



# ORIENTAL PETROLEUM AND MINERALS CORPORATION

29 May 2020

## SECURITIES AND EXCHANGE COMMISSION

PICC Secretariat Building  
Philippine International Convention Complex  
Roxas Boulevard, Pasay City

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**  
Director, Market and Securities Regulation Department

Re: **Definitive Information Statement**

Dear Director Felizmenio, Jr.:

This is in reference to your letter dated 21 May 2020 addressed to ORIENTAL PETROLEUM AND MINERALS CORPORATION (the "Corporation") directing the Corporation to disclose the following information required under Section 49 of the Revised Corporation Code ("RCC") in the Corporation's Definitive Information Statement:

- i. A description of the voting and vote tabulation procedures used in the previous meeting;
- ii. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;
- iii. The matters discussed and resolutions reached;
- iv. A record of the voting results for each agenda item;
- v. A list of the directors or trustees, officers and stockholders or members who attended the meeting;
- vi. Material information on the current stockholders, and their voting rights;
- vii. Appraisal and performance report for the board and the criteria and procedure for assessment; and,
- viii. Directors disclosures on self-dealing and related party transactions.

Please be advised that the Corporation has complied with the aforementioned directives, as follows:

Information Required	Page Reference in the Definitive Information Statement
i. A description of the voting and vote tabulation procedures used in the previous meeting	Please see pages 17-18 of the Definitive Information Statement under Item 15 Actions with Respect to Reports for brief descriptions of the matters required under Section 49 of the RCC.
ii. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given	

iii. The matters discussed and resolutions reached	A website link to the Minutes of the Annual Meeting of the Stockholders held on June 27, 2019 has also been provided.
iv. A record of the voting results for each agenda item	
v. A list of the directors or trustees, officers and stockholders or members who attended the meeting	
vi. Material information on the current stockholders, and their voting rights	Please see page 5 of the Definitive Information Statement under Item 2 Rights of Shareholders; Dissenters' Right of Appraisal.
vii. Appraisal and performance report for the board and the criteria and procedure for assessment	Please see page 14-15 of the Definitive Information Statement under Item 5 Directors and Executive Officers
viii. Directors disclosures on self-dealing and related party transactions	Please see page 14 of the Definitive Information Statement under Item 5 Directors and Executive Officers

In relation to your comment on the conduct of the Annual Stockholders' Meeting of the Corporation ("ASM"), we advise that the same shall be held on 25 June 2020, at 3:00 p.m., via remote communication or in absentia, as approved by the Corporation's Board of Directors, and will be conducted in compliance with the Commission's Memorandum Circular No. 6, s. 2020. Furthermore, the alternative mode for the distribution of the notice of the holding of the Corporation's ASM as allowed in the Commission's Notice dated 20 April 2020 found in [http://www.sec.gov.ph/wp-content/uploads/2020/04/2020Notice\\_re\\_ASM.pdf](http://www.sec.gov.ph/wp-content/uploads/2020/04/2020Notice_re_ASM.pdf) shall likewise be complied with.

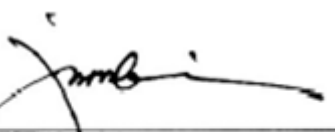
Finally, please find attached hereto the Corporation's Definitive Information Statement and Management Reports (SEC Form 17-A, Sustainability Report and SEC Form 17-Q March 31, 2020) in relation to the Annual Meeting of the Stockholders of the Corporation to be held on 25 June 2020.

Thank you very much.

Very truly yours,

**Oriental Petroleum and Minerals Corporation**

By:

  
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**Vicente O. Caoile, Jr.**  
 Corporate Secretary

# COVER SHEET

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(Company's Full Name)

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

<b>Vicente O. Caoile, Jr.</b> <b>Corporate Secretary</b> (Contact Person)
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<b>633-7631 local 278</b> (Company Telephone Number)
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## DEFINITIVE INFORMATION STATEMENT

(Secondary License Type, If Applicable)



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Amended Articles Number/Section



Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

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To be accomplished by SEC Personnel concerned

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## ORIENTAL PETROLEUM AND MINERALS CORPORATION

34<sup>th</sup> 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 **on Thursday, June 25, 2020 at 3:00 P.M. at the Board Room, 42/F Robinsons Equitable Tower ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila**, 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 27, 2019
- IV. Reports of Officers and Approval of the Annual Report
- V. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
- VI. Election of the members of the Board of Directors
- VII. Appointment of External Auditors
- VIII. Other matters
- IX. Adjournment

In light of the current conditions and in support of the measures to prevent the spread of COVID-19, there will be no physical meeting for the Annual Stockholders' Meeting. Stockholders may participate in the meeting via remote communication: click to follow link found in the soft copy of this Notice which is included in the Corporation's Information Statement and is available at <https://opmc.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings/> or <https://edge.pse.com.ph/> : [OPMC ASM 25June2020](https://edge.pse.com.ph/)

Stockholders intending to participate via remote communication must notify the Corporation by email to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph) **on or before June 18, 2020**, and provide the following information: (1) Name; (2) Email Address; (3) Contact Number; (4) Postal Address; and (5) scanned copy of any valid government-issued identification card ("ID") with photo of the stockholder.

