

ORIENTAL PETROLEUM & MINERALS CORPORATION



ANNUAL REPORT 2019

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COVER: COVER DEPICTS VARIOUS ASPECTS OF OIL AND GAS EXPLORATION, DEVELOPMENT, AND PRODUCTION WITH A CENTRAL IMAGE OF AN “OIL DROP “. ORIENTAL PETROLEUM AND MINERALS CORPORTION CELEBRATES IN 2019 IT'S 50TH YEAR ANNIVERSARY. THROUGH THE YEARS, THE COMPANY REMAINS FOCUSED AND STEADFAST IN PURSUING OIL EXPLORATION ACTIVITES, RESULTING IN MODEST SUCCESS IN THE DISCOVERY OF COMMERCIAL OILFIELDS IN OFFSHORE NORTHWEST PALAWAN, PHILIPPINES.

FINANCIAL HIGHLIGHTS

OPERATING RESULTS			
DECEMBER 31			
	2019	2018	2017
	US\$	US\$	US\$
REVENUES - PETROLEUM OPERATIONS	4,248,325	7,691,545	7,644,185
GROSS PROFIT	(1,858,771)	(909,698)	944,352
INTEREST INCOME	2,366,359	2,014,026	1,614,460
DIVIDEND INCOME	1,099,501	687,193	703,524
NET INCOME	2,331,090	855,287	2,219,200
INCOME PER SHARE	0.000012	0.000004	0.000011

FINANCIAL CONDITION			
DECEMBER 31			
	2019	2018	2017
	US\$	US\$	US\$
TOTAL ASSETS	93,412,104	92,288,357	92,105,315
TOTAL LIABILITIES	2,523,234	4,183,022	2,615,356
NET WORTH	90,888,870	88,105,335	89,489,959
CAPITAL STOCK	82,268,978	82,268,978	82,268,978
RETAINED EARNINGS (DEFICIT)	4,560,651	4,454,238	3,592,772

MESSAGE OF THE CHAIRMAN AND THE PRESIDENT



To our Fellow Stockholders:

We are pleased to present the Company's Annual Report – 2019.

50 YEARS OF CORPORATE LIFE:

The Year – 2019 marks the 50th Anniversary of Oriental Petroleum & Minerals Corporation. A momentous occasion for the Company which participated in the first offshore oil discovery well – Nido – 1 and the first commercial oil production – Nido Oilfield, both located in offshore NW Palawan. The Company also is a group member in the discovery and commercial oil production in the Matinloc Complex, Cadlao Oilfield and the West Linapacan – A Oilfield, all located in offshore NW Palawan. Presently, the Company is a joint venture partner in oil production in the Galoc Oilfield, also located in offshore NW Palawan.

PETROLEUM OPERATIONS:

There was a slight decline in world oil prices in 2019. This contributed to lower oil prices fetched by the Company's share of oil production in the Galoc Oilfield in offshore Northwest Palawan.

There were three (3) deliveries of the Galoc crude oil that commanded oil prices per barrel that ranged from a high of US\$ 69.27 to a low of US\$ 59.77 or an average of US\$ 64.48.

In contrast the average Galoc oil price in 2018 was US\$ 71.00 per barrel.

The Galoc Oilfield continues to be a major source of revenue for the Company from petroleum operation. It is now on its 11th year of oil production.

Plans to install a Condensate Recovery Unit or CRU was finalized to make use of the associated gas in the Galoc Oilfield during oil production. The associated gas is presently being flared or burned-off during oil production. The CRU will recover the condensate fraction from the gas and this will be added to the volume of oil recovery from the Galoc Oilfield.

The CRU was designed by NGL Tech and fabricated in Port Klang, Malaysia. By August 2019, the CRU was loaded aboard the construction vessel "Ena Habitat" and transported to the Galoc Field location. However, due to unfavorable sea conditions, the CRU was not installed on the FPSO "Rubicon Intrepid". Decision was made to install at a later date. The CRU was brought to the Energy Supply Base in Batangas for storage.

MESSAGE OF THE CHAIRMAN AND THE PRESIDENT

The Nido-Matinloc Oil Complex wells had reached uneconomic flowrates. The producing wells of the oilfield complex were Plugged and Abandoned (P&A), except for 2 wells in the Nido –AW Platform. The Nido Oilfield started production in 1979 or 40 years ago and produced a total of 18.92 Million Barrels Oil. The Matinloc Oilfield started production in 1982 or 37 years ago and produced a total of 13.23 Million Barrels Oil (including production from the North-Matinloc Well). The combined production from the Nido - Matinloc Complex reached 32.15 Million Barrels Oil.

FINANCIAL HIGHLIGHTS:

In 2019, the Company posted Revenues from Petroleum Operations in the amount of US\$4,248,325, Gross Loss of US\$1,858,771 and a Net Income of US\$2,331,090.

The Company's Petroleum Revenues were not enough to cover the Operating Expenses including Plug and Abandonment Cost which resulted to a Gross Loss.

