**ORIENTAL PETROLEUM AND MINERALS CORPORATION**

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

☏: 633-7631 to 40, 637-1670 to 79 Extensions 277, 278, 279, 280, 281 • 🖷: 395-2586


# NOTICE OF THE REGULAR ANNUAL MEETING OF THE STOCKHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the stockholders of **ORIENTAL PETROLEUM AND MINERALS CORPORATION** will be held at **Ballroom B 4th Floor, Crowne Plaza Galleria Manila, Ortigas Ave., cor. One ADB Avenue, Quezon City, on Wednesday, July 4, 2018 at 3:00 P.M.**, pursuant to the resolution of the Board of Directors adopted in accordance with the By-Laws. The agenda of the meeting is as follows:

I. Call to order
II. Proof of due notice of meeting and determination of quorum
III. Approval of the Minutes of the Annual Meeting held on June 29, 2017
IV. Reports of Officers/ Approval of the Annual Report
V. Election of Directors
VI. Appointment of External Auditors
VII. Other matters or business as may properly come before the meeting
VIII. Adjournment

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

Proxies must be filed with and received at the Corporation's office not later than by the close of business hours, five (5) working days prior to the date of meeting, viz., not later than 5:00 P.M. on June 27, 2018. Proxies received after the cut-off date shall not be recorded for this meeting.

Validation of proxies will begin on June 27, 2018 at 5:00 P.M. at the office of the Corporation.

Pursuant to Article II, Section 6, par. 2 of the By-Laws, nominations for the position of directors, other than Independent Directors, must be received by the Corporate Secretary at least five (5) working days before the stockholders' meeting, i.e., not later than 5:00 P.M. on June 27, 2018. Nominations for Independent Director must be received by 5:00 P.M. on June 4, 2018. No further nominations shall be considered or entertained after the respective cut-off dates.

Only stockholders of record as at the close of business hours on June 4, 2018, shall be entitled to notice of, and to vote, at this meeting.

Pasig City, Metro Manila, May 8, 2018.

ETHELWOLDO. FERNANDEZ
Corporate Secretary

# COVER SHEET

4 0 0 5 8

SEC Registration Number

ORIENTAL PETROLEUM AND MINERALS C
ORPORATION AND SUBSIDIARIES

(Company's Full Name)

34th Floor, RobinsOns Equitable T
ower, ADB Avenue, OrtiGas Center,
Pasig CitY

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

| | |
|---|---|
| Ethelwoldo Fernandez<br>Corporate Secretary | 633-7631 local 278 |
| (Contact Person) | (Company Telephone Number) |

| | | | |
|---|---|---|---|
| 1 2 | 3 1 | SEC FORM-20-IS | 0 7 / 0 4 |
| *Month* | *Day* | (Form Type) | *Month* / *Day* |
| (Fiscal Year) | | | (Annual Meeting) |

**PRELIMINARY INFORMATION STATEMENT**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

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

| | | | |
|---|---|---|---|
| 1. | Check the appropriate box | : | |
| | [ X ] Preliminary Information Statement | | |
| | [ ] Definitive Information Statement | | |
| 2. | Name of Registrant as specified in its charter | : | **ORIENTAL PETROLEUM AND MINERALS CORPORATION** |
| 3. | Province, country or other jurisdiction of incorporation or organization | : | **Metro Manila, Philippines** |
| 4. | SEC Identification Number | : | **SEC Registration No. 40058** |
| 5. | BIR Tax Identification Code | : | **TIN No. 000-483-747-000** |
| 6. | Address of principal office | : | **34th Floor, Robinsons Equitable Tower, One ADB Ave., Ortigas Center, Pasig City** |
| 7. | Registrant's telephone number, including area code | : | **(632) 633-7631 to 40** |
| 8. | Date, time and place of the meeting of security holders | : | **July 4, 2018**<br>**3:00 P.M.**<br>**Ballroom B**<br>**4th Floor, Crowne Plaza Galleria Manila, Ortigas Ave., cor. One ADB Ave., Quezon City** |
| 9. | Approximate date on which the Information Statement is first to be sent or given to security holders | : | **June 13, 2018** |

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

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

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

**Yes** __**X**__ No ________

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

# I. GENERAL INFORMATION

## Date, Time and Place of Meeting of Security Holders

| | | |
|---|---|---|
| Date, time and place of meeting | | **July 4, 2018**<br>**3:00 P.M.**<br>**Ballroom B**<br>**4th Floor, Crowne Plaza Galleria Manila,**<br>**Ortigas Ave., cor. One ADB Ave., Quezon City** |
| Complete mailing address of principal office | : | **34th Floor, Robinsons Equitable Tower,**<br>**One ADB Ave., Ortigas Center, Pasig City** |
| Approximate date on which the Information Statement is first to be sent or given to security holders | : | **June 13, 2018** |

# PART II. SOLICITATION INFORMATION

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

## Dissenters' Right of Appraisal

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

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

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

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

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

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

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

## Voting Securities and Principal Holders Thereof

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

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

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares of stock held in his name on the stock books of the Company as of the established record date, **June 4, 2018**, and said stockholder may vote such number of shares for as many as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Ten (10) directors are to be elected at the annual stockholders' meeting and there are no voting trust holders or warrants.

## PART III. CONTROL AND COMPENSATION INFORMATION

## Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of April 30, 2018 were as follows:

| Class | Name and Address of Record Owner and Relationship with the Issuer | Names of Beneficial Owner and Relationship with the Record Owner | Citizenship | No. of Shares Held | | Total | % to Total |
|---|---|---|---|---|---|---|---|
| | | | | Class A | Class B | | |
| Common | PCD Nominee Corporation[a]<br>37/F Tower I, The Enterprise Center<br>6766 Ayala Ave. Cor. Paseo de Roxas<br>(Stockholder) | PCD Participants & their clients<br>(see note a) | Filipino | 58,306,344,799 | 19,124,987,572 | 77,431,332,371 | 38.72% |
| Common | Consolidated Robina Capital Corp.[b]<br>29/F Galleria Corporate Center<br>Edsa Corner Ortigas Avenue<br>(Stockholder) | Same as Record Owner<br>(see note b) | Filipino | 8,396,391,875 | 28,655,561,021 | 37,051,952,896 | 18.53% |
| Common | R. Coyiuto Securities, Inc.[c]<br>5th Flr., Corinthian Plaza<br>Paseo de Roxas, Makati City<br>(Stockholder) | Same as Record Owner<br>(see note c) | Filipino | 17,875,122,607 | 8,348,270,845 | 26,223,393,452 | 13.11% |
| Common | Prudential Guarantee & Assurance Inc.[d]<br>119C Palanca St. Legaspi Village<br>Makati City<br>(Stockholder) | Same as Record Owner<br>(see note d) | Filipino | 5,971,142,716 | 7,370,493,083 | 13,341,635,799 | 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 agent in the Philippines. The beneficial owners of such shares are PCDI's participants, who hold the shares on their behalf, and their clients. PCDI is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

b. Consolidated Robina Capital Corporation is a 100% subsidiary of JG Summit Holdings, Inc. (JGSHI). OPMC and JGSHI share the following common directors: Mr. John Gokongwei, Jr., Mr. James L. Go 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 Oriental Petroleum and Minerals Corp.
   - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Philip K. Rico, Samuel Coyiuto, and James Coyiuto.
   - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.

d. Prudential Guarantee and Assurance, Inc. is majority owned by Coyiuto brothers.
   - Mr. Robert Coyiuto, Jr. is authorized to vote.
   - Indirect ownership of Mr. Robert Coyiuto, Jr. is 1,316,729 shares and Mr. James Coyiuto is 413,012 shares.

### *Security Ownership of Management as of April 30, 2018*

| Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership (Direct) | | | % to Total | Citizenship |
|---|---|---|---|---|---|---|
| | | Class A | Class B | Total | | |
| **A.** | **Named Executive Officers [1]** | | | | | |
| Common | James L. Go* | 1,839,000,001 | – | 1,839,000,001 | 0.9195% | Filipino |
| Common | Robert R. Coyiuto, Jr.* | 423,977,301 | 141,687,685 | 565,664,986 | 0.2828% | Filipino |
| Common | Apollo P. Madrid* | 1,711,971 | 100,795 | 1,812,766 | 0.0009% | Filipino |
| Common | Ethelwoldo E. Fernandez* | 604,787 | – | 604,787 | 0.0003% | Filipino |
| | | 2,265,294,060 | 141,788,480 | 2,407,082,540 | 1.2035% | |
| **B.** | **Other Directors and Executive** | | | | | |
| Common | John L. Gokongwei, Jr. | 107,001 | – | 107,001 | 0.0001% | Filipino |
| Common | Josephine Barcelon | 100,000 | – | 100,000 | 0.0001% | Filipino |
| Common | Antonio Go | 1 | – | 1 | ** | Filipino |
| Common | Benedicto Coyiuto | 10,000 | – | 10,000 | ** | Filipino |
| Common | Lance Y, Gokongwei | 1 | – | 1 | ** | Filipino |
| Common | Perry L. Pe* | 513621 | – | 513621 | 0.000003 | Filipino |
| Common | Ricardo Balbido, Jr. | 100,000 | – | 100,000 | 0.0001% | Filipino |
| Common | James Coyiuto | 1 | – | 1 | ** | Filipino |
| | | 830,625 | – | 830,625 | 0.0006% | |
| **C.** | **All directors and executive officers as a group unnamed** | **2,266,124,685** | **141,788,480** | **2,407,913,165** | **1.2040%** | |

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

*Shares owned by Foreigners*

As of April 30, 2018, a total of 6,696,788,265 shares or about 3.35% of the total issued and outstanding shares are owned by foreigners.

*Voting Trust holders of 5% or More*

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

*Changes in Control*

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

## Directors and Executive Officers

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

### *Directors*

| *Directors* | *Names* | *Age* | *Citizenship* |
|---|---|---|---|
| Director, Chairman and Chief Executive Officer | James L. Go | 79 | Filipino |
| Director, President and Chief Operating Officer | Robert Coyiuto, Jr. | 66 | Filipino |
| Director | John Gokongwei, Jr. | 91 | Filipino |
| Director | Lance Y. Gokongwei | 51 | Filipino |
| Director | Antonio Go | 78 | Filipino |
| Director | Benedicto Coyiuto | 39 | Filipino |
| Director | Josephine Barcelon | 58 | Filipino |
| Director | James Coyiuto | 63 | Filipino |
| Director | Ricardo Balbido, Jr. | 67 | Filipino |
| Director, Assistant Corporate Secretary | Perry L. Pe | 56 | Filipino |
| ***Executive Officers*** | | | |
| SVP – Operations and Administration | Apollo P. Madrid | 77 | Filipino |
| SVP – Legal and Corporate Secretary | Ethelwoldo E. Fernandez | 90 | Filipino |
| Finance Adviser | Aldrich T. Javellana | 44 | Filipino |
| Chief Finance Officer | Ma. Riana Infante | 38 | Filipino |
| Treasurer | Teresita H. Vasay | 63 | Filipino |

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

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

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

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

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

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

***James L. Go,*** 79, is the Chairman and Chief Executive (CEO) of Officer of OPMC. He is likewise the Chairman and CEO of JG Summit Holdings, Inc. (JGSHI). He is the Chairman 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 Cebu Air, Inc., 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 Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee 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. 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.,*** 66**,** 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 Director, Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is the Director, Chairman and Chief Executive Officer of Prudential Guarantee & Assurance, Inc. He is also the Director and Chairman of PGA Sompo Insurance Corporation, PGA Cars, Inc., Hyundai North EDSA. He is Vice Chairman and Director 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 Marketing (Philippines) Inc. He is a member of the Philippine Stock Exchange, a Member of the Board of Trustees of San Beda College and the Founding Principal of Porsche Training and Recruitment Center Asia.