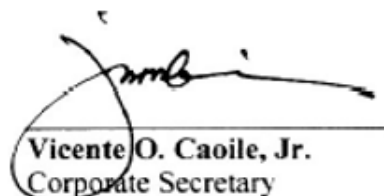
Stockholders who wish to cast their votes may do so via the method provided for voting in absentia, or by accomplishing the proxy form to be sent together with the Information Statement. The procedures for attending the meeting via remote communication and for casting votes in absentia are explained further in the Information Statement.

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.

Stockholders who wish to vote by proxy shall send the proxies via email to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph) or hard copies to The Office of the Corporate Secretary, 34F Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City 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 18, 2020**. Proxies received after the cut-off date shall not be recorded for this meeting. Validation of proxies will begin on June 18, 2020.

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 18, 2020**. Nominations for Independent Director must be received by **5:00 P.M. on June 3, 2020**. 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 3, 2020, shall be entitled to notice of, and to vote, at this meeting.

  
Vicente O. Caoile, Jr.  
Corporate Secretary



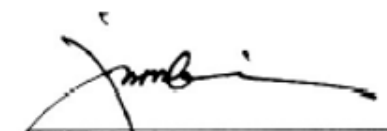
## ORIENTAL PETROLEUM AND MINERALS CORPORATION

34<sup>th</sup> 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

### Certificate

I, Vicente O. Caoile, Jr., of legal age, Filipino, with office address at the 34th Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila, hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of Oriental Petroleum and Minerals Corporation (the "Corporation") with principal office address at the 34th Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila.
2. There are no directors, independent directors or officers of the Corporation who are currently appointed in any government agency or is an employee of any government agency.

  
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**Vicente O. Caoile, Jr.**  
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**

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

1. Check the appropriate box :  
  
[ ] Preliminary Information Statement  
[ X ] Definitive Information Statement
2. Name of Registrant as specified in its charter : **ORIENTAL PETROLEUM AND MINERALS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
4. SEC Identification Number : **SEC Registration No. 40058**
5. BIR Tax Identification Code : **TIN No. 000-483-747-000**
6. Address of principal office : **34th Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila**
7. Registrant's telephone number, including area code : **(632) 633-7631 to 40**
8. Date, time and place of the meeting of security holders : **June 25, 2020  
3:00 P.M.  
Board Room, 42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila**
9. Approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through alternative mode of distribution through the Corporation's website and PSE Edge: : **June 3, 2020**

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
<b>Common Stock, P0.01 par value</b>	<b>200 Billion</b>

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.

## **A. GENERAL INFORMATION**

### **Item 1. Date, Time and Place of Meeting of Security Holders**

Date, time and place of meeting	<b>June 25, 2020 3:00 P.M. Board Room, 42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila</b>
Online Web addresses/URLs -For participation by remote communication: -For voting in absentia	In light of the current conditions and in support of the measures to prevent the spread of COVID-19, there will be no physical meeting for the Annual Stockholders' Meeting. Stockholders may participate in the meeting via remote communication: click to follow link <a href="#">OPMC ASM 25June2020</a>
Complete mailing address of principal office	<b>34th Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Metro Manila</b>
Approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through alternative mode of distribution through the Corporation's website and PSE Edge:	<b>June 3, 2020</b>

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

### **Item 2. Rights of Shareholders; Dissenters' Right of Appraisal**

The Corporation recognizes the right of all shareholders to be treated fairly and equally whether they are controlling, minority, local or foreign. The Corporation respects the rights of shareholders as provided under the Revised Corporation Code and other laws, and as stated in its Articles of Incorporation and By-laws.

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 which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Revised Corporation Code of the Philippines.

There are no matters to be taken up by the stockholders at the Annual Meeting of the stockholders to be held on June 25, 2020 that may warrant the exercise of the appraisal right.



### Item 3. 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.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

#### (a) Voting securities entitled to be voted at the meeting:

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:

<b>Class "A" -</b>	120,000,000,000
<b>Class "B" -</b>	80,000,000,000

#### (b) Record date and Election of Directors:

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 3, 2020**, and said stockholder may vote such number of shares for as many as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Eleven (11) members of the board are to be elected at the annual stockholders' meeting and there are no voting trust holders or warrants.

