	P0986521A	November 23, 2016	DFA NCR Central
Robert Coyiuto, Jr.	P7236639A	May 19, 2018	DFA Manila
Ma. Riana C. Infante	P4098424A	August 20, 2017	DFA NCR East

Doc. No. 375
Page No. 76
Book No. I
Series of 2019.

ATTY. ANTONIO R. [illegible]
Notary Public – Pasig City
Commission No. 152 (2019-2020)
709 Mega Plaza Condo, ADB Ave. Pasig City
Attorney's Roll No. 27[illegible]
IBP #069369/01-15-19/Rizal
PTR#5284597/01-15-19/Pasig City
MCLE Compliance No. VI March 9, 2019

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	0	0	5	8

C O M P A N Y   N A M E

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

34th Floor, Robinsons Equitable Tower, ADB Avenue, corner Poveda Street, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
orientalpetroleum@opmc.com.ph	633-7631	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,632		12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Riana Caratay-Infante	Riana.Caratay@urc.com.ph	633-7631	N/A

CONTACT PERSON's ADDRESS

34th Floor, Robinsons Equitable Tower, ADB Avenue, corner Poveda Street, Ortigas Center, Pasig City

NOTE1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Oriental Petroleum and Minerals Corporation
34th Floor, Robinsons Equitable Tower
ADB Avenue, Ortigas Center, Pasig City

Opinion

We have audited the consolidated financial statements of Oriental Petroleum and Minerals Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Proven Oil Reserves

Proven reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

The estimation of proven oil reserves requires significant judgment and assumptions by management and engineers and has a material impact on the consolidated financial statements, particularly on depletion of wells, platforms and other facilities; impairment testing; and use of the going concern assumption. Information on the estimation of the proven oil reserves are included in Notes 5 and 10 to the consolidated financial statements.

Audit response
Our audit procedures included, among others, understanding the process and methodology employed by the expert engaged by the consortium on the estimation of oil reserves. We also assessed the professional competence, objectivity, and capabilities of the expert engaged by the consortium to perform independent assessment for the oil reserves and resources. On a sample basis, we also agreed the reserves used in the depletion and impairment testing of Wells, Platforms and Other Facilities with the report (Reserves Update Report) provided by the expert.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ysmael S. Acosta.

SYCIP GORRES VELAYO & CO.

Ysmael S. Acosta
Partner
CPA Certificate No. 112825
SEC Accreditation No. 1744-A (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 301-106-775
BIR Accreditation No. 08-001998-130-2018,
February 9, 2018, valid until February 8, 2021
PTR No. 7332516, January 3, 2019, Makati City

April 10, 2019

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In U.S. Dollars)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 20)	**$10,523,121**	$5,412,820
Current portion of long-term investments (Notes 9 and 20)	**40,000,000**	–
Receivables (Notes 7 and 20)	**969,238**	1,029,764
Crude oil inventory (Note 8)	**1,773,069**	1,462,654
Short-term investments (Notes 9 and 20)	**–**	10,255,240
Other current assets	**10,338**	11,790
Total Current Assets	**53,275,766**	18,172,268
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income (Notes 9 and 20)	**11,641,849**	–
Debt instruments at amortized cost (Notes 9 and 20)	**12,990,099**	–
Long-term investments (Notes 9 and 20)	**–**	40,000,000
Available-for-sale investments (Notes 9 and 20)	**–**	13,313,921
Held-to-maturity investments (Notes 9 and 20)	**–**	5,205,087
Property and equipment (Notes 8 and 10)	**13,717,799**	14,751,195
Deferred exploration costs (Notes 8 and 11)	**662,844**	662,844
Total Noncurrent Assets	**39,012,591**	73,933,047
	$92,288,357	$92,105,315
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12 and 20)	**$496,888**	$528,508
Provision for plug and abandonment (Note 12)	**2,061,848**	–
Income tax payable	**172,676**	123,045
Total Current Liabilities	**2,731,412**	651,553
Noncurrent Liabilities		
Pension liability (Note 16)	**387,141**	388,991
Deferred tax liabilities - net (Note 17)	**1,064,469**	1,574,812
Total Noncurrent Liabilities	**1,451,610**	1,963,803
Total Liabilities	**4,183,022**	2,615,356
Equity		
Capital stock (Note 13)	**82,268,978**	82,268,978
Subscriptions receivable (Note 13)	**(373,412)**	(373,412)
Capital in excess of par value (Note 13)	**3,650,477**	3,650,477
Retained earnings	**4,454,238**	3,592,772
Reserve for changes in value of equity instruments at fair value through other comprehensive income (Note 9)	**(2,668,084)**	–
Reserve for changes in value of available-for-sale investments (Note 9)	**–**	(385,693)
Remeasurement gains on pension liability - net (Note 16)	**178,836**	157,577
Cumulative translation adjustment	**594,302**	579,260
Total Equity	**88,105,335**	89,489,959
	$92,288,357	$92,105,315

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2018	2017	2016
REVENUE FROM PETROLEUM OPERATIONS (Note 8)	**$7,691,545**	$7,644,185	$8,674,346
PETROLEUM PRODUCTION COSTS (Notes 8 and 12)	**7,516,862**	5,183,177	4,682,386
GROSS PROFIT	**174,683**	2,461,008	3,991,960
EXPENSES (OTHER INCOME)			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**1,084,381**	1,516,656	1,246,265
General and administrative expenses (Note 14)	**648,891**	650,778	782,546
Foreign exchange losses - net	**237,799**	12,789	160,337
Interest income (Notes 6 and 9)	**(2,014,026)**	(1,614,460)	(1,354,639)
Other income (Notes 9 and 15)	**(687,193)**	(705,618)	(868,041)
	(730,148)	(139,855)	(33,532)
INCOME BEFORE INCOME TAX	**904,831**	2,600,863	4,025,492
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	**559,887**	293,418	911,802
Deferred	**(510,343)**	88,245	348,385
	49,544	381,663	1,260,187
NET INCOME	**$855,287**	$2,219,200	$2,765,305
Basic/Diluted Earnings Per Share (Note 18)	**$0.000004**	$0.000011	$0.000014