***John L. Gokongwei, Jr.,*** 91, is a Director of the Company. He is the founder and Chairman Emeritus of JGSHI. He is a member of the Board of Directors of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI and is Chairman Emeritus of certain of its subsidiaries. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited 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. Gokongwei received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

***Lance Y. Gokongwei,*** 51, has been a Director of the Company since 1994. He is the President and Chief Operating Officer of JGSHI. He is the Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc. He is also the President and Chief Executive Officer of Universal Robina Corporation and Cebu Air, Inc. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Chairman of Robinsons Bank Corporation and a director of United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. 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. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.

***Antonio L. Go***, 78, was elected as an Independent Director of the Company since 2007. He also currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank 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, Cebu Air Inc., Pin-An Holdings, Inc., and Equicom Information Technology, Robinsons Retail Holdings, 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 of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

***Benedicto Coyiuto***, 39, was elected Director of the Company during the last Annual Stockholders' Meeting held on June 27, 2013. He is also a Director of PGA Cars, Inc. and PGA Automobile, Inc. He is the Assistant to the Chairman of PGA Sompo Japan Insurance, Inc. He is the son of Mr. Robert Coyiuto, Jr.

***Josephine V. Barcelon***, 58, was elected Director during the meeting of June 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**,* 63, 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.***, 67, 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**,* 56, 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**, 77, has been the Senior Vice President - Operations and Administration of the Company since 1990.

**Ethelwoldo E. Fernandez**, 90, has been the Corporate Secretary of the Company since 1995. He had been Senior Vice President-Legal of the Company since 1992. He had been counsel to the Law firm of Sycip, Salazar, Hernandez and Gatmaitan until 2003. He is also the Corporate Secretary of Prudential Guarantee and Assurance, Inc.

**Aldrich T. Javellana**, 44, is the Finance Adviser of the Company since February 16, 2016. He was also appointed as Senior Vice President of JGSHI on October 2, 2017 and has been Vice President-Treasurer of JGSHI since January 2, 2012. 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**, 63, 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.

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

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

A. DEFINITION

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

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

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

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

    1.4. Has not been employed in any executive capacity by that public company, any of its related 8companies or by any of its substantial shareholders within the last five (5) years;

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

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

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

B. QUALIFICATIONS OF INDEPENDENT DIRECTORS

1. An independent director shall have the following qualifications:

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

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

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

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

1.5. He shall be assiduous.

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

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

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

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

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

C. NOMINATION AND ELECTION OF INDEPENDENT DIRECTOR/S

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

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

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

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

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

3.2. Age of the nominee for Independent Director

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

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

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

accordance with SRC Rule 17.1(b) or SRC Rule 20, respectively, or in such other reports the company is required to submit to the Commission.

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

6. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.

**Below is the preliminary list of nominees for Independent Directors:**

1. **Ricardo Balbido, Jr.,** 67, 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.

   Mr. Balbido has been nominated as the other Independent Director by Mr. Apollo P. Madrid, a stockholder of the Corporation. They have no business or other relation however, Mr. Madrid knows Mr. Balbido as a veteran banker.

2. **Antonio L. Go** 78, was elected as an Independent Director of the company since 2007. He also currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank 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, Cebu Air Inc., Pin-An Holdings, Inc., and Equicom Information Technology, Robinsons Retail Holdings, 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 of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

   Mr. Apollo P. Madrid nominated Mr. Antonio Go as candidate for Independent Director, a well - known banker. Mr. Madrid has no business and other relationship with Mr. Go. Further, Mr. Go is not related to any director or officer of the Company.

**Below is the list of the Company's Nomination, Audit Committee and Risk Management Committee**

Nomination Committee:

James L. Go – Chairman
Robert Coyiuto, Jr. - Member
Perry L. Pe – Member
Ricardo Balbido, Jr. – Member
James Coyiuto – Member

Audit Committee and Risk Management Committee

Antonio L. Go – Chairman
Lance Y. Gokongwei – Member
Benedicto Coyiuto – Member
James Coyiuto – Member
Perry L. Pe – Member

*Significant Employees*

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

*Family Relationships*

Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr. while Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.  Mr. Perry L. Pe is the son-in-law of Mr. John Gokongwei, Jr.  Mr. Benedicto Coyiuto is the son of Mr. Robert Coyiuto, Jr. while Mr. James Coyiuto is his brother.

*Involvement in Certain Legal Proceedings of Directors and Executive Officers*

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

*Certain Relationships and Related Transactions*

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

**Item 6. Executive Compensation**

*Summary Compensation Table*

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

| **Name** | **Position** | **Projected - Year 2018** (in '000 US$) | | |
|---|---|---|---|---|
| | | **Salary** | **Other Compensation & Bonus** | **Total** |
| a) CEO & Four (4) most highly compensated executive officers | | US$257.25 | US$- | US$257.25 |
| 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$367.91 | US$- | US$367.91 |

| 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 Infante | CFO / Compliance Officer | | | |
| Teresita H. Vasay | Treasurer | | | |
| b) All officers as a group | | US$350.39 | US$- | US$350.39 |

| Name | Position | Actual Year 2016 (in '000 US$) | | |
|---|---|---|---|---|
| | | Salary | Other Compensation & Bonus | Total |
| a) CEO & Four (4) most highly compensated executive officers | | US$234.80 | US$- | US$234.80 |
| James L. Go | Chairman and CEO | | | |
| Robert Coyiuto, Jr. | President and COO | | | |
| Apollo P. Madrid | SVP – Operations & Admin. | | | |
| Aldrich T. Javellana | CFO | | | |
| Teresita H. Vasay | Treasurer | | | |
| b) All officers as a group | | US$333.84 | US$- | US$333.84 |

*Compensation of Directors*

For 2017, the Company paid a total of US$17,844 to its Directors.

*Standard Arrangements*

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

*Other Arrangements*

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

*Employment Contracts and Termination of Employment and Change in control Agreement*

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

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

*Warrants and Options Outstanding*

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

**Item 7. Independent Public Accountants**

The accounting firm of SyCip Gorres Velayo & Co. has been the Company's independent public accountants at least for the last nineteen (19) years. The same firm is being recommended for appointment by the stockholders for the ensuing year. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. SGV is expected to send a representative to the annual meeting with an opportunity to make statements if they so desire and will be available for questions from stockholders.

The current handling partner of SGV & Co. has been engaged by the Corporation for the fiscal year 2015 and is expected to be rotated every five (5) years in accordance with SRC Rule 68, as amended.

There has been no disagreements with the accountants on accounting and financial disclosures.

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

## OTHER MATTERS

## Action with Respect to Reports

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

1. Minutes of the Regular Stockholders' Meeting on June 29, 2017:

    - The President gave a brief summary of the operations of the year under review. The annual report for 2016 was submitted and approved.

    - The ten (10) directors for incoming year, 2017-2018 were elected (see page 7 of this Report).

2. 2017 Annual Report, with Audited Financial Statements

3. Election of Board of Directors

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

5. Ratification of acts of the Board of Directors and Officers of the Company in the regular course of business from June 29, 2017 to June 28, 2018.

### *Brief description of material matters approved by the Board of Directors and Management since the last annual stockholders' meeting of June 29, 2017 for ratification by the stockholders:*

| Date of Board/Management Approval | Description |
|---|---|
| February 12, 2018 | Organizational Meeting of the Board of Directors. |
| October 19, 2017 | Amendments to the Amended Articles of Incorporation approved and ratified by the stockholders at the special meeting of stockholders held on March 26, 2018.<br>• Amendments to Article IV "Extension of Corporate Term to another fifty (50) years from and after the expiration of its original term on December 22, 2019."<br>• Amendment to the Secondary Purpose Clause of the Amended Articles of Incorporation of the Corporation by adding new objectives as paragraph "a" and "b" and readjusting the sequencing of its paragraphs accordingly.<br>• Authority to the Board of Directors to amend, repeal or adopt new By-laws. |

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

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

## Voting Procedures

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

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

**Market for Registrant's Common Equity and Related Stockholder Matters**

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

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

| STOCK PRICES (in pesos) | CLASS A High | CLASS A Low | CLASS B High | CLASS B Low |
|---|---|---|---|---|
| 2018 | | | | |
| First Quarter | 0.013 | 0.011 | 0.013 | 0.012 |
| 2017 | | | | |
| First Quarter | .0130 | .0100 | .0130 | .0110 |
| Second Quarter | .0120 | .0100 | .0130 | .0100 |
| Third Quarter | .0140 | .0100 | .0150 | .0100 |
| Fourth Quarter | 0.013 | 0.012 | 0.014 | 0.012 |
| 2016 | | | | |
| First Quarter | .0110 | .0090 | .0100 | .0090 |
| Second Quarter | .0110 | .0092 | .0120 | .0090 |
| Third Quarter | .0130 | .0100 | .0140 | .0100 |
| Fourth Quarter | .0120 | .0100 | .0130 | .0100 |

| VOLUME (in billion shares) | CLASS A | CLASS B |
|---|---|---|
| 2018 | | |
| First Quarter | 2.048 | 1.328 |
| 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 |
| 2016 | | |
| First Quarter | 0.631 | 0.082 |
| Second Quarter | 1.367 | 0.177 |
| Third Quarter | 2.535 | 0.135 |
| Fourth Quarter | 1.569 | 0.326 |

The Company has not declared any cash or stock dividends in the last two (2) years (2017 and 2016).