#### (c) Security Ownership of Certain Record and Beneficial Owners and Management

##### 1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's securities as of April 30, 2020

Title of Class	Name and Address Record/ Beneficial Owner	Amount and Nature of Ownership (Record and/or beneficial ownership)		Citizenship	% to Total
Common	PCD Nominee Corporation <sup>a</sup> Old Makati Stock Exchange Bldg. Ayala Avenue, Makati City	<u>85,788,847,992</u>	Record	Filipino	<u>42.89%</u>
Common	JG Summit Capital Services <sup>b</sup> 43rd Floor, Robinsons-PCI Bank, ADB Ave., corner Poveda Rd. Ortigas Center Pasig City	<u>37,051,952,896</u>	Record	Filipino	<u>18.53%</u>
Common	R. Coyiuto Securities, Inc. <sup>c</sup> 5th Flr., Corinthian Plaza Paseo de Roxas, Makati City	<u>26,212,760,122</u>	Record	Filipino	<u>13.11%</u>
Common	Prudential Guarantee & Assurance	13,341,635,799	Record	Filipino	6.67%

Inc.<sup>d</sup>  
119C Palanca St. Legaspi Village,  
Makati City

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. JG Summit Capital Services (formerly Consolidated Robina Capital Corporation) is a 100% subsidiary of JG Summit Holdings, Inc. (JGSHI). OPMC and JGSHI share the following common directors: Mr. James L. Go and Mr. Lance Gokongwei.
  - Any one of the following directors of the Company is authorized to vote: Messrs., James Go and Lance Gokongwei.
  - Indirect ownership of 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 Chief Operating Officer of Oriental Petroleum and Minerals Corp.
  - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Samuel Coyiuto, and James Coyiuto.
  - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.
- d. Prudential Guarantee and Assurance, Inc. is majority owned by Coyiuto brothers.
  - Mr. Robert Coyiuto, Jr. is authorized to vote.

## 2. Security Ownership of Management as of April 30, 2020

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (Direct)			% to Total	Citizenship
			Class A	Class B	Total		
A. Named Executive Officers [1]							
Common	James L. Go*	Chairman and CEO	2,481,000,001	–	2,481,000,001	1.2405%	Filipino
Common	Robert R. Coyiuto, Jr.*	Director, President and Chief Operating Officer	423,977,301	141,687,685	565,664,986	0.2828%	Filipino
Common	Apollo P. Madrid*	SVP – Operations and Administration	1,711,971	100,795	1,812,766	0.0009%	Filipino
		Sub-total	2,906,689,273	141,788,480	3,048,477,753	1.5242%	
B. Other Directors and Executive Officers							
Common	Josephine Barcelon	Director	100,000	–	100,000	0.0001%	Filipino
Common	Antonio Go	Director (Independent)	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 (Independent)	100,000	–	100,000	0.0001%	Filipino
Common	James Coyiuto	Director	1	–	1	**	Filipino
		Sub-total	723,624	–	723,624	0.0005%	
C. All directors and executive officers as a group unnamed			2,907,412,897	141,788,480	3,049,201,377	1.5247%	

## 3. Shares owned by Foreigners

As of April 30, 2020, a total of **3,400,314,596** shares or about **1.70%** of the total issued and outstanding shares are owned by foreigners.

## 4. Voting Trust Holders of 5% or More

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

## 5. Changes in Control

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

## Item 5. Directors and Executive Officers

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

### Directors

<i><b>Directors</b></i>	<i><b>Names</b></i>	<i><b>Age</b></i>	<i><b>Citizenship</b></i>
Director, Chairman and Chief Executive Officer	James L. Go	81	Filipino
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	69	Filipino
Director	Lance Y. Gokongwei	53	Filipino
Director	Antonio Go	79	Filipino
Director	Benedicto Coyiuto	41	Filipino
Director	Josephine Barcelon	60	Filipino
Director	James Coyiuto	66	Filipino
Director	Ricardo Balbido, Jr.	69	Filipino
Director, Assistant Corporate Secretary	Perry L. Pe	58	Filipino

### Executive Officers

SVP – Operations and Administration	Apollo P. Madrid	79	Filipino
Finance Adviser	Aldrich T. Javellana	46	Filipino
Chief Finance Officer	Ma. Riana Infante	40	Filipino
Treasurer	Teodora N. Santiago	53	Filipino
Corporate Secretary	Vicente O. Caoile, Jr.	47	Filipino
Assistant Corporate Secretary	Rosalinda F. Rivera	49	Filipino

### Independent Directors

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

**Robert Coyiuto, Jr.**, 69, is a Director of the Company since 1982 and had been Chairman of the Board and President from 1991 to 1993; and President & Chief Operating Officer of the Company since 1994. He is a Presidential Adviser of Capital Market Development. He is also the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is also the Chairman of Prudential Guarantee & Assurance, Inc., PGA Sampo Insurance Corporation, PGA Cars, Inc., PGA Automobile, Inc., and Hyundai North EDSA. He is the Vice Chairman of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is a director of Petrogen Insurance Corporation, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange and the Founding Principal of Porsche Training and Recruitment Center Asia.