However, despite the loss from petroleum operations, the Company managed to generate a Net Income of US\$ 2,331,090 brought about by interest and dividend income from investments in equity and debt instruments.

On June 27, 2019, the Board of Directors of the Company approved the declaration of cash dividends in the amount of PhP 0.0005 per share or a total of PhP 100 million (US\$1.94 million) to the stockholders of record of common stocks as of July 26, 2019 coming from the Parent Company's unrestricted retained earnings.

PRODUCTION OPERATIONS:

The Galoc Oilfield produced in 2019 a total of 742,754 Barrels Oil. There were three (3) cargo deliveries with a total of 993,761 Barrels Oil. The average price per barrel oil was US\$ 64.48.

The Nido - Matinloc Oil Complex produced 22,173 Barrels Oil, in January-March 2019 that fetched an average price of US \$ 64 per barrel.

The crude oil was sold locally to the Pilipinas Shell Refinery in Tabangao, Batangas.

EXTENSION OF CORPORATE LIFE:

A Special Stockholders Meeting was held last 28 March 2018, to amend the Company's Articles of Incorporation. At this Meeting the stockholders approved, ratified and confirmed the resolutions of the Board of Directors amending Article IV of the amended Articles of incorporation. First, that the term for which the said corporation is to exist is Fifty (50) Years from and after the expiration of its original term on December 22, 2019.

Second, an amendment to the Secondary Purpose Clause to the Amended Articles of Incorporation to invest or engage generally in the business of Power Generation and to invest or engage in the exploration, development, utilization and commercialization of Renewable Energy Resources such as biomass, solar, wind, hydropower, geothermal systems and other emerging renewable technologies for the generation, transmission, distribution, sale and use of electricity and fuel generated from ocean energy resources, including the application of hybrid energy resources.

And third, authority to the Board of Directors to amend, and repeal the by-laws or adopt new by-laws.

OUTLOOK:

The Company started to experience the effects of declining volume of oil production in offshore NW Palawan accompanied by lower oil prices.

The Galoc Oilfield is on its 11th year of production and is nearing the end of its economic life. However, improved calibration of the flow rates from the Galoc wells resulted in better production and a projected longer field life.

MESSAGE OF THE CHAIRMAN AND THE PRESIDENT

GALOC SUBSURFACE STUDIES

Subsurface studies were carried out in 2019 for the possible recovery of additional oil reserves from the Galoc sandstone reservoir. Static and dynamic modelling on the Galoc Oilfield were carried out by reservoir engineers and a geologist of the operator - Galoc Production Company-1 (GPC1). The objective is to determine additional oil reserves.

These subsurface assessment studies will continue in 2020 to come up with a redevelopment scenario that will improve and enhance oil recovery in the near future.

OTHER CONTRACT AREAS:

Service Contract – 6B

The Department of Energy (DOE) approved the Farm In Agreement (FIA) in Service Contract - 6B Bonita - Cadlao Block, offshore NW Palawan between the SC - 6B joint venture partners and the UK-based Manta Oil Company Ltd. (MOCL). The FIA gives Manta Oil the privilege to earn 70% participating interest in SC - 6B by spending 100% of the cost of re-development of the Cadlao Oilfield. The SC-6B joint venture partners will retain 30% participating interest and be carried free in the cost of re-development of the Cadlao Oilfield up to declaration of field commerciality. Manta Oil has assumed the role of Operator of SC-6B as of November 2019.

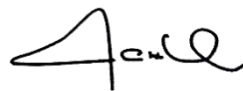
Service Contract – 14C2

Another third party had expressed interest in Service Contract-C2 West Linapacan Block, offshore NW Palawan. The interest in SC-14C2 is by way of a sale purchase agreement (SPA) and farm out agreement (FOA). The documents have been finalized and will be submitted in mid-2020 to the Department of Energy (DOE) for approval.

The Company is entering challenging times. The oilfields discovered in the 1970's and 1980's have reached their economic limits.

However, efforts are being made to prolong the economic life of the Galoc Oilfield. There also is the prospect of the Cadlao Oilfield being re-developed by a new Operator. These will assure the continued active involvement of the Company in oil exploration, development and production.

In behalf of the Board of Directors, officers and staff members of the Company, we wish to extend our gratitude for the continued loyalty, support and encouragement of our Stockholders.



JAMES L. GO
Chairman & CEO



ROBERT COYIUTO, JR.
President & COO

MEMORIAM



JOHN L. GOKONGWEI, JR.
Chairman Emeritus

(August 11, 1926 - November 9, 2019)

Mr. John L. Gokongwei Jr., Chairman Emeritus and Director of Oriental Petroleum and Minerals Corporation passed away in peace at the age of 93. Mr. John or Big John as fondly called by many joined the Company as a Director in 1989. He became the Chairman and Chief Executive Officer from 1994 to 2002 and an incumbent Director until he passed away last November 9, 2019. A visionary man, a mentor with a generous heart, and a dear friend to many, that's Mr. John.

Rest in Peace our beloved Chairman.