## CORPORATE GOVERNANCE

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

Additional Information as of April 30, 2018 are as follows:

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

| | CLASS A High | CLASS A Low | CLASS B High | CLASS B Low |
|---|---|---|---|---|
| Stock price (in pesos) | 0.014 | 0.011 | 0.014 | 0.012 |
| Volume (Main Board, in shares) | 4,993,300,000 | | 1,917,500,000 | |
| Volume (Total, in shares) | 4,994,708,531 | | 1,918,297,465 | |

2. As of April 30, 2018, there are approximately **11,688** stockholders both for Class "A" and "B" shares.

The top 20 stockholders are:

| Name of Stockholders | Number of Shares Held | Percent to Total Outstanding |
|---|---|---|
| 1. PCD NOMINEE CORPORATION | 77,431,332,371 | 38.72 |
| 2. CONSOLIDATED ROBINA CAPITAL CORP. | 37,051,952,896 | 18.53 |
| 3. R. COYIUTO SECURITIES, INC. | 26,223,393,452 | 13.11 |
| 4. PRUDENTIAL GUARANTEE & ASSURANCE, INC. | 13,341,635,799 | 6.67 |
| 5. PCD NOMINEE CORPORATION (NON-FILIPINO) | 5,661,313,985 | 2.83 |
| 6. PHILIPPINE COMMERCIAL CAPITAL, INC. | 4,715,444,666 | 2.36 |
| 7. J.G. SUMMIT HOLDINGS, INC. | 1,756,248,841 | 0.88 |
| 8. F & J PRINCE HOLDINGS CORP. | 1,260,888,642 | 0.63 |
| 9. PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION | 1,129,545,907 | 0.56 |
| 10. PHIL. COMMUNICATIONS SATELLITE CORP. | 1,103,946,216 | 0.55 |
| 11. PAULINO G. PE | 935,000,000 | 0.47 |
| 12. GIBRALTAR INTERNATIONAL HOLDINGS, INC. | 832,833,547 | 0.42 |
| 13. DAVID GO SECURITIES CORP. | 698,258,201 | 0.35 |
| 14. MARGARET S. CHUA CHIACO | 663,400,000 | 0.33 |
| 15. TIONG KENG CHING | 622,512,998 | 0.31 |
| 16. VICTORIA DUCA | 611,236,533 | 0.31 |
| 17. ROBERT COYIUTO, JR. | 565,664,986 | 0.28 |
| 18. JAMES UY, INC. | 471,843,600 | 0.24 |
| 19. ERNESSON S. CHUA CHIACO | 441,600,000 | 0.22 |
| 20. GENEVIEVE S. CHUA CHIACO | 441,600,000 | 0.22 |
| | 175,959,652,640 | 87.98 |
| OTHERS | 24,040,347,360 | 12.02 |
| **TOTAL** | **200,000,000,000** | **100.00** |

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

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Current Ratio | **27.89** | 14.45 | 80.84 |
| Net Working Capital Ratio | **0.19** | 0.19 | 0.62 |
| Return on Assets | **0.31%** | 2.03% | 2.39% |
| Return on Equity | **2.51%** | 3.22% | 4.85% |
| Ratio of Debt-to-Equity | **0.03** | 0.04 | 0.03 |

*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. Ratio of debt to equity resulted from dividing total borrowings (short-term & long-term borrowings) over stockholder's equity.*

## PART II

### INFORMATION REQUIRED IN A PROXY FORM

Not Applicable.

**PART III**

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

## SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 8, 2018.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION**
**Issuer**

**May 8, 2018**
Date

ETHELWOLDO. FERNANDEZ
Corporate Secretary

# COVER SHEET

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | 0 | 0 | 5 | 8 | | | | | | |

**COMPANY NAME**

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

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

| Ethelwoldo E. Fernandez | 637-1670 |
|---|---|
| (Contact Person) | (Company Telephone Number) |

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

**Annual Report 2017**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

| 11,706 | | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-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, 2017**

2. Commission identification number **40058**

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

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

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

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

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

8. **(632) 637-1670 locals 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 ₱1.36 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 2017 and 2016**

| Area | Volume (in bbls.) | | Average Selling Price (in US$/bbl.) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Nido / Matinloc | 125,774 | 135,619 | 53.04 | 42.59 |
| Galoc | 1,408,834 | 1,728,647 | 54.97 | 43.35 |

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, 2017, the Company recorded total revenue from petroleum operations of US$7.64 million. The main source of this revenue was from Galoc operations which contributed a total of US$6.52 million. In 2016, the Company recorded petroleum revenue of US$8.67 million; US$7.72 million came from its share in the Galoc operation.

As of December 31, 2017, OPMC has fourteen (14) employees, eleven (11) 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 | 14.063 |
| 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 Registrant'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 |
|---|---|---|---|---|
| 2018 | | | | |
| First Quarter | 0.013 | 0.011 | 0.013 | 0.012 |
| 2017 | | | | |
| First Quarter | .0130 | .0100 | .0130 | .0110 |
| Second Quarter | .0120 | .0100 | .0130 | .0100 |
| Third Quarter | .0140 | .0100 | .0150 | .0100 |
| Fourth Quarter | 0.013 | 0.012 | 0.014 | 0.012 |
| 2016 | | | | |
| First Quarter | .0110 | .0090 | .0100 | .0090 |
| Second Quarter | .0110 | .0092 | .0120 | .0090 |
| Third Quarter | .0130 | .0100 | .0140 | .0100 |
| Fourth Quarter | .0120 | .0100 | .0130 | .0100 |

| VOLUME (in billion shares) | CLASS A | CLASS B |
|---|---|---|
| 2018 | | |
| First Quarter | 2.048 | 1.328 |
| 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 |
| 2016 | | |
| First Quarter | 0.631 | 0.082 |
| Second Quarter | 1.367 | 0.177 |
| Third Quarter | 2.535 | 0.135 |
| Fourth Quarter | 1.569 | 0.326 |

As of December 31, 2017, there are approximately **11,706** stockholders both for Class "A" and "B" shares.

**List of Top 20 Stockholders As of December 31, 2017**

| | Name of Stockholders | Number of Shares Held | Percent to Total Outstanding |
|---|---|---|---|
| 1. | PCD NOMINEE CORPORATION | 79,364,880,772 | 39.68 |
| 2. | CONSOLIDATED ROBINA CAPITAL CORP. | 37,051,952,896 | 18.53 |
| 3. | R. COYIUTO SECURITIES, INC. | 24,140,288,020 | 12.07 |
| 4. | PRUDENTIAL GUARANTEE & ASSURANCE, INC. | 13,341,635,799 | 6.67 |
| 5. | PCD NOMINEE CORPORATION (NON-FILIPINO) | 5,704,744,171 | 2.85 |
| 6. | PHILIPPINE COMMERCIAL CAPITAL, INC. | 4,715,444,666 | 2.36 |
| 7. | J.G. SUMMIT HOLDINGS, INC. | 1,756,248,841 | 0.88 |
| 8. | F & J PRINCE HOLDINGS CORP. | 1,260,888,642 | 0.63 |
| 9. | PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION | 1,129,545,907 | 0.56 |
| 10. | PHIL. COMMUNICATIONS SATELLITE CORP. | 1,103,946,216 | 0.55 |
| 11. | PAULINO G. PE | 935,000,000 | 0.47 |
| 12. | GIBRALTAR INTERNATIONAL HOLDINGS, INC. | 832,833,547 | 0.42 |
| 13. | DAVID GO SECURITIES CORP. | 698,258,201 | 0.35 |
| 14. | MARGARET S. CHUA CHIACO | 663,400,000 | 0.33 |
| 15. | TIONG KENG CHING | 622,512,998 | 0.31 |
| 16. | VICTORIA DUCA | 611,236,533 | 0.31 |
| 17. | ROBERT COYIUTO, JR. | 565,664,986 | 0.28 |
| 18. | JAMES UY, INC. | 471,843,600 | 0.24 |
| 19. | ERNESSON S. CHUA CHIACO | 441,600,000 | 0.22 |
| 20. | GENEVIEVE S. CHUA CHIACO | 441,600,000 | 0.22 |
| | | 175,853,525,795 | 87.93 |
| | OTHERS | 24,146,474,205 | 12.07 |
| | **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 (2017 and 2016).

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

The combined crude oil production from the Nido, Matinloc and North Matinloc Fields in 2017 totaled 125,774 barrels which was 7% lower than the fields' combined output of 135,619 barrels in 2016. On the other hand, Galoc Field's production for 2017 summed 1,408,834 barrels which was 19% lower than the total production of 1,728,647 barrels in 2016. 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***

**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 $54.97 in 2017 as compared to $43.35 in 2016 for Galoc operations while $54.59 in 2017 as compared to $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 $43.35 in 2016 as compared to $54.00 in 2015 for Galoc operations while $42.59 in 2016 as compared to $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.

**2015 vs. 2014**

At the end of 2015, the Company recorded Petroleum Revenues of US$9.91 million, 56% lower than US$22.56 million in 2014. The main cause of this significant decrease was due to lower crude oil prices.

The Company's main source of Petroleum Revenues is from its share in the Galoc operations. The price of Galoc oil went down from an average of US$101.52 per barrel in 2014 to an average of US$54.00 per barrel in 2015. This resulted to a revenue of US$8.87 million, around 57% lower than last year's revenue of US$20.58 million.

Likewise, revenue from Nido/Matinloc operations went down by around 47% from 2014 due to lower crude oil prices. In 2015, revenue reached US$1.04 million as against US$1.98 million in 2014.

Petroleum production costs reached US$6.15 million, slightly lower than US$6.30 million in 2014. These costs include among others, FPSO rentals, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.

Depletion and depreciation expense totaled US$1.13 million in 2015, a decrease of around 91% from US$12.54 million in 2014. The decrease was mainly due to increased oil reserves based on an updated third-party report.

Interest and other income (expenses)-net totaled US$2.23 million in 2015, about 58% higher than last year's US$1.41 million. The increase was mainly due to a one-time reimbursement of previously expensed research and development cost.

***Financial Position***

**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.

**2015**

The Total Assets of the Company at the end of 2015 reached US$87.04 million, 5% higher than US$83.17 million in 2014.

Cash and cash equivalents totaled US$51.01 million, higher by 17% than last year's US$43.57 million. A short-term investment of around US$4.97 million that was previously part of current assets as a separate account was reclassified as cash equivalents in relation to its less than 3-months investment term.

Accounts Receivable amounted to US$1.68 million which represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively.

Crude oil inventory at year-end totaled US$1.59 million represents the Company's share in crude oil produced but not yet delivered as of year-end.

Available-for-sale equity securities reached US$13.16 million at the end of 2015, slightly lower than last year's US$13.31 million mainly due to foreign currency translation adjustment.

Property and Equipment at the end of 2015 decreased from US$16.64 million to US$15.69 million mainly pertain to recognized depletion and depreciation for the year.

Accounts Payable and Accrued Expenses at the end of the year amounted to US$0.67 million, a slight decrease from US$0.68 million in 2014.