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**$855,287**	$2,219,200	$2,765,305
OTHER COMPREHENSIVE INCOME (LOSS)			
Item to be reclassified to profit or loss in subsequent periods:			
Changes in cumulative translation adjustment	**15,042**	153,711	461,942
Movement in reserve for fluctuation in value of available-for-sale investments (Note 9)	**–**	(334,505)	(372,842)
Items 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 (Note 9)	**(2,276,212)**	–	–
Remeasurement gains (losses) on pension liability - net of tax (Note 16)	**21,259**	37,920	(22,077)
	(2,239,911)	(142,874)	67,023
TOTAL COMPREHENSIVE INCOME (LOSS)	**($1,384,624)**	$2,076,326	$2,832,328

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Retained Earnings	Reserve for changes in value of equity instruments at FVOCI (Note 9)	Reserve for changes in value of AFS Investments (Note 9)	Remeasurement Gains (Losses) on Pension Liability - Net (Note 16)	Cumulative Translation Adjustment	Total
				For the Year Ended December 31, 2018					
Balances as at January 1, 2018, as previously reported	**$82,268,978**	**($373,412)**	**$3,650,477**	**$3,592,772**	**$–**	**($385,693)**	**$157,577**	**$579,260**	**$89,489,959**
Adoption of PFRS 9	–	–	–	–	**(385,693)**	**385,693**	–	–	–
Balances as at January 1, 2018, as adjusted	**82,268,978**	**(373,412)**	**3,650,477**	**3,592,772**	**(385,693)**	–	**157,577**	**579,260**	**89,489,959**
Net income	–	–	–	**855,287**	–	–	–	–	**855,287**
Other comprehensive income (loss)	–	–	–	–	**(2,276,212)**	–	**21,259**	**15,042**	**(2,239,911)**
Total comprehensive income (loss)	–	–	–	**855,287**	**(2,276,212)**	–	**21,259**	**15,042**	**(1,384,624)**
Transfer to retained earnings	–	–	–	**6,179**	**(6,179)**	–	–	–	–
Balances as at December 31, 2018	**$82,268,978**	**($373,412)**	**$3,650,477**	**$4,454,238**	**($2,668,084)**	**$–**	**$178,836**	**$594,302**	**$88,105,335**
				For the Year Ended December 31, 2017					
Balances as at January 1, 2017	$82,268,978	($373,417)	$3,650,477	$1,373,572	$–	($51,188)	$119,657	$425,549	$87,413,628
Net income	–	–	–	2,219,200	–	–	–	–	2,219,200
Other comprehensive income (loss)	–	–	–	–	–	(334,505)	37,920	153,711	(142,874)
Total comprehensive income (loss)	–	–	–	2,219,200	–	(334,505)	37,920	153,711	2,076,326
Collection of subscription receivable	–	5	–	–	–	–	–	–	5
Balances as of December 31, 2017	$82,268,978	($373,412)	$3,650,477	$3,592,772	$–	($385,693)	$157,577	$579,260	$89,489,959
				For the Year Ended December 31, 2016					
Balances as at January 1, 2016	$82,268,978	($373,417)	$3,650,477	($1,391,733)	$–	$321,654	$141,734	($36,393)	$84,581,300
Net income	–	–	–	2,765,305	–	–	–	–	2,765,305
Other comprehensive income (loss)	–	–	–	–	–	(372,842)	(22,077)	461,942	67,023
Total comprehensive income (loss)	–	–	–	2,765,305	–	(372,842)	(22,077)	461,942	2,832,328
Balances as at December 31, 2016	$82,268,978	($373,417)	$3,650,477	$1,373,572	$–	($51,188)	$119,657	$425,549	$87,413,628

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$904,831**	$2,600,863	$4,025,492
Adjustments for:			
Provision for plug and abandonment (Notes 8 and 12)	**2,061,848**	–	–
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**1,084,381**	1,516,656	1,246,265
Unrealized foreign exchange losses - net	**259,448**	45,593	160,301
Movement in pension liability (Note 16)	**39,801**	20,224	299,120
Dividend income (Note 15)	**(687,193)**	(703,524)	(868,041)
Interest income (Notes 6 and 9)	**(2,014,026)**	(1,614,460)	(1,354,639)
Gain on sale of available-for-sale investments (Notes 9 and 15)	**–**	(2,094)	–
Operating income before working capital changes	**1,649,090**	1,863,258	3,508,498
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**16,489**	260,957	711,281
Crude oil inventory	**(310,415)**	(255,732)	387,873
Other current assets	**1,452**	(1,944)	(376)
Decrease in accounts and other payables	**(31,620)**	(96,382)	(21,464)
Cash flows generated from operations	**1,324,996**	1,770,157	4,585,812
Income tax paid	**(502,565)**	(833,523)	–
Net cash flows provided by operating activities	**822,431**	936,634	4,585,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in short-term investments	**10,255,240**	(5,382,483)	(4,872,757)
Interest received	**2,006,651**	1,633,098	1,024,368
Proceeds from redemption/sale of:			
Equity instruments at fair value through other comprehensive income	**1,099,731**	–	–
Available-for-sale investments	**–**	27,783	–
Dividends received	**738,604**	723,470	728,269
Increase in long-term investments (Note 9)	**–**	–	(40,000,000)
Acquisitions of/additions to:			
Property and equipment (Notes 8 and 10)	**(50,985)**	(1,686,748)	(141,050)
Equity instruments at fair value through other comprehensive income (Note 9)	**(1,703,871)**	–	–
Debt instruments at amortized cost (Note 9)	**(8,060,845)**	–	–
Held-to-maturity investments (Note 9)	**–**	(2,010,374)	(213,746)
Available-for-sale investments (Note 9)	**–**	–	(890,564)
Deferred exploration costs (Notes 8 and 11)	**–**	–	(609)
Net cash flows provided by (used in) investing activities	**4,284,525**	(6,695,254)	(44,366,089)
CASH FLOWS FROM FINANCING ACTIVITY			
Receipt of subscription receivable	**–**	5	–
EFFECTS OF CUMULATIVE TRANSLATION ADJUSTMENT	**–**	–	6,462
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,345**	(24,002)	(36,287)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,110,301**	(5,782,617)	(39,810,102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,412,820**	11,195,437	51,005,539
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$10,523,121**	$5,412,820	$11,195,437

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

1. Corporate Information and Status of Operations

Oriental Petroleum and Minerals Corporation (the Parent Company) and its subsidiaries (collectively referred to as "the Group") were organized under the laws of the Republic of the Philippines to engage in oil exploration and development activities. The Parent Company was incorporated on December 22, 1969.