REVIEW OF OPERATIONS

OIL PRODUCTION

GALOC OILFIELD

SERVICE CONTRACT - 14C1 GALOC BLOCK OFFSHORE NW PALAWAN

The Galoc Oilfield produced in 2019 a total of 742,754 barrels oil compared to 1,166,755 barrels in 2018. The decrease was caused primarily by the non - production from the Galoc - 4 Well for almost of the year 2019 due to technical reasons. Only the Galoc - 3, Galoc - 5, and Galoc - 6 wells were on production in 2019.

The Galoc Oilfield has been on production since October 2008. Due to normal depletion of oil reserves, there has been a gradual decline in volume of oil production with time.



There were three (3) oil liftings/deliveries in 2019:

CARGO NO.	MONTH LIFTING	VOLUME BARRELS	PRICE US\$/BARREL
62	January	380,512	61.368
63	June	150,000	69.200
		155,697	65.896
64	November	165,000	59.770
		142,552	69.269
TOTAL		993,761	Ave. 64.480

As of end 2019, the Galoc Oilfield had produced a cumulative 22,093,163 barrels oil. Also, a total of 21,566,495 barrels oil has been lifted and delivered to various refineries in the region, mostly to South Korea.



The joint venture partners in the Galoc Oilfield operations are:

GALOC BLOCK: SC-14C1	%
GPC1/Tamarind Resources	33.00000
GPC2/Kuwait Foreign Petroleum	26.84473
Nido Petroleum Galoc Prod'n.	22.87952
Oriental Petroleum/Logpocor	7.78505
Philodrill Corporation	7.21495
PXP Energy Corporation	2.27575

NIDO – MATINLOC – COMPLEX SERVICE CONTRACT – 14A & 14B OFFSHORE NORTHWEST PALAWAN

Service Contract SC - 14A (NIDO Block) and SC – 14B (MATINLOC Block) are located in offshore Northwest Palawan. These service contract blocks are being administered under unified operation and the oil produced are sold and delivered to Pilipinas Shell Refinery in Tabangao, Batangas.

REVIEW OF OPERATIONS

Total volume of oil produced in 2019 from the NIDO and MATINLOC were 20,635 and 1,538 barrels, respectively. Cargo deliveries fetched an average price of US\$ 64 per barrel.



NIDO BLOCK: SC-14A	%
Oriental Petroleum	42.940
Philodrill Corporation	26.106
Nido Petroleum	22.486
Forum Energy	8.468



The Nido Oilfield started production in 1979 or 40 years ago and produced a cumulative total of 18.92 Million Barrels Oil. The Matinloc Oilfield started production in 1982 or 37 years ago. In 1988, the North- Matinloc Well produced from an adjacent structure but was flowed from the Matinloc Platform. The Matinloc complex produced a cumulative total of 13.23 Million Barrels Oil.

The combined cumulative production from the Nido-Matinloc Complex reached 32.15 Million Barrels Oil.

MATINLOC BLOCK: SC-14B	%
Philodrill Corporation	41.608
Nido Petroleum	28.283
Oriental Petroleum	17.703
Forum Energy	12.406



NORTH MATINLOC: SC-14B1	%
Philodrill Corporation	33.111
Oriental Petroleum	27.772
Forum Energy	19.463
Alcorn Petroleum	13.551
Trans-Asia Oil & Energy	6.103

EXPLORATION AND DEVELOPMENT:

SERVICE CONTRACT 14 - C1

GALOC BLOCK

OFFSHORE NORTHWEST PALAWAN

GALOC RE-DEVELOPMENT SCENARIO

GPC1/Tamarind Galoc Pte. Ltd., the new Operator of the SC – 14C1 Galoc Block is headquartered in

REVIEW OF OPERATIONS

Kuala Lumpur, Malaysia. Upon the start of its operatorship in 2018 of the Galoc Block, Tamarind initiated a project to prolong the petroleum production activities in the Galoc oilfield.

The Galoc oilfield is a major source of revenue for Oriental Petroleum. It is now on its 11th year of oil production.

CONDENSATE RECOVERY UNIT (CRU):

Plans to install a Condensate Recovery Unit or CRU had been finalized to make use of the associated gas in the Galoc Oilfield during oil production. The associated gas is flared or burned-off during oil production. The CRU will recover the condensate fraction from the gas and this will be added to the volume of oil production from the Galoc Oilfield.



The CRU was fabricated in Port Klang, Malaysia. In August 2019, the CRU was loaded aboard the construction vessel "Ena Habitat" and transported to the Galoc Field location.

However, due to unfavorable sea conditions, the CRU was not installed on the FPSO "Rubicon Intrepid". Decision was then made to install at a later date. The CRU was brought to the Energy Supply Base (ESB) in Batangas for storage.

GALOC SUBSURFACE STUDIES:

Also planned are continued subsurface and assessment studies of the Galoc Oilfield. Subsurface studies were carried out in 2019 for the possible recovery of additional oil reserves from the Galoc sandstone reservoir. Static and dynamic modelling on the Galoc Oilfield were carried out by reservoir engineers and a geologist of the operator Galoc Production Company-1 (GPC1). The objective is to determine additional oil reserves for possible recovery in a re-development scenario.