The causes for material changes of December 31, 2017 figures as compared to December 31, 2016 figures of the following accounts are:

| Accounts | December 31, 2017 | December 31, 2016 | Change | % | Remarks |
|---|---|---|---|---|---|
| **Financial Position** | | | | | |
| Cash and cash equivalents | $5,412,820 | $11,195,437 | ($5,782,617) | (52%) | Decrease was mainly due to reclassification of placements to short-term investments account. |
| Receivables | 1,029,764 | 1,329,305 | (299,541) | (23%) | Decrease was due to the timing of delivery of crude oil to customers. |
| Crude oil inventory | 1,462,654 | 1,206,922 | 255,732 | 21% | Increase was mainly due to hiwer crude oil volume in tank and storage in 2017 as compared to 2016. |
| Available-for-sale investments | 13,313,921 | 13,674,115 | (360,194) | (3%) | Decrease was due to decrease in share price of stocks held by the Company. |
| Held-to-maturity investments | 5,205,087 | 3,215,809 | 1,989,278 | 62% | Increase was due to additional acquisition of bonds. |
| Property and equipment | 14,751,195 | 14,581,103 | 170,092 | 1% | Increase was mainly due to the Company's share in Galoc-7 drilling costs partially offset by depletion and depreciation expenses. |
| Revenue from petroleum operations | 7,644,185 | 8,674,346 | 1,030,161 | (12%) | Despite the increase in average crude oil prices, petroleum revenue declined brought by the decrease in crude oil production volume. |
| Petroleum production costs | 5,183,177 | 4,682,386 | 500,791 | 11% | These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs and other general and administrative expenses of the consortia. |
| Depletion and depreciation | 1,516,656 | 1,246,265 | (270,391) | (22%) | Decrease was 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 | 2,320,078 | 2,222,680 | 97,398 | 5% | These income were derived mainly from the Company's investment in preferred shares, bonds, and short-term and long-term deposits. |

***Key Performance Indicators***

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Current Ratio | **27.89** | 14.45 | 80.84 |
| Net Working Capital Ratio | **0.19** | 0.19 | 0.62 |
| Return on Assets | **0.31%** | 2.03% | 2.39% |
| Return on Equity | **2.51%** | 3.22% | 4.85% |
| Ratio of Debt-to-Equity | **0.03** | 0.04 | 0.03 |

*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.

**Item 9. Independent Public Accountant and Audit Related Fees**

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.

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$18,200 for the last two (2) fiscal years, 2017 and 2016, 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 10. Directors and Executive Officers of the Registrant

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

**Directors**

| ***Directors*** | ***Names*** | ***Age*** | ***Citizenship*** |
|---|---|---|---|
| Director, Chairman and Chief Executive Officer | James L. Go | 78 | Filipino |
| Director, President and Chief Operating Officer | Robert Coyiuto, Jr. | 66 | Filipino |
| Director | John Gokongwei, Jr. | 91 | Filipino |
| Director | Lance Y. Gokongwei | 51 | Filipino |
| Director | Antonio Go | 78 | Filipino |
| Director | Benedicto Coyiuto | 39 | Filipino |
| Director | Josephine Barcelon | 58 | Filipino |
| Director | James Coyiuto | 63 | Filipino |
| Director | Ricardo Balbido, Jr. | 67 | Filipino |
| Director, Assistant Corporate Secretary | Perry L. Pe | 56 | Filipino |

**Executive Officers**

| | | | |
|---|---|---|---|
| SVP - Operations and Administration | Apollo P. Madrid | 77 | Filipino |
| SVP - Legal and Corporate Secretary | Ethelwoldo E. Fernandez | 90 | Filipino |
| Finance Adviser | Aldrich T. Javellana | 44 | Filipino |
| CFO and Compliance Officer | Ma. Riana Infante | 37 | Filipino |
| Treasurer | Teresita H. Vasay | 63 | 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,*** 78, is the Chairman and Chief Executive of Officer of OPMC. He is likewise the Chairman and CEO of JG Summit Holdings, Inc. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation (RLC), JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., 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 Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee 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. 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.,*** 66**,** 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 Director, Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is the Director, Chairman and Chief Executive Officer of Prudential Gurantee & Assurance, Inc. He is also the Director and Chairman of PGA Sompo Insurance Corporation, PGA Cars, Inc., Hyundai North EDSA. He is Vice Chairman and Director 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 Marketing (Philippines) Inc. He is a member of the Philippine Stock Exchange, a Member of the Board of Trustees of San Beda College and the Founding Principal of Porsche Training and Recruitment Center Asia.

***John L. Gokongwei, Jr.,*** 91, is a Director of the Company. He is the founder and Chairman Emeritus of JG Summit Holdings, Inc. He is a member of the Board of Directors of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI and is Chairman Emeritus of certain of its subsidiaries. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited 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. Gokongwei received a Masters degree in

Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

***Lance Y. Gokongwei,*** 51, has been a Director of the Company since 1994. He is the President and Chief Operating Officer of JGSHI. He is the Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc. He is also the President and Chief Executive Officer of Universal Robina Corporation and Cebu Air, Inc. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Chairman of Robinsons Bank Corporation and a director of United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. 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***, 78, was elected as an Independent Director of the Company since 2007. He also currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank 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, Cebu Air Inc., Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, 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 of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

***Benedicto Coyiuto***, 39, was elected Director of the Company during the last Annual Stockholders' Meeting held on June 27, 2013. He is also a Director of PGA Cars, Inc. and PGA Automobile, Inc. He is the Assistant to the Chairman of PGA Sompo Japan Insurance, Inc. He is the son of Mr. Robert Coyiuto, Jr.

***Josephine V. Barcelon***, 58, was elected Director during the meeting of June_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***, 63, 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.***, 67, 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**,* 56, 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***, 77, has been the Senior Vice President - Operations and Administration of the Company since 1990.

***Ethelwoldo E. Fernandez***, 90, has been the Corporate Secretary of the Company since 1995. He had been Senior Vice President-Legal of the Company since 1992. He had been counsel to the Law firm of Sycip, Salazar, Hernandez and Gatmaitan until 2003. He is also the Corporate Secretary of Prudential Guarantee and Assurance, Inc.

***Aldrich T. Javellana***, 44, was appointed Finance Adviser of the Company in February 16, 2016. He is the 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***, 37, 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***, 63, 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.

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 11. 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 2018** (in '000 US$) | | |
|---|---|---|---|---|
| | | **Salary** | **Other Compensation & Bonus** | **Total** |
| a) CEO & Four (4) most highly compensated executive officers | | US$257.25 | US$- | US$257.25 |
| 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$367.91 | US$- | US$367.91 |

| 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 Infante | CFO / Compliance Officer | | | |
| Teresita H. Vasay | Treasurer | | | |
| b) All officers as a group | | US$350.39 | US$- | US$350.39 |

| Name | Position | Actual Year 2016 (in '000 US$) | | |
|---|---|---|---|---|
| | | Salary | Other Compensation & Bonus | Total |
| a) CEO & Four (4) most highly compensated executive officers | | US$234.80 | US$- | US$234.80 |
| James L. Go | Chairman and CEO | | | |
| Robert Coyiuto, Jr. | President and COO | | | |
| Apollo P. Madrid | SVP - Operations & Admin. | | | |
| Aldrich T. Javellana | CFO | | | |
| Teresita H. Vasay | Treasurer | | | |
| b) All officers as a group | | US$333.84 | US$- | US$333.84 |

*Compensation of Directors*

For 2017, the Company paid a total of US$17,844 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 12. Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of December 31, 2017 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]<br>Old Makati Stock Exchange Bldg.<br>Ayala Avenue, Makati City | 79,364,880,772 | Record | Filipino | 39.68% |
| Common | Consolidated Robina Capital Corp.[b]<br>CFC Bldg., E. Rodriguez Avenue<br>Bagong Ilog, Pasig City | 37,051,952,896 | Record | Filipino | 18.53% |
| Common | R. Coyiuto Securities, Inc.[c]<br>5th Flr., Corinthian Plaza<br>Paseo de Roxas, Makati City | 24,140,288,020 | Record | Filipino | 12.07% |
| Common | Prudential Guarantee & Assurance Inc. [d]<br>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. Philip K. Rico, Samuel Coyiuto, and James Coyiuto.
  - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.

d. Prudential Guarantee & Assurance, Inc. is majority-owned by Coyiuto Brothers.
  - Mr. Robert Coyiuto, Jr. is authorized to vote.
  - Indirect ownership of Mr. Robert Coyiuto, Jr. is 1,316,729 shares and Mr. James Coyiuto is 413,012 shares.

### Security Ownership of Management as of December 31, 2017

| Class | Name of Beneficial Owner | Position | Amount and Nature of Beneficial Ownership (Direct) Class A | Class B | Total | % to Total | Citizenship |
|---|---|---|---|---|---|---|---|
| **A.** | **Named Executive Officers [1]** | | | | | | |
| Common | James L. Go* | Chairman and CEO | 1,237,200,001 | – | 1,237,200,001 | 0.6186% | Filipino |
| Common | Robert R. Coyiuto, Jr.* | Director, President and COO | 423,977,301 | 141,687,685 | 565,664,986 | 0.2828% | Filipino |
| Common | Apollo P. Madrid* | SVP for Operations /Administration | 1,711,971 | 100,795 | 1,812,766 | 0.0009% | Filipino |
| Common | Ethelwoldo E. Fernandez* | SVP for Legal / Corporate Secretary | 604,787 | – | 604,787 | 0.0003% | Filipino |
| | | *Sub-total* | 1,663,494,060 | 141,788,480 | 1,805,282,540 | 0.9026% | |
| **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** | | **1,664,324,685** | **141,788,480** | **1,806,113,165** | **0.9031%** | |

[1] Chief Executive Officer and three (3) among the four (4) most highly compensated executive officers as of December 31, 2016.
*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 13. 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 2017, 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. 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 report on SEC Form 17-C was filed during the last six months period covering this report:

Item 9: Other Matters

1. Disclosure on the Result of Annual Stockholders' Meeting as of June 29, 2017 dated June 30, 2017.

## 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 ____________ April ____ 2018.

QUEZON CITY APR 12 2018

By:

| | |
|---|---|
| **James L. Go** | **Robert Coyiuto, Jr.** |
| Chairman and Chief Executive Officer | President and Chief Operating Officer |
| **Ma. Riana C. Infante** | **Ethelwoldo E. Fernandez** |
| Chief Financial Officer | Corporate Secretary |

QUEZON CITY APR 12 2018

Subscribed and sworn to before this ____ day of April 2018, 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 | 07809719 | January 16, 2018 | Pasig City |
| Robert Coyiuto, Jr. | 24524896 | January 5, 2018 | Makati City |
| Ma. Riana C. Infante | N04-11-000349 | April 1, 2016 | LTO Quezon City |
| Ethelwoldo E. Fernandez | PP2963881 | May 10, 2017 | DFA NCR East |

Doc. No. 113
Page No. 23
Book No. 204
Series of 2018.