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 19.4% owned by JG Summit Holdings, Inc. (JGSHI).

Service Contract (SC) 14
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 offshore Northwest of Palawan Island, 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, B1, C1, C2 and D) covered by SC 14 are situated offshore Northwest of Palawan Island, Philippines. While production activities continue in Blocks A, B, B1 and C1 of SC 14, crude oil production in the West Linapacan Oilfield in Block C2 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion.
The Group continually conduct technical evaluation activities of the said area and submitted a work program and budget to DOE. 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.

SC 14C1 - Galoc

Farm-in Agreement (FA)
On September 23, 2004, Team Oil (TEAM) and Cape Energy (CAPE) entered into a Farm-in-Agreement (FA) with the SC 14C - Galoc Consortium members 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 Consortium members (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 and the other Consortium members purchased additional interest in the field from Petroenergy Resources Corporation (Petroenergy) and Alcorn Gold Resources Corporation (AGRC).

As at December 31, 2018 and 2017, the Group holds 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") 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; and

    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; and

   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 14C2 - 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 of the farming-out parties ("Farmors"). Pitkin assumed the role as operator of the block. The farming-out parties/Farmors are carried 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 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 of 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 world wide started to dramatically decline. This decline continued up to the end of 2014.

On January 14, 2015, the West Linapacan Block Farmors informed the 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 FA 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 FA will be reassigned to the SC 14-C2 West Linapacan Block Farmors.

The joint venture partners developed a work program and budget for the year 2016 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 at December 31, 2018 and 2017, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	(In percentage) 2018	2017
SC 14 (Northwest Palawan)		
Block A (Nido)	**42.940**	42.940
Block B (Matinloc)	**17.703**	17.703
Block B1 (North Matinloc)	**27.772**	27.772
Block C1 (Galoc)	**7.785**	7.785
Block C2 (West Linapacan)	**30.288**	30.288
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 consolidated financial statements of the Parent Company and its wholly-owned subsidiaries, LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the "Group", which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the consolidated financial statements, have been prepared on a historical cost basis, except for equity instruments at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) investments that have been measured at fair values.

The consolidated financial statements are presented in U.S. Dollars, the Parent'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 consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016. The subsidiaries are all incorporated in the Philippines.

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activity**	**2018**	2017
LOGPOCOR	Oil exploration and development	**100%**	100%
OMWI	Furniture manufacturing and distribution	**100%**	100%
OLC	Real estate	**100%**	100%

As at December 31, 2018 and 2017, 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:

a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. Exposure, or rights, to variable returns from its involvement with the investee, and
c. 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 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

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

Short-term Investments
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.

Financial Instruments
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 December 31, 2018, 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 December 31, 2018, 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 December 31, 2018, 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 Company'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.

Derecognition of Financial Assets and Liabilities under PAS 39 and PFRS 9

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 units-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 Joint Arrangements

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 cumulative balance of 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 2018 and 2017 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.

Income Taxes
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.

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

<u>Pension Expense</u>
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 the consolidated statement of income. 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 the consolidated statement of income.

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 consolidated statement of income 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 statement 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 and only operating segment pertains to oil exploration and development. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

Earnings Per Share (EPS)
EPS is determined by dividing net income 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, Estimates and Assumptions**

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

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

Judgments

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

Determination 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 December 31, 2018 and 2017, 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 while the functional currency of OMWI and OLC is Philippine Peso.

As at December 31, 2018 and 2017, the Group's cumulative translation adjustment amounted to $0.59 million and $0.58 million, respectively.

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 (see Note 20).

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 2018. Total carrying value of receivables amounted to \$0.97 million as at December 31, 2018 (see Note 7).

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 and nil as at December 31, 2018 and 2017, respectively (see Note 12). In 2018, the Group also recognized plug and abandonment costs in consolidated statement of income amounting to \$2.86 million which pertains to actual and estimated costs to plug and abandon wells from Libro, Tara South, and wells from 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.

As of December 31, 2017, the total carrying value of the Group's receivables amounted to $1.03 million (see Note 7) while the HTM investments amounted to $5.21 million as of December 31, 2017 (see Note 9). No impairment loss was recognized in 2017 and 2016

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.

A net decrease in market value of AFS investments amounting to $0.33 million and $0.37 million was recognized in 2017 and 2016, respectively. No impairment loss was recognized in 2017 and 2016. AFS investments amounted to $13.31 million as of December 31, 2017 (see Note 7).

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.

As of December 31, 2018 and 2017, the estimated remaining proven oil reserves totaled to 3.29 million barrels and 3.62 million barrels, respectively, for Galoc oil field, 0.26 million barrels and 0.32 million barrels for Nido oil field, respectively and 0.26 million barrels and 0.32 million barrels for Matinloc oil field, respectively.

The carrying value of wells, platforms and other facilities amounted to $13.67 million and $14.72 million as of December 31, 2018 and 2017 (see Notes 8 and 10).

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 are described in Note 16 and 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.

Pension liability amounted to $0.39 million as at December 31, 2018 and 2017, respectively (see Note 16).

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.

As at December 31, 2018 and 2017, the Group has unrecognized deferred tax assets on temporary differences amounting to $0.07 million and $0.05 million, respectively (see Note 17).