SERVICE CONTRACTS -14A / 14B / 14 B1

NIDO - MATINLOC – NORTH MATINLOC Plug & Abandonment (P&A) Platform Stripping

In accordance with good oil field industry practice, nine (9) production wells were plugged with cement using the construction vessel ENA Habitat and other third-party services last April to May 2019. Five (5) NIDO wells, three (3) MATINLOC wells and one (1) NORTH MATINLOC well were plugged according to international standards. However, two (2) NIDO wells located in the NIDO-AW platform were only partially plugged due to a mechanical glitch.



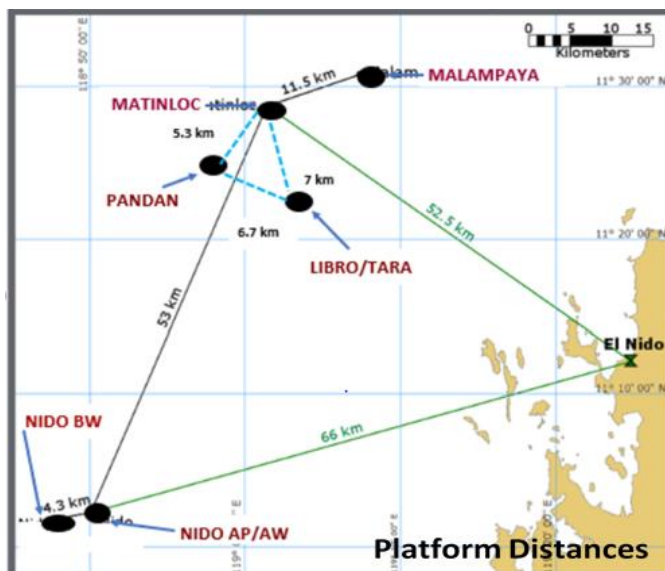
REVIEW OF OPERATIONS

The Nido-A1 and A-2 wells need further cement plugging in the middle and upper sections to avoid reservoir fluids seeping into the wellbores and ultimately to the seafloor or sea surface. These wells are scheduled for additional plugging in the summer of 2020 as sanctioned by the SC-14A Joint Venture.



There are two (2) production wells located at the NIDO-AW Platform. The NIDO-BW Platform has three (3) wells and the MATINLOC Platform has four (4) wells including the North Matinloc - 1 well.

Approximate distances of the production platforms: NIDO-BW is about 4.3 kilometers south of NIDO-AW and the MATINLOC platform is 53 kilometers away northeast of NIDO-AW platform.



The NIDO-BW and MATINLOC platforms were stripped-off of their production equipment and other facilities from June to October 2019.



The NIDO-AW platform will be stripped off fully with its remaining Nido-A1 & A2 wellheads after completion of the P&A in March-April next year. All field personnel and communication equipment in the NIDO-AP/AW, NIDO-BW and MATINLOC platforms were already demobilized last December 30, 2019.



TURNOVER OF PLATFORMS:

The NIDO and MATINLOC platforms will be retained onsite and be turned over to the Department of Energy (DOE).

NIDO-AP/AW, NIDO-BW and MATINLOC platforms will be covered by a Deed of Donation and Acceptance (DODA) between the

REVIEW OF OPERATIONS

Department of Energy (DOE) and Armed Forces of the Philippines (AFP) on behalf of the Department of National Defense (DND). Field personnel of the Nido-Matinloc joint venture conducted on site training for the military personnel on the operations and maintenance of the platforms. The military personnel have occupied the Nido-BW Platform and Matinloc Platform in December 2019.



SERVICE CONTRACT - 14C2 WEST LINAPACAN BLOCK OFFSHORE NORTHWEST PALAWAN

A Third Party has expressed interest in Service Contract - 14C2 West Linapacan Block by way of a Sale Purchase Agreement (SPA) and a Farm Out Agreement (FOA).

The documents have been finalized, with some joint venture partners opting to completely sell their participating interests under the SPA. Other partners chose to partly sell their participating interest under the SPA, retain some interests, and participate in the FOA. One of the partners, Nido Petroleum Ltd., chose to negotiate separately with the Third Party.

The FOA and SPA documents once signed by all parties will be submitted to the Department of Energy (DOE) sometime in 2020 for approval.

About the West Linapacan Oilfield:

The West Linapacan Oilfield was discovered in October 1990 and located in water depths of 300 - 350 meters. It produced some 8.5 Million Barrels Oil during the period May 1992 - January 1996. It was shut-in due to water intrusion, decreasing oil flow rates, and low oil prices.