ATTY BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2018
PTR NO. 5520234, January 3, 2018, QUEZON CITY
IBP NO. 019073 12-20-2017 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046-(2017-2018)
TIN NO. 177-967-619-000
MCLE III-0024526 December 12, 2017
# 34 Asset's St. GSIS Village
Project 8 Quezon City

**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, 2017 and 2016, 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 | Robert Coyiuto, Jr. | Ma. Riana C. Infante |
|---|---|---|
| Chairman of the Board and Chief Executive Officer | President and Chief Operating Officer | Chief Financial Officer |

Signed this ___ day of ___ 2018

QUEZON CITY APR 12 2018

SUBSCRIBED AND SWORN to before this ___ day of April 2018 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 | 07809719 | January 16, 2018 | Pasig City |
| Robert Coyiuto, Jr. | 24524896 | January 5, 2018 | Makati City |
| Ma. Riana C. Infante | N04-11-000349 | April 1, 2016 | LTO Quezon City |

Doc. No. 112
Page No. 23
Book No. 204
Series of 2018.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2018
PTR NO. 5520234, January 3, 2018, QUEZON CITY
IBP NO. 019073 12-20-2017 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046-(2017-2018)
TIN NO. 177-967-619-000
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# 34 Asset's St. GSIS Village
Project 8 Quezon City

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

## CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Oriental Petroleum and Minerals Corporation for the period ending December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Controller of Oriental Petroleum and Minerals Corporation. Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of SyCip, Gorres, Velayo & Co. which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Jane Agnes S. Pazzibugan
Professional Identification Card No. 155298
Valid until January 21, 2019
Accreditation No. 3964
Valid until January 21, 2020

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
NOTARY PUBLIC
UNTIL December 31, 2018
PTR NO. 5520234, January 3, 2018, QUEZON CITY
IBP NO. 019073 12-20-2017 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046-(2017-2018)
TIN NO. 177-967-619-000
MCLE III-0024526 December 12, 2017
# 34 Asset's St. GSIS Village
Project 8 Quezon City

Doc. No. 179
Page No. 22
Book No. 214
Series of 2018

SUBSCRIBED AND SWORN TO BEFORE ME
this APR 12 2018 at QUEZON CITY Philippine
Affiant exhibited to me his/her valid ID No ______
Issued on ______ at ______

# 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, 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 |
|---|---|---|
| N/A | 633-7631 | N/A |
| **No. of Stockholders** | **Annual Meeting (Month / Day)** | **Fiscal Year (Month / Day)** |
| 11,706 | June 30 | 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, Ortigas Center, Pasig City**

***NOTE 1 :*** *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.*

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

## 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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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, 2017, 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, 2017 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 Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621335, January 9, 2018, Makati City

April 11, 2018

## ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**(In U.S. Dollars)**

| | December 31 | |
|---|---|---|
| | **2017** | 2016 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 6 and 20) | **$5,412,820** | $11,195,437 |
| Short-term investments (Notes 9 and 20) | **10,255,240** | 4,872,757 |
| Receivables (Notes 7 and 20) | **1,029,764** | 1,329,305 |
| Crude oil inventory (Note 8) | **1,462,654** | 1,206,922 |
| Other current assets | **11,790** | 9,846 |
| Total Current Assets | **18,172,268** | 18,614,267 |
| **Noncurrent Assets** | | |
| Available-for-sale investments (Notes 9 and 20) | **13,313,921** | 13,674,115 |
| Long-term investments (Notes 9 and 20) | **40,000,000** | 40,000,000 |
| Held-to-maturity investments (Notes 9 and 20) | **5,205,087** | 3,215,809 |
| Property and equipment (Notes 8 and 10) | **14,751,195** | 14,581,103 |
| Deferred exploration costs (Notes 8 and 11) | **662,844** | 662,844 |
| Total Noncurrent Assets | **73,933,047** | 72,133,871 |
| | **$92,105,315** | $90,748,138 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Notes 12 and 20) | **$528,508** | $624,890 |
| Income tax payable | **123,045** | 663,151 |
| Total Current Liabilities | **651,553** | 1,288,041 |
| **Noncurrent Liabilities** | | |
| Pension liability (Note 16) | **388,991** | 422,919 |
| Deferred tax liabilities - net (Note 17) | **1,574,812** | 1,623,550 |
| Total Noncurrent Liabilities | **1,963,803** | 2,046,469 |
| Total Liabilities | **2,615,356** | 3,334,510 |
| **Equity** | | |
| Capital stock (Note 13) | **82,268,978** | 82,268,978 |
| Subscriptions receivable (Note 13) | **(373,412)** | (373,417) |
| Capital in excess of par value (Note 13) | **3,650,477** | 3,650,477 |
| Retained earnings | **3,592,772** | 1,373,572 |
| Reserve for fluctuation in value of available-for-sale investments (Note 9) | **(385,693)** | (51,188) |
| Remeasurement gains on pension liability - net (Note 16) | **157,577** | 119,657 |
| Cumulative translation adjustment | **579,260** | 425,549 |
| Total Equity | **89,489,959** | 87,413,628 |
| | **$92,105,315** | $90,748,138 |

*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 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **REVENUE FROM PETROLEUM OPERATIONS** (Note 8) | **$7,644,185** | $8,674,346 | $9,908,329 |
| **PETROLEUM PRODUCTION COSTS** (Note 8) | **5,183,177** | 4,682,386 | 6,145,641 |
| **GROSS PROFIT** | **2,461,008** | 3,991,960 | 3,762,688 |
| **EXPENSES (OTHER INCOME)** | | | |
| Depletion, depreciation and amortization expenses (Notes 8 and 10) | **1,516,656** | 1,246,265 | 1,130,834 |
| General and administrative expenses (Note 14) | **650,778** | 782,546 | 518,782 |
| Foreign exchange losses - net | **12,789** | 160,337 | 81,961 |
| Interest income (Notes 6 and 9) | **(1,614,460)** | (1,354,639) | (901,814) |
| Other income (Notes 9 and 15) | **(705,618)** | (868,041) | (1,332,817) |
| | **(139,855)** | (33,532) | (503,054) |
| **INCOME BEFORE INCOME TAX** | **2,600,863** | 4,025,492 | 4,265,742 |
| **PROVISION FOR INCOME TAX** (Note 17) | | | |
| Current | **293,418** | 911,802 | 133,950 |
| Deferred | **88,245** | 348,385 | 123,647 |
| | **381,663** | 1,260,187 | 257,597 |
| **NET INCOME** | **$2,219,200** | $2,765,305 | $4,008,145 |
| **Basic/Diluted Earnings Per Share** (Note 18) | **$0.000011** | $0.000014 | $0.000020 |

*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 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **NET INCOME** | **$2,219,200** | $2,765,305 | $4,008,145 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items to be reclassified to profit or loss in subsequent periods:* | | | |
| Movements in reserve for fluctuation in value of available-for-sale investments (Note 9) | **(334,505)** | (372,842) | (195,440) |
| Changes in cumulative translation adjustment | **153,711** | 461,942 | 7,020 |
| *Item not to be reclassified to profit or loss in subsequent periods:* | | | |
| Remeasurement gains (losses) on pension liability - net of tax effect (Note 16) | **37,920** | (22,077) | (11,036) |
| | **(142,874)** | 67,023 | (199,456) |
| **TOTAL COMPREHENSIVE INCOME** | **$2,076,326** | $2,832,328 | $3,808,689 |

*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 Fluctuation in Value of Available-for-Sale Investments (Note 9) | Remeasurement Gains (Losses) on Pension Liability (Note 16) | Cumulative Translation Adjustment | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | **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** |
| | | | | 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 of December 31, 2016** | $82,268,978 | ($373,417) | $3,650,477 | $1,373,572 | ($51,188) | $119,657 | $425,549 | $87,413,628 |
| | | | | For the Year Ended December 31, 2015 | | | | |
| **Balances as at January 1, 2015** | $82,268,978 | ($373,417) | $3,650,477 | ($5,399,878) | $517,094 | $152,770 | ($43,413) | $80,772,611 |
| Net income | – | – | – | 4,008,145 | – | – | – | 4,008,145 |
| Other comprehensive income (loss) | – | – | – | – | (195,440) | (11,036) | 7,020 | (199,456) |
| Total comprehensive income (loss) | – | – | – | 4,008,145 | (195,440) | (11,036) | 7,020 | 3,808,689 |
| **Balances as at December 31, 2015** | $82,268,978 | ($373,417) | $3,650,477 | ($1,391,733) | $321,654 | $141,734 | ($36,393) | $84,581,300 |

*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 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **$2,600,863** | $4,025,492 | $4,265,742 |
| Adjustments for: | | | |
| Depletion, depreciation and amortization expenses | **1,516,656** | 1,246,265 | 1,130,834 |
| Unrealized foreign exchange losses - net | **178,522** | 160,301 | 81,961 |
| Gain on sale of available-for-sale investments | **(2,094)** | – | – |
| Movement in pension liability (Note 16) | **(112,705)** | 299,120 | 9,633 |
| Dividend income (Note 15) | **(703,524)** | (868,041) | (787,232) |
| Interest income (Notes 6 and 9) | **(1,614,460)** | (1,354,639) | (901,814) |
| hbOperating income before working capital changes | **1,863,258** | 3,508,498 | 3,799,124 |
| Changes in operating assets and liabilities | | | |
| Decrease (increase) in: | | | |
| Receivables | **260,957** | 711,281 | 567,396 |
| Crude oil inventory | **(255,732)** | 387,873 | 210,935 |
| Other current assets | **(1,944)** | (376) | (200) |
| Decrease in accounts and other payables | **(96,382)** | (21,464) | (8,332) |
| Cash flows generated from operations | **1,770,157** | 4,585,812 | 4,568,923 |
| Income tax paid | **(833,523)** | – | (182,450) |
| Net cash flows provided by operating activities | **936,634** | 4,585,812 | 4,386,473 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | **1,633,098** | 1,024,368 | 921,829 |
| Dividends received | **723,470** | 728,269 | 787,232 |
| Proceeds from sale of available-for-sale investments | **27,783** | – | – |
| Decrease (increase) in short-term investments | **(5,382,483)** | (4,872,757) | 4,965,913 |
| Acquisitions of/additions to: | | | |
| Held-to-maturity investments (Note 9) | **(2,010,374)** | (213,746) | (3,280,696) |
| Property and equipment (Notes 8 and 10) | **(1,686,748)** | (141,050) | (178,058) |
| Long-term investment (Note 9) | – | (40,000,000) | – |
| Available-for-sale investments (Note 9) | – | (890,564) | (40,713) |
| Deferred exploration costs (Notes 8 and 11) | – | (609) | (62,934) |
| Net cash flows provided by (used in) investing activities | **(6,695,254)** | (44,366,089) | 3,112,573 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Receipt of subscription receivable | **5** | – | – |
| **EFFECTS OF CUMULATIVE TRANSLATION ADJUSTMENT** | – | 6,462 | 7,020 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(24,002)** | (36,287) | (66,823) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(5,782,617)** | (39,810,102) | 7,439,243 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **11,195,437** | 51,005,539 | 43,566,296 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **$5,412,820** | $11,195,437 | $51,005,539 |

*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 with corporate life of 50 years.

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. (JGHSI).

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, 2017 and 2016, the Parent Company and its subsidiary, Linapacan Oil Gas and Power Corporation (LOGPOCOR), hold a combined participating interest of 7.78505% in Galoc.