6. Cash and Cash Equivalents

	2018	2017
Cash on hand	**$190**	$200
Cash in banks	**380,711**	63,519
Cash equivalents	**10,142,220**	5,349,101
	$10,523,121	$5,412,820

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates ranging from 1.50% to 6.90% per annum in 2018 and 1.50% to 3.125% per annum in 2017.

Interest income earned from cash in banks and short-term deposits amounted to $0.32 million, $0.25 million and $0.08 million in 2018, 2017 and 2016, respectively.

There are no cash restrictions on the Group's cash balance as at December 31, 2018 and 2017.

7. Receivables

	2018	2017
Due from operators (Note 8)	**$454,100**	$574,106
Interest receivable	**393,942**	292,373
Trade receivables	**31,484**	41,401
Dividend receivable	**88,857**	119,826
Others	**855**	2,058
	$969,238	$1,029,764

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

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

Due from operators and trade receivables are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at December 31, 2018 and 2017.

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 (see Note 9).

8. Interest in Joint Operations

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

	2018	2017
Current assets:		
Receivables		
Due from operators (Note 7)	**$454,100**	$574,106
Crude oil inventory	**1,773,069**	1,462,654
	2,227,169	2,036,760
Noncurrent assets:		
Property and equipment (Note 10)		
Wells, platforms and other facilities	**88,225,470**	88,195,602
Less accumulated depletion, depreciation and amortization	**(74,551,458)**	(73,475,040)
Deferred exploration costs (Note 11)	**662,844**	662,844
	14,336,856	15,384,406
	$16,564,025	$17,421,166

	2018	2017	2016
Revenue from petroleum operations	**$7,691,545**	$7,644,185	$8,674,346
Cost of petroleum operations:			
Petroleum production costs	**7,516,862**	5,183,177	4,682,386
Depletion, depreciation and amortization expenses (Note 10)	**1,084,381**	1,516,656	1,246,265
	8,601,243	6,699,833	5,928,651
	($909,698)	$944,352	$2,745,695

In 2018, actual costs were incurred to plug and abandon wells from Libro and Tara oilfields amounting to $0.79 million. Also, in 2018, estimated costs to plug and abandon wells from Nido, Matinloc and North Matinloc Oilfields amounted to $2.06 million.

Details of the petroleum production costs are as follows:

	2018	2017	2016
Floating, production, storage and offloading	**$3,090,597**	$3,412,593	$3,082,873
Plug and abandonment cost	**2,855,134**	–	–
Freight costs	**316,632**	369,232	333,557
Supply vessel	**266,795**	298,067	269,268
Helicopter services	**256,497**	266,066	240,359
General and administrative	**198,306**	273,315	246,908
Operations management	**150,688**	188,103	169,929
Insurance expenses	**143,354**	154,022	139,141
Repairs and maintenance	**91,022**	74,282	67,105
Marketing fees and offtake costs	**77,268**	81,980	74,059
Logistics base	**28,880**	26,352	23,806
Others*	**41,689**	39,165	35,381
	$7,516,862	$5,183,177	$4,682,386

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

9. Investments

Short-term Investments

In 2017, the Group availed of various short-term investments with various banks amounting to $10.26 million. 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 matured on various dates from January 8, 2018 to December 14, 2018.

Interest income earned from short-term investments amounted to $1.12 million, $0.01 million and $0.02 million in 2018, 2017 and 2016, respectively.

Long-term Investments

In 2016, the Group availed of various long-term deposit 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 AFS 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.

The total carrying value of the Group's equity instruments at FVOCI amounted to $11.64 million as at December 31, 2018. The total carrying value of the Group's AFS investments amounted to $13.31 million as at December 31, 2017.

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

	2018	2017
Balances at beginning of year	**($385,693)**	($51,188)
Fair value changes during the year	**(2,276,212)**	(334,505)
Transfer to retained earnings	**(6,179)**	–
Balances at end of year	**($2,668,084)**	($385,693)

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

	2018	2017
Balances at beginning of year	**$13,313,921**	$13,674,115
Additions	**1,703,871**	–
Redemption/disposal	**(1,099,731)**	(27,856)
Reserve for changes in value of AFS investments	**(2,276,212)**	(332,338)
Balances at end of year	**$11,641,849**	$13,313,921

Dividend income earned and received from investments in preferred shares amounted to $0.69 million, $0.70 million and $0.87 million in 2018, 2017 and 2016, respectively (see Note 15).

Debt Instruments at Amortized Cost and HTM Investments
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.

The carrying values of investments in bonds, classified as debt instruments at amortized cost in 2018 and HTM investments in 2017, are as follows:

	2018	2017
Balances at beginning of year	**$5,205,087**	$3,215,809
Additions	**8,060,845**	2,010,374
Unrealized foreign exchange loss	**(275,833)**	(21,096)
Balances at end of year	**$12,990,099**	$5,205,087

Interest income earned from investments in bond amounted to $0.57 million, $0.03 million and $0.17 million in 2018, 2017 and 2016, respectively.

10. Property and Equipment

	2018			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
Balances at beginning of year	**$88,195,602**	**$213,834**	**$45,294**	**$88,454,730**
Additions	**29,868**	**21,117**	**–**	**50,985**
Balances at end of year	**88,225,470**	**234,951**	**45,294**	**88,505,715**
Accumulated Depletion, Depreciation and Amortization				
Balance at beginning of year	**73,475,040**	**195,228**	**33,267**	**73,703,535**
Depletion, depreciation and amortization (Note 8)	**1,076,418**	**7,541**	**422**	**1,084,381**
Balances at end of year	**74,551,458**	**202,769**	**33,689**	**74,787,916**
Net Book Values	**$13,674,012**	**$32,182**	**$11,605**	**$13,717,799**

	2017			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
Balances at beginning of year	$86,509,598	$213,834	$44,550	$86,767,982
Additions	1,686,004	–	744	1,686,748
Balances at end of year	88,195,602	213,834	45,294	88,454,730
Accumulated Depletion, Depreciation and Amortization				
Balance at beginning of year	71,964,138	189,839	32,902	72,186,879
Depletion, depreciation and amortization (Note 8)	1,510,902	5,389	365	1,516,656
Balances at end of year	73,475,040	195,228	33,267	73,703,535
Net Book Values	$14,720,562	$18,606	$12,027	$14,751,195

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment still used in operations amounted to $0.18 million.