WEST LINAPACAN: SC-14C2	%
Oriental Petroleum / Logpocor	30.288
Philodrill Corporation	28.070
Nido Petroleum	22.279
Forum Energy	9.103
Alcorn Petroleum	6.123
PetroEnergy	4.137

SERVICE CONTRACT - 6B BONITA - CADLAO BLOCK OFFSHORE NORTHWEST PALAWAN

The Department of Energy (DOE) approved last October 2019 the Transfer of Participating Interests relating to the Deed of Assignment and the Farm In Agreement (FIA) between the Service Contract - 6B joint venture partners and Manta Oil Company Ltd. (MOCL).

Manta Oil Company is registered in the United Kingdom. It established a Philippine branch and registered it with the Securities and Exchange Commission (SEC) for the purpose of operating a company engaged in petroleum exploration, development and production.

REVIEW OF OPERATIONS

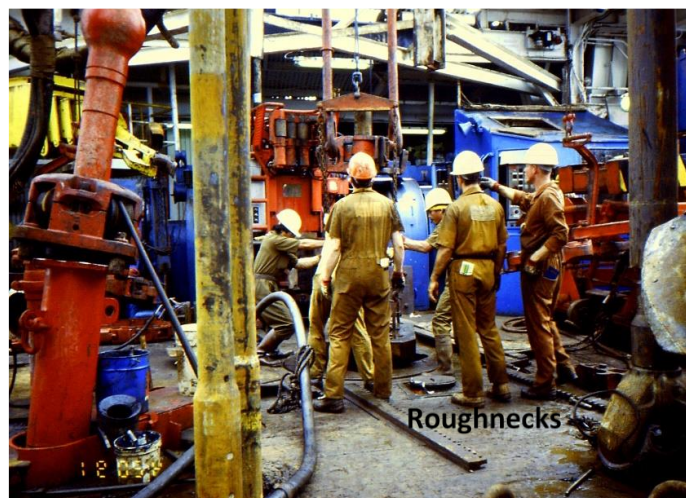
The Farm In Agreement (FIA) requires Manta Oil Co. (“Assignee”) to pay 100% of the cost of re-development of the presently shut-in Cadlao Oilfield up to declaration of commerciality to earn 70% interest in Service Contract-6B, Bonita - Cadlao Block.

The SC - 6B joint venture partners (“Assignor”) will be carried free in the cost of the Cadlao Oilfield re-development and will retain 30% interest in SC-6B.

Oriental Petroleum will retain 4.91% participating interest under Farm In Agreement (FIA).

COMPANY	PARTICIPATING INTEREST	
	PRESENT %	AFTER FIA %
Philodrill Corporation	58.182	17.4546
Oriental Petroleum	16.364	4.9092
Nido Petroleum	9.090	2.7270
Alcorn Petroleum	8.182	2.4546
Forum Energy	8.182	2.4546
	100.00	30.000
Manta Oil Co. Ltd.	-	70.0000

In 21 November 2019, an Operating Committee Meeting was held in Pasig City and Manta Oil Com. Ltd. introduced their management and senior



technical staff to the SC - 6B joint venture partners. A preliminary and new Plan of Development (POD) for the Cadlao Oilfield was presented. The POD once finalized will be submitted in mid-2020 to the DOE and to the SC-6B joint venture partners.



The Cadlao Oilfield was discovered by Amoco in 1977. It is located at a water depth range of 18 - 95 meters or 59 – 312 feet. It produced in the period 1981 - 1991 a total of 10.4 million barrels oil. It was shut-in 1991 due to the prevailing low oil prices at that time.

There still remains recoverable oil reserves in the presently shut-in Cadlao Oilfield. Under a new Plan of Development (POD) this can be economically produced.

CORPORATE SOCIAL RESPONSIBILITY

Oriental Petroleum & Minerals Corporation is fully aware of the Company's responsibility of promoting the welfare of people in the communities where our operations are conducted. In tandem with our joint venture partners we continue to coordinate with local government units (LGUs) in providing funding for various socio- economic programs and projects in select municipalities and villages or barangays in Northern Palawan.

Your Company and its Galoc Joint Venture Partners continued to fund various social programs that provide educational and health facilities and means of livelihood for select communities in Northern Palawan. The townsfolk of Basuanga would benefit from the Eco-Tourism Centre being constructed within the municipality and the planned hospitality management laboratory practice house in coordination with the West Palawan University.

Significant amounts are budgeted for various planned projects for the benefit of the people of Culion and Linapacan towns. For example, in Culion, six (6) village or barangay Health Centers were constructed and provided with rooftop solar panels and various medical equipment.

Your Company has been fortunate to be given the opportunity to participate in these social endeavours whose coverage benefit the populace of these towns and villages. We will continue to do our part in expanding the reach of our social responsibility.