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

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

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

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

The EPT period ended on June 18, 2009.

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

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

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

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

Block C Agreement
In 2006, Block C Agreement was entered into by the consortium members (the "Galoc Block Owners") 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.

SC 14C2 - West Linapacan
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 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 the year.

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.

Participating Interests
As at December 31, 2017 and 2016, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

| | *(In percentage)* |
|---|---|
| SC 14 (Northwest Palawan) | |
| Block A (Nido) | 42.940 |
| Block B (Matinloc) | 17.703 |
| Block B1 (North Matinloc) | 27.772 |
| Block C1 (Galoc) | 7.785 |
| Block C2 (West Linapacan) | 30.288 |
| Block D | 20.829 |
| SC 6 (Bonita) | 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 available-for-sale (AFS) investments that have been measured at fair value.

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.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015. The subsidiaries are all incorporated in the Philippines.

| | | **Effective Percentage of Ownership** | |
|---|---|---|---|
| **Subsidiaries** | **Principal Activity** | **2017** | 2016 |
| LOGPOCOR | Oil exploration and development | **100%** | 100% |
| OMWI | Furniture manufacturing and distribution | **100** | 100 |
| OLC | Real estate | **100** | 100 |

As at December 31, 2017 and 2016, 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 other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any gain or loss in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

3. **Changes in Accounting Policies and Disclosures**

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  Adoption of these amendments did not have any impact on the Group's consolidated financial position, performance or disclosures as the Group does not have liabilities arising from financing activities.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's consolidated financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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, 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.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group has assessed that the adoption of these amendments will not have any impact on the 2018 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 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is currently assessing the impact of this new standard on its financial statements and plans to adopt it on the required effective date.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is 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 principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of this new standard on its consolidated financial statements and plans to adopt it on the required effective date.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of available-for-sale investments, property and equipment and deferred exploration costs), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- 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.

  The amendments should be applied retrospectively, with earlier application permitted.

- 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.

- 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. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is 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.

Early application is permitted, but not before an entity applies PFRS 15. 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 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is 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.

*Deferred effectivity*

- Amendments to PFRS 10 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
*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*
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, available-for-sale (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 liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As at December 31, 2017 and 2016, the Group has no financial assets and liabilities at FVPL.

*'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.

*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 impairement. 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.

*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.

<u>Impairment of Financial Assets</u>
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

*Financial Asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

*Loans and Receivables*

Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

*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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In situations where it can be clearly demonstrated that to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

| | Years |
|---|---|
| Transportation equipment | 6 |
| Office furniture and equipment | 5-10 |

Depletion, depreciation and amortization of capitalized costs related to the contract areas under “Wells, platforms and other facilities” in commercial operations is calculated using the unit-of-production method based on estimates of proved reserves.

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

Interest in 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 the amount corresponding to shares subscribed but not fully paid.

*Retained Earnings*
Retained earnings represents cumulative balance of profits or 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 2017 and 2016 pertains to reserve for fluctuation in value of available-for-sale 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
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 fom 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.

Pension Expense

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

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

Defined benefit costs comprise the following:
- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in 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.

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.

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.

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, 2017 and 2016, 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's and LOGPOCOR's functional currency is the US Dollar while the functional currency of OMWI and OLC is Philippine Peso.

As at December 31, 2017 and 2016, the Group's cumulative translation adjustment amounted to \$0.58 million and \$0.43 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.

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

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

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The carrying value of deferred exploration costs amounted to $0.66 million as at December 31, 2017 and 2016. No provision for impairment loss was recognized in 2017, 2016 and 2015.

In 2016, the Group incurred additional $610 for the training assistance that DOE has required for the 15-year period extension of SC 6 (nil in 2017). The amounts were included in the “deferred explorations costs” (see Notes 8 and 11).

*Asset Retirement Obligation*
Plug and abandonment costs are based on estimates made by the service contract operator. These costs are not clearly provided for in the SCs. Management believes that there are no legal and constructive obligations for plug and abandonment costs. As at December 31, 2017 and 2016, the Group has not recognized any asset retirement obligation.

<u>Estimates and Assumptions</u>
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).

*Impairment of Financial Assets Carried at Amortized Cost*
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 at December 31, 2017 and 2016, the total carrying value of the Group's receivables amounted to $1.03 million and $1.33 million, respectively, (see Note 7) while the HTM investment amounted to $5.21 million and $3.22 million, respectively, as at December 31, 2017 and 2016 (see Note 9). No allowance for impairment was provided in 2017 and 2016.

*Impairment of AFS Investments Measured at Fair Value*
An impairment loss arises with respect of AFS investments when there is objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group 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, $0.37 million and $0.20 million was recognized in 2017, 2016 and 2015, respectively. No impairment loss was recognized in 2017, 2016 and 2015. AFS investments amounted to $13.31 million and $13.67 million as of December 31, 2017 and 2016, respectively (see Note 9).

*Estimation of Proven Oil Reserves*
Estimation of oil reserves requires significant judgment and assumptions by management and engineers. These estimates have a material impact on the consolidated financial statements, particulary on the depletion and impairment testing of wells, platforms and other facilities; and use of the going concern assumption.

Proven reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proven 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, 2017 and 2016, the estimated remaining proven oil reserves totaled to 3.62 million barrels and 6.28 million barrels, respectively, for Galoc oil field, and 0.32 million barrels and 0.37 million barrels for Nido oil field, respectively.

The carrying value of wells, platforms and other facilities amounted to $14.72 million and $14.55 million as of December 31, 2017 and 2016 (see Notes 8 and 10).

*Recoverability of Wells, Platforms, and Other Facilities*
In 2016, due to the continued decline in oil prices in the market, the Group performed an impairment test for wells, platforms, and other facilities. In assessing the impairment on wells, platforms, and other facilities, the Group determines the recoverable amount using the higher of fair value less costs of disposal and its value in use with the entire Group as the cash generating unit (CGU).

The value in use calculations in 2016 used cash flows projections based on financial budgets approved by the consortium, which was provided by the operator, covering a four-year period. The discount rate used was 10%. The above value in use calculation is sensitive to the discount rate and cash flows inputs.

There is no impairment loss on wells, platforms, and other facilities in 2016 as a result of the above assessments. The carrying value of well, platforms, and other facilities amounted to $14.72 million and $14.55 million as at December 31, 2017 and 2016, respectively (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 and $0.42 million and as at December 31, 2017 and 2016, 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. Management has determined based on business forecasts of succeeding years that there is not enough taxable income against which the deferred tax assets will be recognized.

As at December 31, 2017 and 2016, the Group has unrecognized deferred tax assets on deductible temporary differences amounting to $0.05 million and $0.34 million, respectively (see Note 17).

## 6. Cash and Cash Equivalents

| | **2017** | 2016 |
|---|---|---|
| Cash on hand | **$200** | $201 |
| Cash in banks | **63,519** | 63,516 |
| Cash equivalents | **5,349,101** | 11,131,720 |
| | **$5,412,820** | $11,195,437 |

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three 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 3.125% per annum in 2017 and 1.70% to 2.25% per annum in 2016.

Interest income earned from cash in banks and short-term deposits amounted to $0.25 million, $0.08 million and $0.90 million in 2017, 2016 and 2015, respectively.

There are no cash restrictions on the Group's cash balance as at December 31, 2017 and 2016.

## 7. Receivables

| | 2017 | 2016 |
|---|---|---|
| Due from operators (Note 8) | **$574,106** | $758,015 |
| Interest receivable | **292,373** | 311,011 |
| Dividend receivable | **119,826** | 139,772 |
| Trade receivables | **41,401** | 120,507 |
| Others | **2,058** | – |
| | **$1,029,764** | $1,329,305 |

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.

Trade receivables and due from operators are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at December 31, 2017 and 2016.

Dividend receivable pertains to cash dividends to be received by the Group in relation to its quoted AFS financial assets (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:

| | 2017 | 2016 |
|---|---|---|
| Current assets: | | |
| Receivables | | |
| Due from operators (Note 7) | **$574,106** | $758,015 |
| Crude oil inventory | **1,462,654** | 1,206,922 |
| | **2,036,760** | 1,964,937 |
| Noncurrent assets: | | |
| Property and equipment (Note 10) | | |
| Wells, platforms and other facilities | **88,195,602** | 86,509,598 |
| Accumulated depletion, depreciation and amortization | **(73,475,040)** | (71,964,138) |
| Deferred exploration costs (Note 11) | **662,844** | 662,844 |
| | **15,384,406** | 15,208,304 |
| | **$17,421,166** | $17,173,241 |

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Revenue from petroleum operations | **$7,644,185** | $8,674,346 | $9,908,329 |
| Cost of petroleum operations: | | | |
| Petroleum production costs | **5,183,177** | 4,682,386 | 6,145,641 |
| Depletion, depreciation and amortization expenses | **1,516,656** | 1,246,265 | 1,130,834 |
| | **6,699,833** | 5,928,651 | 7,276,475 |
| | **$944,352** | $2,745,695 | $2,631,854 |

Details of the petroleum production costs are as follow:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Floating, production, storage and offloading | **$3,412,593** | $3,082,873 | $3,457,328 |
| Freight costs | **369,232** | 333,557 | 406,727 |
| Supply vessel | **298,067** | 269,268 | 296,715 |
| General and administrative - consortium | **273,315** | 246,908 | 300,227 |
| Helicopter services | **266,066** | 240,359 | 401,237 |
| Operations management | **188,103** | 169,929 | 449,172 |
| Insurance expenses | **154,022** | 139,141 | 197,643 |
| Marketing fees and offtake costs | **81,980** | 74,059 | 154,787 |
| Repairs and maintenance | **74,282** | 67,105 | 394,984 |
| Logistics base | **26,352** | 23,806 | 31,293 |
| Others* | **39,165** | 35,381 | 55,528 |
| | **$5,183,177** | $4,682,386 | $6,145,641 |

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

## 9. Investments

Short-term Investments

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

In 2016, the Group availed of various short-term investments with various banks amounting to $4.87 million. These investments have original maturities of more than three (3) months but less than one (1) year. These investments earn interests of 1.70% and 2.25% and has matured on various dates from January 9, 2017 to December 15, 2017.

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

Long-term Investments

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

Interest income earned from long-term investments amounted to $1.10 million both in 2017 and 2016.

AFS Investments
AFS investments represent equity instruments in quoted shares carried at fair value as at the end of the reporting period.

As at December 31, 2017 and 2016, the total carrying value of the Group's AFS investments amounted to $13.31 million and $13.67 million, respectively.