11. Deferred Exploration Costs

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

SC 6B Bonita

SC 6B 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 the 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 share in the interest 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 6B. After the study, the farm-in party have the option to acquire share in the interest 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 was granted a second Extension Period of five (5) years from March 2014 to March 2019. A work program and budget for the initial two-year extension period from 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 operation 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 amounted 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.

12. **Accounts and Other Payables and Provision for Plug and Abandonment**

	2018	2017
Accounts payable	**$383,321**	$406,534
Dividends payable	**77,812**	82,166
Subscriptions payable	**26,672**	28,164
Others	**9,083**	11,644
	$496,888	$528,508

Accounts payable mainly consist of unpaid legal service fees. These are noninterest-bearing and are normally settled in 30- to 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. In 2018, the Group provided provision for plug and abandonment costs amounting to $2.06 million related to the plug and abandonment works.

13. **Paid-up Capital**

Under the existing laws of the Republic of the Philippines, at least 60% of the Company's issued capital stock should be owned by citizens of the Philippines for the Company to own and hold any mining, petroleum or renewable energy contract area. As at December 31, 2018, total issued and subscribed capital stock of the Parent Company is 96.98% Filipino and 3.02% non-Filipino, as compared to 96.63% Filipino and 3.37% non-Filipino as at December 31, 2017.

As at December 31, 2018 and 2017, this account consists of:

Class A - $0.0004 (₱0.01) par value	
Authorized - 120 billion shares	
Issued and outstanding - 120 billion shares	$49,361,387
Class B - $0.0004 (₱0.01) par value	
Authorized - 80 billion shares	
Issued and outstanding - 80 billion shares	32,907,591
	82,268,978
Subscriptions receivable	(373,412)
Capital in excess of par value	3,650,477
	$85,546,043

All shares of stock of the Parent Company enjoy the same rights and privileges, except that Class A shares shall be issued solely to Filipino citizens, whereas Class B shares can be issued either to Filipino citizens or foreign nationals. There were no issuances of additional common shares in 2018 and 2017.

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

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of yearend
Listing by way of introduction	10,000,000,000	₱0.01	Mar. 24, 1970	
Additions:				
	2,500,000,000	0.01	Mar. 23, 1981	
	37,500,000,000	0.01	Aug. 5, 1988	
	50,000,000,000	0.01	Nov. 14, 1989	
	100,000,000,000	0.01	May 31, 1995	
December 31, 2015	200,000,000,000			11,859
Deduct: Movement	–			(32)
December 31, 2016	200,000,000,000			11,827
Deduct: Movement	–			(121)
December 31, 2017	200,000,000,000			11,706
Deduct: Movement	–			(74)
December 31, 2018	200,000,000,000			11,632

14. General and Administrative Expenses

	2018	2017	2016
Staff costs (Note 16)	**$494,201**	$462,339	$709,965
Registration and filing fees	**75,875**	299	128
Professional fees	**16,300**	18,760	20,700
Rent (Note 19)	**13,057**	12,879	12,333
Taxes and licenses	**8,026**	30,290	1,226
Messengerial services	**7,737**	8,447	4,926
Printing	**6,672**	12,428	11,069
Entertainment, amusement and recreation	**5,567**	3,129	2,644
Transportation and communication	**4,282**	5,733	5,129
Utilities	**1,644**	1,308	2,275
Insurance	**1,502**	1,217	808
Advertising and publication	**211**	215	230
Miscellaneous	**13,817**	93,734	11,113
	$648,891	$650,778	$782,546

Miscellaneous includes office supplies, repairs and maintenance, membership dues and bank charges.

15. Other Income

	2018	2017	2016
Dividend income (Note 9)	**$687,193**	$703,524	$868,041
Others	**–**	2,094	–
	$687,193	$705,618	$868,041

The dividend income is derived primarily by the Group from its investments in equity instruments.

Other income includes gain on sale of AFS investments.

16. **Retirement Plan**

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

Under the existing regulatory framework, Republic Act (RA) 7641, the Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group's retirement plan meets the minimum retirement benefit specified under RA 7641. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial report is dated January 22, 2019.

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

	2018	2017	2016
Current service cost	**$26,016**	$30,887	$11,268
Past service cost	**–**	–	283,201
Interest cost on defined benefit obligation	**13,785**	14,590	4,651
Total pension expense	**$39,801**	$45,477	$299,120

The amount included in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2018	2017
Present value of defined benefit obligation	**$387,160**	$389,011
Fair value of plan assets	**(19)**	(20)
	$387,141	$388,991

Changes in the present value of defined benefit obligation follow:

	2018	2017
Balances at beginning of year	**$388,991**	$422,919
Current service cost	**26,016**	30,887
Interest cost on defined benefit obligation	**13,785**	14,590
Foreign currency translation adjustment	**(11,281)**	(1,727)
Benefits paid	**–**	(23,506)
Remeasurement losses (gains) arising from:		
Experience adjustments	**(7,691)**	(47,361)
Financial assumptions	**(21,447)**	(6,838)
Demographic assumptions	**(1,232)**	27
Balances at end of year	**$387,141**	$388,991

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

	2018	2017
Rate of salary increase	**5.70%**	5.70%
Discount rate	**7.31%**	5.78%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		Effect on defined benefit obligation	
	Increase (decrease)	**2018**	2017
Discount rates	+100 basis points	**($11,625)**	($15,456)
	-100 basis points	**13,425**	18,060
Future salary increases	+1.00%	**14,984**	20,472
	-1.00%	**(13,204)**	(17,973)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

The weighted average duration of the defined benefit obligation is 12.72 years and 14.16 years as of December 31, 2018 and 2017, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2018 and 2017:

	2018	2017
Less than 1 year	**$271,112**	$274,785
More than 1 year to 5 years	**18,485**	11,042
More than 5 years to 10 years	**121,100**	134,886
More than 10 years to 15 years	**241,482**	34,693
More than 15 years to 20 years	**43,329**	226,739
More than 20 years	**317,012**	402,997

17. **Income Tax**

	2018	2017	2016
Current			
RCIT	**$183,138**	$128,700	$801,266
Final	**376,749**	164,718	110,536
	559,887	293,418	911,802
Deferred	**(510,343)**	88,245	348,385
	$49,544	$381,663	$1,260,187

The Group's net deferred tax liabilities as of December 31, 2018 and 2017 are detailed below:

	2017	2016
Deferred tax assets		
Provision for plug and abandonment	**$618,554**	$–
Pension liability	**116,142**	116,697
	734,696	116,697
Deferred tax liability		
Excess of books over tax base of property and equipment	**(1,799,165)**	(1,691,509)
	($1,064,469)	($1,574,812)

As of December 31, 2018 and 2017, the Group did not recognize deferred tax assets on unrealized foreign exchange loss amounting to $0.07 million and $0.05 million, respectively.

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

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expense	**85.55**	53.08	7.50
Changes in unrecognized deferred tax assets on deductible temporary differences	**(43.06)**	0.51	(0.45)
Interest income subjected to final tax	**(31.27)**	(15.12)	(2.98)
Dividend income	**(10.63)**	(6.97)	(2.08)
Income exempt from tax	**(92.22)**	(57.94)	(10.42)
Others	**67.10**	11.12	9.73
Effective income tax rate	**5.47%**	14.68%	31.30%

18. Basic/Diluted Earnings Per Share

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

	2018	2017	2016
Net income	**$855,287**	$2,219,200	$2,765,305
Divided by weighted average number of common shares outstanding	**200,000,000,000**	200,000,000,000	200,000,000,000
	$0.000004	$0.000011	$0.000014

For the years ended December 31, 2018, 2017 and 2016, there were no outstanding potentially dilutive common shares.

19. Related Party Transactions

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

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

	2018			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Entities under common control of the Parent Company				
a. Cash and cash equivalents	**$1,109,292**	**$1,109,292**	**Interest-bearing at prevailing market rate; 2.50% to 6.90% per annum; due and demandable**	**No impairment**
Interest income	**148,858**	**–**	**–**	**–**
b. Rent	**13,057**	**–**	**Noninterest-bearing payable on demand**	**Unsecured**

	2017			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Entities under common control of the Parent Company				
a. Cash and cash equivalents	$242,562	$242,562	Interest-bearing at prevailing market rate; 1.5% to 3.125% per annum; due and demandable	No impairment
Interest income	5,228	–	–	–
b. Rent	12,879	–	Noninterest-bearing payable on demand	Unsecured

a. The Group has money market placements with an affiliated bank, a subsidiary of a stockholder.

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

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

	2018	2017	2016
Short-term employee benefits	**$246,537**	$245,000	$234,803
Post employment benefits	**20,373**	32,569	289,224
	$266,910	$277,569	$524,027

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, short-term and long-term investments, equity instruments at FVOCI, AFS investments, debt instruments at amortized costs, 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 December 31, 2018 and 2017, all financial liabilities are expected to mature within one (1) year. All commitments up to a year are either due within the time frame or are payable on demand.

The table below summarizes the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations:

	2018			
	On Demand	**Less than a year**	**One year or more**	**Total**
Financial Assets				
Cash and cash equivalents	**$380,711**	**$10,142,220**	**$–**	**$10,522,931**
Current portion of long-term investments	**–**	**40,000,000**	**–**	**40,000,000**
Due from operators	**454,100**	**–**	**–**	**454,100**
Interest receivable	**–**	**393,942**	**–**	**393,942**
Dividend receivable	**–**	**88,857**	**–**	**88,857**
Trade receivables	**–**	**31,484**	**–**	**31,484**
Other receivables	**–**	**855**	**–**	**855**
Equity instruments at FVOCI	**–**	**–**	**11,641,849**	**11,641,849**
Debt instruments at amortized cost	**–**	**–**	**12,990,099**	**12,990,099**
	834,811	**50,657,358**	**24,631,948**	**76,124,117**
Other Financial Liabilities				
Accounts and other payables	**496,888**	–	–	**496,888**
Provision for plug and abandonment	–	–	**2,061,848**	**2,061,848**
	496,888	–	**2,061,848**	**2,558,736**
Net exposure	**$337,923**	**$50,657,358**	**$22,570,100**	**$73,565,381**

	2017			
	On Demand	Less than a year	One year or more	Total
Financial Assets				
Cash and cash equivalents	$63,519	$5,349,101	$–	$5,412,620
Short-term investments	–	10,255,240	–	10,255,240
Due from operators	574,106	–	–	574,106
Dividend receivable	–	119,826	–	119,826
Interest receivable	–	292,373	–	292,373
Trade receivables	–	41,401	–	41,401
Other receivables	–	2,058	–	2,058
Long-term investments	–	–	40,000,000	40,000,000
AFS investments	–	–	13,313,921	13,313,921
HTM investments	–	–	5,205,087	5,205,087
	637,625	16,059,999	58,519,008	75,216,632
Other Financial Liabilities				
Accounts and other payables	496,888	–	–	496,888
Net exposure	$140,737	$16,059,999	$58,519,008	$74,719,744

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 of December 31, 2018 and loans and receivables and AFS investments as of December 31, 2017, which are usually on demand or collectible within a term of 30 days. The long-term investments will mature in 2019.

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 loans and receivables, Equity instruments 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.