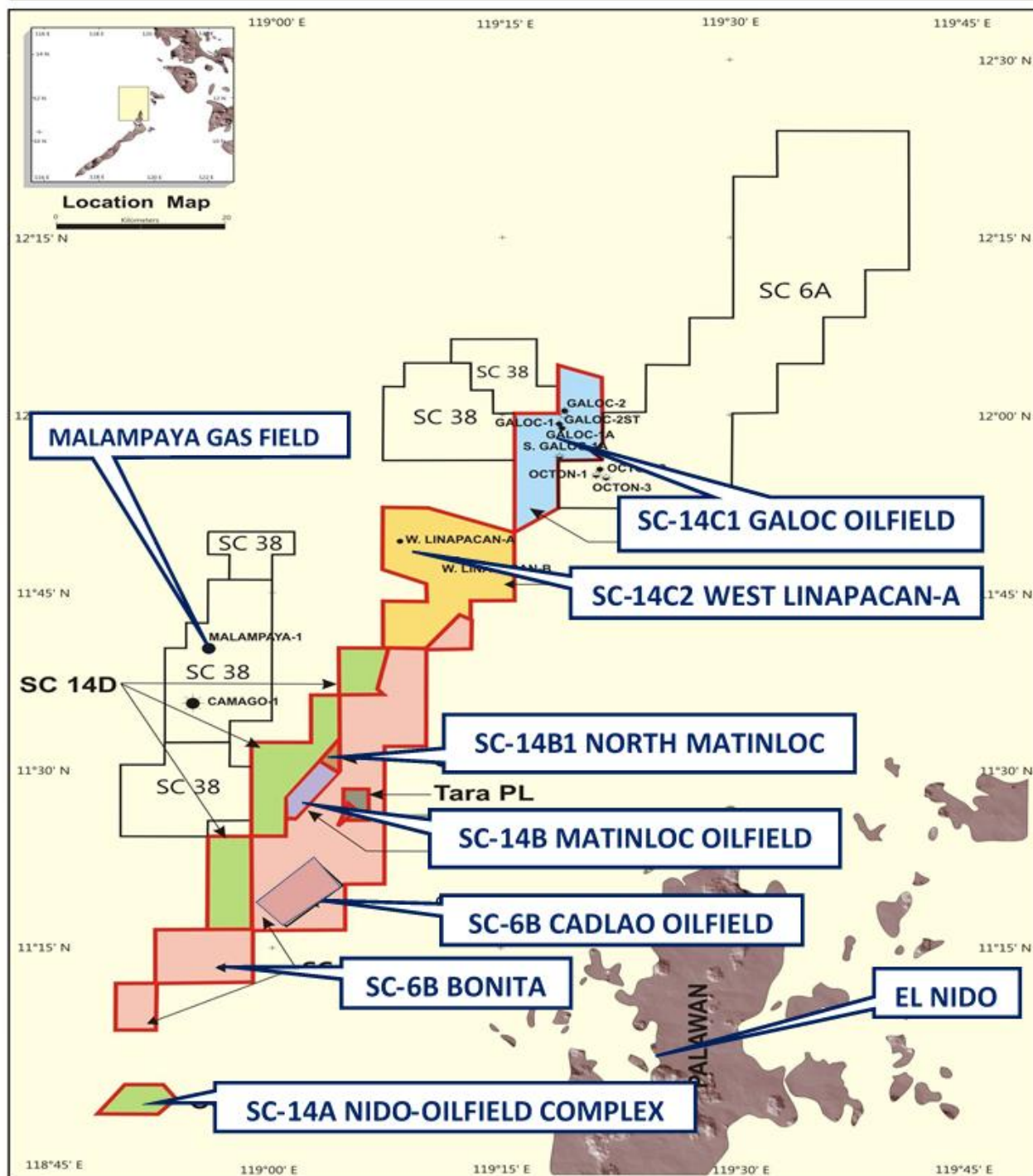
COMMUNITY ASSISTANCE PROJECTS NORTHERN PALAWAN:

CULION – Solar electrification of 6 Barangay Health Centers + Medical Equipment



SERVICE CONTRACT MAP

SERVICE CONTRACT – 14 & 6 OFFSHORE NW PALAWAN



BOARD OF DIRECTORS



James L. Go



Robert Coyiuto, Jr.



John L. Gokongwei, Jr. †

Mr. John passed away on November 9, 2019



Lance Y. Gokongwei



Josephine V. Barcelon



Antonio L. Go



Perry L. Pe



James Coyiuto



Ricardo Balbido, Jr.



Benedicto Coyiuto



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

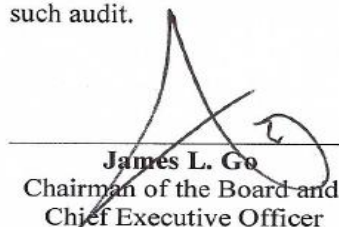
The management of **Oriental Petroleum and Minerals Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed 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.

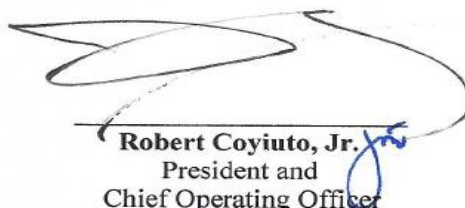
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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

Signed this **JUN 02 2020**
day of _____ 2020

SUBSCRIBED AND SWORN to before this _____ day of _____ 2020 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

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Page No. 24
Book No. KS
Series of 2020.


ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9246041 – 1-2-2020/ QC
IBP No. 093588 – 10-22-2019/ QC
Roll No. 30457 – 05-09-80
MCLE VI – 0030379
Adm. Matter No. NP-001(2020-2021)
TIN No. 131-942-754

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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.

Impairment Testing of Wells, Platforms and Other Facilities

The Group is adversely affected by the continued decline in oil prices in the market. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the Wells, Platforms and Other Facilities requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to Wells, Platforms and Other Facilities are included in Notes 5 and 10 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future production levels and costs as well as external inputs such as oil prices and discount rates. We compared the key assumptions used such as future production levels and oil prices against the estimated reserves report by the Group's expert and published oil prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of Wells, Platforms and Other Facilities.

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, 2019, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 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. 8125201, January 7, 2020, Makati City

May 4, 2020

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In U.S. Dollars)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 20)	\$17,887,849	\$10,523,121
Current portion of long-term investments (Notes 9 and 20)	—	40,000,000
Receivables (Notes 7 and 20)	982,492	969,238
Crude oil inventory (Note 8)	668,147	1,773,069
Short-term investments (Notes 9 and 20)	1,501,897	—
Other current assets	10,440	10,338
Total Current Assets	21,050,825	53,275,766
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income (Notes 9 and 20)	31,080,859	11,641,849
Debt instruments at amortized cost (Notes 9 and 20)	27,291,700	12,990,099
Property and equipment (Notes 5, 8 and 10)	13,325,876	13,717,799
Deferred exploration costs (Notes 8 and 11)	662,844	662,844
Total Noncurrent Assets	72,361,279	39,012,591
	\$93,412,104	\$92,288,357
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12 and 20)	\$825,770	\$496,888
Provision for plug and abandonment (Notes 5 and 12)	817,011	2,061,848
Income tax payable	—	172,676
Total Current Liabilities	1,642,781	2,731,412
Noncurrent Liabilities		
Net pension liability (Notes 5 and 16)	522,337	387,141
Deferred tax liabilities - net (Note 17)	358,116	1,064,469
Total Noncurrent Liabilities	880,453	1,451,610
Total Liabilities	2,523,234	4,183,022
Equity		
Capital stock (Note 13)	82,268,978	82,268,978
Subscriptions receivable (Note 13)	(277,744)	(373,412)
Capital in excess of par value (Note 13)	3,650,477	3,650,477
Retained earnings	4,560,651	4,454,238
Reserve for changes in value of equity instruments at fair value through other comprehensive income (Note 9)	(136,181)	(2,668,084)
Remeasurement gains on pension liability - net (Note 16)	120,735	178,836
Cumulative translation adjustment	701,954	594,302
Total Equity	90,888,870	88,105,335
	\$93,412,104	\$92,288,357

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		
	2019	2018	2017
REVENUE FROM PETROLEUM OPERATIONS			
(Note 8)	\$4,248,325	\$7,691,545	\$7,644,185
COST OF PETROLEUM OPERATIONS			
Petroleum production costs (Notes 8 and 12)	4,603,816	7,516,862	5,183,177
Depletion, depreciation and amortization (Notes 8 and 10)	1,503,280	1,084,381	1,516,656
	6,107,096	8,601,243	6,699,833
GROSS PROFIT (LOSS)	(1,858,771)	(909,698)	944,352
GENERAL AND ADMINISTRATIVE EXPENSES			
(Note 14)	626,226	648,891	650,778
OTHER INCOME (CHARGES)			
Interest income (Notes 6 and 9)	2,366,359	2,014,026	1,614,460
Foreign exchange gain (loss) - net	1,027,294	(237,799)	(12,789)
Other income (Notes 9 and 15)	1,350,086	687,193	705,618
	4,743,739	2,463,420	2,307,289
INCOME BEFORE INCOME TAX	2,258,742	904,831	2,600,863
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	497,316	559,887	293,418
Deferred	(569,664)	(510,343)	88,245
	(72,348)	49,544	381,663
NET INCOME	\$2,331,090	\$855,287	\$2,219,200
Basic/Diluted Earnings Per Share (Note 18)	\$0.000012	\$0.000004	\$0.000011

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		
	2019	2018	2017
NET INCOME	\$2,331,090	\$855,287	\$2,219,200
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item to be reclassified to profit or loss in subsequent periods:</i>			
Changes in cumulative translation adjustment	107,652	15,042	153,711
Movement in reserve for fluctuation in value of available-for-sale investments (Note 9)	—	—	(334,505)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Movements in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income (Note 9)	2,248,296	(2,276,212)	—
Remeasurement gains (losses) on pension liability - net of tax (Note 16)	(58,101)	21,259	37,920
	2,297,847	(2,239,911)	(142,874)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$4,628,937	(\$1,384,624)	\$2,076,326