Movement in the reserve for fluctuation in value of AFS investments at fair value are as follow:

| | **2017** | 2016 |
|---|---|---|
| Balances at beginning of year | **($51,188)** | $321,654 |
| Unrealized loss during the year | **(332,338)** | (372,842) |
| Reclassification to consolidated statement of income | **(2,167)** | – |
| Balances at end of year | **($385,693)** | ($51,188) |

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

| | **2017** | 2016 |
|---|---|---|
| Balances at beginning of year | **$13,674,115** | $13,082,333 |
| Additions | **–** | 890,564 |
| Transferred from unquoted shares | **–** | 74,060 |
| Disposal | **(27,856)** | – |
| Reserve for fluctuation in value of AFS investments | **(332,338)** | (372,842) |
| Balances at end of year | **$13,313,921** | $13,674,115 |

Dividend income earned and received from AFS investments amounted to $0.70 million, $0.87 million and $0.79 million in 2017, 2016 and 2015, respectively (see Note 15).

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

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

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

The carrying values of HTM Investments are as follows:

| | **2017** | 2016 |
|---|---|---|
| Balances at beginning of year | **$3,215,809** | $3,190,403 |
| Additions | **2,010,374** | 213,746 |
| Unrealized foreign exchange loss | **(21,096)** | (188,340) |
| Balances at end of year | **$5,205,087** | $3,215,809 |

Interest income earned from HTM investments amounted to $0.03 million, $0.15 million and $0.04 million in 2017, 2016 and 2015, respectively.

## 10. Property and Equipment

| | **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** |

| | 2016 | | | |
|---|---|---|---|---|
| | Wells, Platforms and Other Facilities (Notes 1 and 8) | Transportation Equipment | Office Furniture and Equipment | Total |
| **Cost** | | | | |
| Balances at beginning of year | $86,368,548 | $213,834 | $44,550 | $86,626,932 |
| Additions | 141,050 | – | – | 141,050 |
| Balances at end of year | 86,509,598 | 213,834 | 44,550 | 86,767,982 |
| **Accumulated Depletion, Depreciation and Amortization** | | | | |
| Balance at beginning of year | 70,724,928 | 183,062 | 32,624 | 70,940,614 |
| Depletion, depreciation and amortization (Note 8) | 1,239,210 | 6,777 | 278 | 1,246,265 |
| Balances at end of year | 71,964,138 | 189,839 | 32,902 | 72,186,879 |
| **Net Book Values** | $14,545,460 | $23,995 | $11,648 | $14,581,103 |

As of December 31, 2017 and 2016, 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 relates 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 intial 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 amounting to $610 by the Group.

## 12. Accounts and Other Payables

| | **2017** | 2016 |
|---|---|---|
| Accounts payable | **$406,534** | $502,791 |
| Dividends payable | **82,166** | 82,513 |
| Subscriptions payable | **28,164** | 28,283 |
| Others | **11,644** | 11,303 |
| | **$528,508** | $624,890 |

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.

## 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, 2017, total issued and subscribed capital stock of the Parent Company is 96.63% Filipino and 3.37% non-Filipino, as compared to 96.53% Filipino and 3.47% non-Filipino as at December 31, 2016.

As at December 31, 2017 and 2016, this account consists of:

| | **2017** | 2016 |
|---|---|---|
| Class A - \$0.0004 (₱0.01) par value | | |
| Authorized - 120 billion shares | | |
| Issued and outstanding - 120 billion shares | **\$49,361,387** | \$49,361,387 |
| Class B - \$0.0004 (₱0.01) par value | | |
| Authorized - 80 billion shares | | |
| Issued and outstanding - 80 billion shares | **32,907,591** | 32,907,591 |
| | **82,268,978** | 82,268,978 |
| Subscriptions receivable | **(373,412)** | (373,417) |
| Capital in excess of par value | **3,650,477** | 3,650,477 |
| | **\$85,546,043** | \$85,546,038 |

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 2017 and 2016.

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 |

## 14. General and Administrative Expenses

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Staff costs (Note 16) | **$462,339** | $709,965 | $434,007 |
| Taxes and licenses | **30,290** | 1,226 | 6,607 |
| Professional fees | **18,760** | 20,700 | 21,924 |
| Rent (Note 19) | **12,879** | 12,333 | 16,745 |
| Printing | **12,428** | 11,069 | 9,377 |
| Messengerial services | **8,447** | 4,926 | 4,070 |
| Transportation and communication | **5,733** | 5,129 | 4,515 |
| Entertainment, amusement and recreation | **3,129** | 2,644 | 2,428 |
| Utilities | **1,308** | 2,275 | 2,146 |
| Insurance | **1,217** | 808 | 418 |
| Registration and filing fees | **299** | 128 | 3,346 |
| Advertising and publication | **215** | 230 | 234 |
| Miscellaneous | **93,734** | 11,113 | 12,965 |
| | **$650,778** | $782,546 | $518,782 |

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

## 15. Other Income

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Dividend income (Note 9) | **$703,524** | $868,041 | $787,232 |
| Others | **2,094** | – | 545,585 |
| | **$705,618** | $868,041 | $1,332,817 |

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

Other income includes gain on sale of AFS investments and reimbursement of excess payment made to a third party in prior years for research and development.

## 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 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) No. 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 No. 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 February 12, 2018.

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

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Current service cost | **$30,887** | $11,268 | $6,323 |
| Past service cost | – | 283,201 | – |
| Interest cost on defined benefit obligation | **14,590** | 4,651 | 3,310 |
| Total pension expense | **$45,477** | $299,120 | $9,633 |

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:

| | **2017** | 2016 |
|---|---|---|
| Present value of defined benefit obligation | **$389,011** | $422,919 |
| Fair value of plan assets | **(20)** | – |
| | **$388,991** | $422,919 |

Changes in the present value of defined benefit obligation follow:

| | **2017** | 2016 |
|---|---|---|
| Balances at beginning of year | **$422,919** | $97,222 |
| Current service cost | **30,887** | 11,268 |
| Past service cost | – | 283,201 |
| Interest cost on defined benefit obligation | **14,590** | 4,651 |
| Foreign currency translation adjustment | **(1,727)** | (4,962) |
| Benefits paid | **(23,506)** | – |
| Remeasurement losses (gains) arising from: | | |
| Experience adjustments | **(47,361)** | 33,118 |
| Financial assumptions | **(6,838)** | (1,579) |
| Demographic assumptions | **27** | – |
| Balances at end of year | **$388,991** | $422,919 |

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

| | **2017** | 2016 |
|---|---|---|
| Rate of salary increase | **5.70%** | 5.70% |
| Discount rate | **5.78%** | 5.38% |

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) | **2017** | 2016 |
| Discount rates | +100 basis points | **($15,456)** | ($18,164) |
| | -100 basis points | **18,060** | 21,413 |
| Future salary increases | +1.00% | **20,472** | 23,940 |
| | -1.00% | **(17,973)** | (20,842) |

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 14.16 years and 15.28 years as of December 31, 2017 and 2016, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2017 and 2016:

| | **2017** | 2016 |
|---|---|---|
| Less than 1 year | **$274,785** | $296,100 |
| More than 1 year to 5 years | **11,042** | 11,334 |
| More than 5 years to 10 years | **134,886** | 25,299 |
| More than 10 years to 15 years | **34,693** | 155,966 |
| More than 15 years to 20 years | **226,739** | 320,818 |
| More than 20 years | **402,997** | 481,545 |

17. **Income Tax**

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Current | | | |
| RCIT | **$128,700** | $801,266 | $– |
| Final | **164,718** | 110,536 | 74,913 |
| MCIT | – | – | 59,037 |
| | **293,418** | 911,802 | 133,950 |
| Deferred | **88,245** | 348,385 | 123,647 |
| | **$381,663** | $1,260,187 | $257,597 |

The Group’s deferred tax liabilities represents the deferred income tax effects of the excess of book base over tax base of property and equipment amounting to $1.69 million and $1.75 million, net of recognized deferred tax asset on pension liability amounting to $0.12 million and $0.13 million as of December 31, 2017 and 2016 respectively.

As of December 31, 2017 and 2016, the Group did not recognize deferred tax assets on unrealized foreign exchange loss amounting to $0.05 million and $0.34 million, respectively, since management believes that it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.

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

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Statutory income tax rate | **30.00%** | 30.00% | 30.00% |
| Tax effects of: | | | |
| Nondeductible expense | **53.08** | 7.50 | 25.86 |
| Changes in unrecognized deferred tax assets on deductible temporary differences | **0.51** | (0.45) | (17.83) |
| Interest income subjected to final tax | **(15.12)** | (2.98) | (3.51) |

*(Forward)*

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Dividend income | **(6.97)** | (2.08) | (3.31) |
| Income exempt from tax | **(57.94)** | (10.42) | (30.34) |
| Others | **11.12** | 9.73 | 5.17 |
| Effective income tax rate | **14.67%** | 31.30% | 6.04% |

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

## 18. Basic/Diluted Earnings Per Share

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net income | **$2,219,200** | $2,765,305 | $4,008,145 |
| Divided by weighted average number of common shares outstanding | **200,000,000,000** | 200,000,000,000 | 200,000,000,000 |
| | **$0.000011** | $0.000014 | $0.000020 |

For the years ended December 31, 2017, 2016 and 2015, 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 follows:

| | 2017 | | | |
|---|---|---|---|---|
| | **Amount/ Volume** | **Outstanding Balance** | **Terms** | **Conditions** |
| **Other related parties** | | | | |
| **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** | **304,576** | – | – | – |
| **b. Rent** (Note 14) | **12,879** | – | **Noninterest-bearing payable on demand** | **Unsecured** |

| | 2016 | | | |
|---|---|---|---|---|
| | Amount/ Volume | Outstanding Balance | Terms | Conditions |
| Other related parties | | | | |
| a. Cash and cash equivalents | $1,559,314 | $1,559,314 | Interest-bearing at prevailing market rate; 1.70% to 2.25% per annum; due and demandable | No impairment |
| • Interest income | 170,666 | – | – | – |
| Short-term investment | 1,118,607 | 1,118,607 | Interest-bearing at prevailing market rate; 1.70% per annum; due and demandable | No impairment |
| • Interest income | 3,305 | – | – | – |
| b. Rent (Note 14) | 12,333 | – | 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, a subsidiary of a stockholder, covering the office space it occupies, which is renewable annually.

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

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Short-term employee benefits | **$245,000** | $234,803 | $213,628 |
| Post-employment benefits | **32,569** | 289,224 | 6,023 |
| | **$277,569** | $524,027 | $219,651 |

## 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, AFS investments, 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.