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

	2018	2017
Financial assets at amortized cost		
Cash in banks and cash equivalents	**$10,522,931**	$–
Current portion of long-term investments	**40,000,000**	–
Due from operators	**454,100**	–
Interest receivable	**393,942**	–
Dividend receivable	**88,857**	–
Trade receivables	**31,484**	–
Other receivables	**855**	–
Loans and receivables		
Cash in banks and cash equivalents	**–**	5,412,620
Short-term investments	**–**	10,255,240
Due from operators	**–**	574,106
Interest receivable	**–**	292,373
Dividend receivable	**–**	119,826
Trade receivables	**–**	41,401
Other receivables	**–**	2,058
Long term investments	**–**	40,000,000
Debt instruments at amortized cost	**12,990,099**	–
Equity instruments at FVOCI	**11,641,849**	–
AFS investments	**–**	13,313,921
HTM investments	**–**	5,205,087
	$76,124,117	$75,216,632

In 2018 and 2017, 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 Company 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.

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

	2018		2017	
	In PHP(1)	**In USD**	In PHP(1)	In USD
Financial Assets				
Cash and cash equivalents	**₱41,155,413**	**$780,582**	₱14,907,759	$298,573
Trade receivables	**62,584**	**1,307**	102,943	2,062
Dividend receivable	**4,684,920**	**88,858**	5,982,094	119,810
Interest receivable	**7,643,875**	**144,979**	966,811	19,363
Equity instruments at FVOCI	**613,804,871**	**11,641,849**	–	–
Debt instruments at amortized cost	**684,890,000**	**12,990,099**	–	–
AFS investments	**–**	**–**	664,760,896	13,313,921
HTM investments	**–**	**–**	259,890,000	5,205,087
	1,352,241,663	**25,647,674**	946,610,503	18,958,816
Other Financial Liabilities				
Accounts and other payables	**24,741,288**	**496,888**	26,388,404	528,508
Plug and abandonment costs	**108,579,802**	**2,061,848**	–	–
	133,321,090	**2,558,736**	26,388,404	528,508
Net foreign currency-denominated assets	**₱1,218,920,573**	**$23,088,938**	₱920,222,099	$18,430,308

[1] *The exchange rates used as of December 31, 2018 and 2017 are $0.01897 to ₱1 and $0.0200 to ₱1, respectively.*

The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before income tax in 2018 and 2017. There is no other impact on the Group's equity other than those already affecting income.

The sensitivity is based on the historical volatility of exchange rate of US Dollar against Philippine Peso during the current year. The analysis is based on the assumption that current year's volatility will be the same in the following year.

	Change in PHP rate	Effect on income before income tax
2018	**+3.43%**	**($607,201)**
	-3.43	**650,335**
2017	+3.43	(610,360)
	-3.43	653,518

d) 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.

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

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

	Percentage Change in PSEi	Effect on income before income tax
2018	**+18%**	**$2,095,533**
	-18	**(2,095,533)**
2017	+12	1,597,671
	-12	(1,597,671)

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 its capital stock, net of any subscription receivable, and retained earnings which amounted to $90.00 million and $89.14 million as of December 31, 2018 and 2017, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

Fair Values
Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, short-term investments, accounts 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 and carrying value of debt instruments at amortized cost amounted to $13.24 million and $12.99 million, respectively, as of December 31, 2018 and fair value and carrying value of HTM investments amounted to $5.59 million and $5.21 million, respectively, as of December 31, 2017.

Fair Value Hierarchy

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

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

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

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

As at December 31, 2018, the fair value of equity instruments at FVOCI under level 1 hierarchy amounted to $11.64 million (see Note 9). As at December 31, 2017, the fair value of AFS investments under Level 1 hierarchy amounted to $13.31 million (see Note 9).

There has been no transfer from Level 1 to Level 2 or 3 categories in 2018, 2017 and 2016.

21. Operating Segment

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

The Group derives its revenues only from the participating interests in various SCs of the Parent Company and LOGPOCOR, with segment assets and liabilities amounting to $92.29 million and $4.18 million, respectively, as of December 31, 2018 and $92.11 million and $2.62 million, respectively, as of December 31, 2017. Segment's revenue and net income amounted to $7.69 million and $0.86 million, respectively, in 2018, $7.64 million and $2.22 million, respectively, in 2017 and $8.67 million and $2.77 million, respectively, in 2016. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

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

22. **Approval of Consolidated Financial Statements**

The accompanying consolidated financial statements were authorized for issue by the BOD on April 10, 2019.

SyCip Gorres Velayo & Co.
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Philippines

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Oriental Petroleum and Minerals Corporation
34th Floor, Robinsons Equitable Tower
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Oriental Petroleum and Minerals Corporation and its Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated April 10, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ysmael S. Acosta
Partner
CPA Certificate No. 112825
SEC Accreditation No. 1744-A (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 301-106-775
BIR Accreditation No. 08-001998-130-2018,
February 9, 2018, valid until February 8, 2021
PTR No. 7332516, January 3, 2019, Makati City

April 10, 2019

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68, AS AMENDED (2011)

DECEMBER 31, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, As Amended (2011) that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not a required part of the basic financial statements.

Schedule A. Financial Assets

The Group's financial assets includes investments in quoted equity securities and corporate bonds.

Below is the detailed schedule of financial assets in equity securities and corporate bonds of the Group as of December 31, 2018:

Name of Issuing Entity and Association of Each Issue	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
Financial Assets at Amortized Cost			
Various	$12,990,099	$12,990,099	$458,766
Equity Instruments at Fair Value through Other Comprehensive Income			
Various	11,641,849	11,641,849	687,193
Total	$24,631,948	$24,631,948	$1,145,959

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

The Group has no receivable from directors, officers, employees, related parties and principal stockholders as of December 31, 2018.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties, which are eliminated in the consolidated financial statements as of December 31, 2018.

	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
Linapacan Oil, Gas and Power Corporation	($18,492,300)	($228,941)	$–	$–	$–	($18,721,241)	($18,721,241)
Oriental Land Corporation	(7,400)	–	–	–	–	(7,400)	(7,400)
Oriental Mahogany Woodworks, Inc.	87,801	–	–	–	–	87,801	87,801
	($18,411,899)	($228,941)	$–	$–	$–	($18,640,840)	($18,640,840)

Schedule D. Intangible Asset
The Group has no intangible asset as of December 31, 2018.

Schedule E. Long-term Debt
The Group has no long-term debt as of December 31, 2018.