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, 2019									
Balances as at January 1, 2019	\$82,268,978	(\$373,412)	\$3,650,477	\$4,454,238	(\$2,668,084)	\$-	\$178,836	\$594,202	\$88,105,335
Net income	-	-	-	2,331,090	-	-	-	-	2,331,090
Other comprehensive income (loss)	-	-	-	-	2,248,296	-	(58,101)	107,652	2,297,847
Total comprehensive income (loss)	-	-	-	-	2,248,296	-	(58,101)	107,652	4,628,937
Collection of subscription receivable (Note 13)	-	-	-	2,331,090	-	-	-	-	2,331,090
Cash dividends (Note 13)	-	95,668	-	(1,941,070)	-	-	-	-	95,668
Transfer to retained earnings	-	-	-	(283,607)	283,607	-	-	-	(1,941,070)
Balances as at December 31, 2019	\$82,268,978	(\$277,744)	\$3,650,477	\$4,560,651	(\$136,181)	\$-	\$120,735	\$701,954	\$90,888,370
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 PFPS 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	\$594,202	\$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 at December 31, 2017	\$82,268,978	(\$373,412)	\$3,650,477	\$3,592,772	\$-	(\$385,693)	\$157,577	\$579,260	\$89,489,959

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		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$2,258,742	\$904,831	\$2,600,863
Adjustments for:			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	1,503,280	1,084,381	1,516,656
Plug and abandonment cost (Notes 8 and 12)	1,362,716	2,855,134	—
Movement in pension liability (Note 16)	44,214	39,801	20,224
Gain on reversal of long-outstanding payables	(250,585)	—	—
Unrealized foreign exchange losses (gains) - net	(988,203)	259,448	45,593
Dividend income (Notes 9 and 15)	(1,099,501)	(687,193)	(703,524)
Interest income (Notes 6 and 9)	(2,366,359)	(2,014,026)	(1,614,460)
Gain on sale of available-for-sale investments (Notes 9 and 15)	—	—	(2,094)
Operating income before working capital changes	464,304	2,442,376	1,863,258
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	27,259	16,489	260,957
Crude oil inventory	1,104,922	(310,415)	(255,732)
Other current assets	(102)	1,452	(1,944)
Increase (decrease) in:			
Accounts and other payables	554,459	(2,886,754)	(96,382)
Provision for plug and abandonment	(2,607,553)	2,061,848	—
Cash flows generated from (used for) operations	(456,711)	1,324,996	1,770,157
Income tax paid	(669,992)	(502,565)	(833,523)
Net cash flows provided by (used in) operating activities	(1,126,703)	822,431	936,634
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of long-term investments	40,000,000	—	—
Interest received	2,498,004	2,006,651	1,633,098
Proceeds from redemption/sale of:			
Equity instruments at fair value through other comprehensive income	1,940,740	1,099,731	—
Available-for-sale investments	—	—	27,783
Dividends received	923,917	738,604	723,470
Proceeds from (acquisition of) short-term investments	(1,501,897)	10,255,240	(5,382,483)
Acquisitions of/additions to:			
Property and equipment (Notes 8 and 10)	(1,111,357)	(50,985)	(1,686,748)
Debt instruments at amortized cost (Note 9)	(13,465,080)	(8,060,845)	—
Equity instruments at fair value through other comprehensive income (Note 9)	(19,131,454)	(1,703,871)	—
Held-to-maturity investments (Note 9)	—	—	(2,010,374)
Net cash flows provided by (used in) investing activities	10,152,873	4,284,525	(6,695,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of subscription receivable	95,668	—	5
Payment of cash dividends	(1,941,070)	—	—
Net cash flows provided by (used in) financing activities	(1,845,402)	—	5
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	183,960	3,345	(24,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,364,728	5,110,301	(5,782,617)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,523,121	5,412,820	11,195,437
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	\$17,887,849	\$10,523,121	\$5,412,820

See accompanying Notes to Consolidated Financial Statements.

DIRECTORY

OFFICERS:

JAMES L. GO

Chairman and Chief Executive Officer

ROBERT COYIUTO, JR.

President and Chief Operating Officer

APOLLO P. MADRID

Senior Vice President - Operations & Administration

ROY RONALD C. LUIS

Director, Business Development and Operations

MA. RIANA C. INFANTE

Chief Financial Officer / Compliance Officer

TEODORA N. SANTIAGO

Treasurer

ALDRICH T. JAVELLANA

Finance Adviser

JANE AGNES S. PAZZIBUGAN

Controller

VICENTE O. CAOILE, JR.

Corporate Secretary

PERRY L. PE

Assistant Corporate Secretary

ROSALINDA F. RIVERA

Assistant Corporate Secretary

AUDITORS:

SyCip, Gorres, Velayo & Co.

BANKERS:

Banco de Oro Unibank
Robinsons Bank Corporation

LEGAL COUNSEL:

Romulo, Mabanta, Buenaventura, Sayoc and Delos Angeles;
Roxas De Los Reyes Laurel Rosario and Gonzales Law Offices

TRANSFER AGENT:

Banco de Oro Unibank, Inc.

CORPORATE OFFICES:

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

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