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, 2017 and 2016, all financial liabilities are expected to mature within one year. All commitments up to a year are either due within the time frame or are payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as of December 31, 2017 and 2016 consist of loans and receivables and short-term investments which are usually on demand or collectible within three to twelve months. 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, AFS investments 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:

| | **2017** | 2016 |
|---|---|---|
| Loans and receivables | | |
| Cash in banks and cash equivalents | **$5,412,620** | $11,195,236 |
| Short-term investments | **10,255,240** | 4,872,757 |
| Due from operators | **574,106** | 758,015 |
| Interest receivable | **292,373** | 311,011 |
| Dividend receivable | **119,826** | 139,772 |
| Trade receivables | **41,401** | 120,507 |
| Other receivables | **2,058** | – |
| Long-term investments | **40,000,000** | 40,000,000 |
| AFS investments | **13,313,921** | 13,674,115 |
| HTM investments | **5,205,087** | 3,215,809 |
| | **$70,216,632** | $74,287,222 |

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

The Group uses the following criteria to rate credit quality:

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

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

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

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:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **In PHP[1]** | **In USD** | In PHP[1] | In USD |
| **Financial Assets** | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | **₱14,907,759** | **$298,573** | ₱40,143,229 | $807,386 |
| Other receivables | **102,943** | **2,062** | – | – |
| Dividend receivable | **5,982,094** | **119,810** | 6,949,472 | 139,772 |
| Interest receivable | **966,811** | **19,363** | 652,995 | 13,133 |
| AFS investments | **664,760,896** | **13,313,921** | 679,876,991 | 13,674,115 |
| HTM investments | **259,890,000** | **5,205,087** | 159,890,000 | 3,215,809 |
| | **946,613,683** | **18,958,816** | 887,512,687 | 17,850,215 |
| **Other Financial Liabilities** | | | | |
| Accounts and other payables | **26,388,404** | **528,508** | 25,424,968 | 511,363 |
| Net foreign currency-denominated assets | **₱920,225,279** | **$18,430,308** | ₱862,087,719 | $17,338,852 |

[1] *The exchange rates used as of December 31, 2017 and 2016 are $0.0200 to ₱1 and $0.0201 to ₱1, respectively.*

The following table demonstrates the 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 2017 and 2016. 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 the exchange rate of US Dollar against Philippine Peso during the current year. The analysis is based on the assumption that the current year's volatility will be the same in the following year.

| | Change in PHP rate | Effect on income before income tax |
|---|---|---|
| **2017** | **+3.43%** | **($610,360)** |
| | **-3.43** | **653,518** |
| 2016 | +4.39 | (728,299) |
| | -4.39 | 795,092 |

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 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 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 |
|---|---|---|
| **2017** | **+12%** | **$1,597,671** |
| | **-12** | **(1,597,671)** |
| 2016 | +18 | 2,461,341 |
| | -18 | (2,461,341) |

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. 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, capital in excess of par value and retained earnings which amounted to $89.14 million and $86.92 million as of December 31, 2017 and 2016, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

<u>Fair Values</u>
Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, short-term investments and 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 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 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 HTM investments amounted to $5.59 million and $5.21 million, respectively, as of December 31, 2017 and $3.56 million and $3.22 million, respectively, as of December 31, 2016.

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, 2017 and 2016, the fair value of AFS investments under Level 1 hierarchy amounted to $13.31 million and $13.67 million, respectively (see Note 9).

As at December 31, 2017 and 2016, the fair value of HTM investments under Level 2 hierarchy amounted to $5.59 million and $3.56 million, respectively (see Note 9).

As at December 31, 2017 and 2016, the fair value of long-term investments under Level 2 hierarchy amounted to $40.00 million (see Note 9).

There has been no transfer from Level 1 to Level 2 or 3 categories in 2017, 2016 and 2015.

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 $92.11 million and $1.04 million, respectively, as of December 31, 2017 and $90.75 million and $1.71 million, respectively, as of December 31, 2016. Segment's revenue and net income amounted to $7.64 million and $2.23 million, respectively, in 2017, $8.67 million and $2.77 million, respectively, in 2016 and $9.91 million and $4.01 million, respectively, in 2015. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

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

22. **Approval of Financial Statements**

The accompanying consolidated financial statements were authorized for issue by the BOD on April 11, 2018.

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

**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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 11, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statement and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is 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.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621335, January 9, 2018, Makati City

April 11, 2018

# ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

**DECEMBER 31, 2017**

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, 2017:

| Name of Issuing Entity and Association of Each Issue | Number of Shares | Amount Shown in the Consolidated Statement of Financial Position | Value Based on Market Quotation at end of year | Income Received and Accrued |
|---|---|---|---|---|
| **Short-term Investments** | | | | |
| Union Bank | | $1,697,884 | $1,697,884 | $2,601 |
| Security Bank | | 8,557,356 | 8,557,356 | 12,149 |
| | | 10,255,240 | 10,255,240 | 14,750 |
| **Long-term Investments** | | | | |
| Security Bank | | 40,000,000 | 40,000,000 | 1,100,000 |
| **Available-for-sale Investments** | | | | |
| Ayala Corporation - Preferred Class "B" | 391,280 | 4,138,290 | 4,138,290 | 183,392 |
| First Gen - Series G | 1,000,000 | 2,343,609 | 2,343,609 | 154,897 |
| Ayala Corporation - Preferred Class "B2" | 200,000 | 2,107,245 | 2,107,245 | 110,877 |
| First Philippine Holdings | 200,000 | 2,031,128 | 2,031,128 | 110,022 |
| First Gen Corporation - Series F | 586,960 | 1,352,090 | 1,352,090 | 95,557 |
| Various equity quoted securities | 2,284,389 | 1,341,559 | 1,341,559 | 48,779 |
| | 4,662,629 | 13,313,921 | 13,313,921 | 703,524 |
| **Held-to-maturity Investments** | | | | |
| Aboitiz Equity Ventures | | 3,004,206 | 3,004,206 | 179,064 |
| SM Prime Holdings Bonds | | 2,002,804 | 2,002,804 | 64,657 |
| Ayala Land Fixed Rate Bonds | | 198,077 | 198,077 | 9,517 |
| | | 5,205,087 | 5,205,087 | 253,238 |
| | | $68,774,248 | $68,774,248 | $2,071,512 |

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, 2017.

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, 2017.

| | 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 | (18,204,108) | (288,192) | – | – | – | (18,492,300) | (18,492,300) |
| Oriental Land Corporation | ($8,815) | – | – | – | – | (8,815) | (8,815) |
| Oriental Mahogany Woodworks, Inc. | 92,714 | – | – | – | – | 92,714 | 92,714 |
| | ($18,120,209) | ($288,192) | $– | $– | $– | ($18,408,401) | ($18,408,401) |

Schedule D. Intangible Asset
The Group has no intangible asset as of December 31, 2017.

Schedule E. Long-term Debt
The Group has no long-term debt as of December 31, 2017.

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, 2017.

Schedule G. Guarantees of Securities of Other Issuers
The Group does not have guarantees of securities of other issuers as of December 31, 2017.

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 | – | 76,290,125,556 | 1,806,113,165 | 121,903,761,279 |

**ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS**

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interepretations] effective as of December 31, 2017:

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**<br>**Effective as of December 31, 2017** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✓ |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendments to PFRS 1: Borrowing costs | | | ✓ |
| | Amendments to PFRS 1: Meaning of 'Effective PFRSs' | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Amendments to PFRS 2 : Definition of Vesting Condition | | | ✓ |
| | Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions | **Not early adopted** | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 3 (Revised)** | Business Combinations | | | ✓ |
| | Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination | | | ✓ |
| | Amendments to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4 | **Not early adopted** | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| | Changes in the methods of disposal | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | ✓ | | |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Servicing Contracts | | | ✓ |
| | Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ |
| **PFRS 8** | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | ✓ | | |
| **PFRS 9** | Financial Instruments | **Not early adopted** | | |
| | Amendments to PFRS 9: Prepayment features with Negative Compensation | **Not early adopted** | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions | | | ✓ |
| | Amendments to PFRS 9, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | | ✓ |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| **PFRS 12** | Disclosure of Interests in Other Entities | | | ✓ |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✓ |
| | Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) | **Not early adopted** | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| | Amendments to PFRS 13: Short-term receivable and payables | | | ✓ |
| | Amendments to PFRS 13: Portfolio Exception | | | ✓ |
| **PFRS 14** | Regulatory Deferral Accounts | | | ✓ |
| **PFRS 15** | Revenue from Contracts with Customers | **Not early adopted** | | |
| **PFRS 16** | Leases | **Not early adopted** | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Clarification of the requirements for comparative information | ✓ | | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendments to PAS 1: Presentation of financial statements disclosure initiative | | | ✓ |
| **PAS 2** | Inventories | ✓ | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Period | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| | Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses | ✓ | | |
| **PAS 16** | Property, Plant and Equipment | ✓` | | |
| | Amendment to PAS 16: Classification of servicing equipment | | | ✓ |
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16 and PAS 41: Bearer Plants | | | ✓ |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| | Regional Market Issue Regarding Discount rate | | | ✓ |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendments to PAS 21: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: Key Management Personnel | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 27** | Separate Financial Statements | ✓ | | |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | | | ✓ |
| | Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions | | | ✓ |
| | Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) | **Not early adopted** | | |
| | Amendments to PAS 28, Long-term Interest in Associates and Joint Ventures | **Not early adopted** | | |
| | Amendments to PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | **Not early adopted** | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| **PAS 36** | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets | | | ✓ |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | | | ✓ |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**<br>**Effective as of December 31, 2017** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| **PAS 40** | Investment Property | | | ✓ |
| | Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40 | | | ✓ |
| | Amendments to PAS 40: Investment Property, Transfers of Investment Property | **Not early adopted** | | |
| **PAS 41** | Agriculture | | | ✓ |
| | Amendments to PAS 16 and PAS 41: Bearer Plants | | | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | ✓ | | |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | | | ✓ |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ |
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies* | | | ✓ |
| **IFRIC 8** | *Scope of PFRS 2* | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **IFRIC 21** | Levies | ✓ | | |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-21** | Income Taxes - Recovery of Revalued Non-Depreciable Assets | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓ | | |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

* *Effectivity has been deferred by the SEC and FRSC*

Standards tagged as “Not applicable” have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

## ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

| | |
|---|---|
| **Retained earnings, January 1, 2017** | $1,373,572 |
| Adjustments: | |
| Prior year adjustments | – |
| **Deficit, as adjusted, January 1, 2017** | 1,373,572 |
| | |
| **Net income based on the face of audited financial statements** | 2,219,200 |
| 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 Propertyresulting 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 | – |
| 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** | 2,219,200 |
| | |
| **Dividends declared during the period** | – |
| | |
| **Unappropriated Retained Earnings, available for dividend distribution** | $3,592,772 |

## ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## FINANCIAL SOUNDNESS INDICATORS

### FOR THE YEAR ENDED DECEMBER 31, 2017

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2017 and 2016:

| Financial ratios | | **2017** | 2016 |
|---|---|---|---|
| Current ratio | Current assets (CA) / Current liabilities (CL) | **27.89:1** | 14.45:1 |
| Net working capital ratio | CA - CL / Total assets | **0.19:1** | 0.19:1 |
| Return on assets | Operating income / Average assets | **0.31%** | 2.03% |
| Return on equity | Net income / Average equity | **2.51%** | 3.22% |
| Debt-to-equity ratio | Total liabilities / Total equity | **0.03:1** | 1.04:1 |

## ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

### FOR THE YEAR ENDED DECEMBER 31, 2017