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
The Group has no outstanding liabilities to related parties as of December 31, 2018.

Schedule G. Guarantees of Securities of Other Issuers
The Group does not have guarantees of securities of other issuers as of December 31, 2018.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	200,000,000,000	200,000,000,000	–	78,362,597,658	2,707,308,378	118,930,093,964

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

Retained earnings, January 1, 2018		$3,767,144
Adjustments:		
Prior year adjustments		–
Deficit, as adjusted, January 1, 2018		3,767,144
Net income based on the face of audited financial statements		963,498
Less:	Non-actual/unrealized income net of tax	
	Equity in net income of an associate	
	Unrealized foreign exchange gain	–
	Unrealized actuarial gain	–
	Fair value adjustment (MTM gains)	–
	Fair value adjustment of Investment Property resulting to gain	–
	Adjustment due to deviation from PFRS/GAAP gain	–
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–
	Accretion of interest	–
Add:	Non-actual/unrealized losses net of tax	–
	Realized gain on redemption of investment in unquoted debt securities	6,179
	Depreciation on revaluation increment	–
	Adjustment due to deviation from PFRS/GAAP loss	–
	Loss on fair value adjustment of Investment Property	–
	Movement in deferred tax assets	–
Net income actual/realized		969,677
Dividends declared during the period		–
Unappropriated Retained Earnings, available for dividend distribution		$4,736,821

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

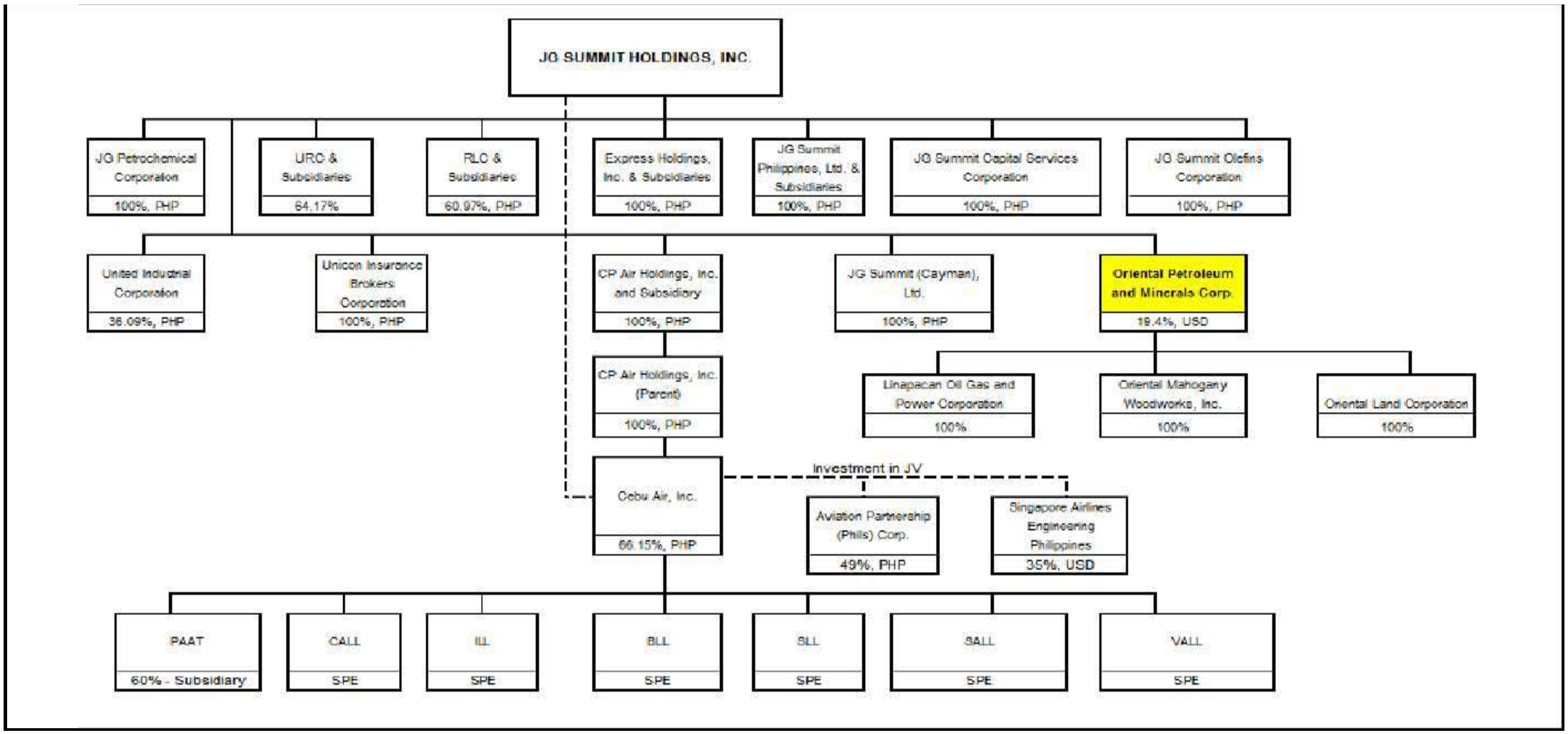
FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2018 and 2017:

Financial ratios		**2018**	2017
Current ratio	$\frac{\text{Current assets (CA)}}{\text{Current liabilities (CL)}}$	**19.50:1**	27.89:1
Net working capital ratio	$\frac{\text{CA – CL}}{\text{Total assets}}$	**0.55:1**	0.19:1
Return on assets	$\frac{\text{Operating income}}{\text{Average assets}}$	**-1.69%**	0.32%
Return on equity	$\frac{\text{Net income}}{\text{Average equity}}$	**0.96%**	2.51%
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	**0.05:1**	0.03:1

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2018



ORIENTAL PETROLEUM AND MINERALS CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
December 31, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as “Not adopted” are standards not early adopted by the Company and is effective subsequent to December 31, 2018.

The Company will adopt the Standards and Interpretations when these become effective.