**Lance Y. Gokongwei**, 53, has been a Director of the Company since 1994. He is the President and Chief Executive Officer of JG Summit Holdings, Inc. He is the Chairman of Robinsons Retail Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is also the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and is a Director of United Industrial Corporation Limited. He is a member of the Board of Global Reporting Initiative. He is a trustee and chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

**Antonio L. Go**, 79, was elected as an Independent Director of the Company since 2007. He is also an Independent Director of JG Summit Holdings, Inc. He currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank and ALGO Leasing and Finance Inc. He is also a Director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre Hong Kong, Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc. and Steel Asia Manufacturing Corporation. He is a Non-Executive Officer of Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

**Benedicto Coyiuto**, 41, was elected Director of the Company during the last Annual Stockholders' Meeting held on June 27, 2013. He is also a Director of Manila Polo Club. He is the Audi Philippines Head of PGA Cars, Inc. and Executive Assistant for General Affairs of PGA Sampo Japan Insurance, Inc. He is the son of Mr. Robert Coyiuto, Jr.

**Josephine V. Barcelon**, 60, was elected Director during the meeting of June 25, 2014. She is the President / Nominee of J.M. Barcelon & Co., Inc., Stockbroker, Member: Philippine Stock Exchange and CEO of the Barcelon Group of Companies.

**James Coyiuto**, 66, 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, Sampo Japan Insurance Inc.

**Ricardo Balbido, Jr.**, 69, 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. He took advance studies in business leadership & management through the Advance Bank Management Program of the Asian Institute of Management.

**Perry L. Pe**, 58, 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.

**Apollo P. Madrid**, 79, has been the Senior Vice President - Operations and Administration of the Company since 1990.

**Aldrich T. Javellana**, 46, was appointed Finance Adviser of the Company in February 16, 2016. He is Senior Vice President and Treasurer of JG Summit Holdings, Inc. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.

**Ma. Riana C. Infante**, 39, 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.

**Teodora N. Santiago**, 53, was appointed Treasurer of the Company effective September 20, 2019. She is also currently a Finance Manager under Corporate Finance of JG Summit Holdings Inc. Prior to joining JGSHI in 2005, she worked as Treasury Manager in Astoria Group and Treasury Admin Manager in Del Monte Fresh Produce Phils., Inc. She graduated from University of Santo Tomas with a degree in BS Accountancy.

**Vicente O. Caoile, Jr.**, 47, was appointed as the Corporate Secretary of the Company effective October 1, 2018. He is the Managing Partner of Adarlo Caoile & Associates Law Offices (ACALaw). He is also the Assistant Corporate Secretary of PGA Cars, Inc., PGA Automobile, Inc., Autoextreme Performance, Inc., and Automaxx Resources, Inc. He holds a Juris Doctor, second honors, from Ateneo de Manila University and Bachelor of Science in Commerce, Major in Legal Management from De La Salle University Manila.

**Rosalinda F. Rivera**, 49, was appointed as the Assistant Corporate Secretary of the Company effective October 1, 2018. She is the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., and JG Summit Petrochemical Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

## **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 include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  - 1.3. Is not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;
  - 1.4. Has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years;
2. When used in relation to a company subject to the requirements above:
  - 2.1. Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
  - 2.2. Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

### **B. QUALIFICATIONS OF INDEPENDENT DIRECTORS**

1. An independent director shall have the following qualifications:
  - 1.1. He shall have at least one (1) share of stock of the corporation;
  - 1.2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
  - 1.3. He shall be twenty-one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified Independent Directors up to the age of eighty (80);
  - 1.4. He shall have proven to possess integrity/probity; and
  - 1.5. He shall be assiduous.
2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
  - 2.1. He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

- 2.2. His beneficial security ownership exceeds 10% of the outstanding capital stock of the company where he is such director;
- 2.3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.
- 2.4. Such other disqualifications which the company's Manual on Corporate Governance provides.

#### C. NOMINATION AND ELECTION OF INDEPENDENT DIRECTOR/S

1. The Nomination Committee (Committee) conducts the nomination of Independent Directors/s prior to a stockholders' meeting.
2. The Committee solicits nominations for candidates to become Independent Director of the corporation.
  - 2.1. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
3. The Committee shall pre-screen the candidates to determine whether they are qualified per definition and listed qualifications above, General Guidelines listed in the Corporate Governance Manual, Articles of Incorporation, By Laws of the Corporation, and perceived needs of the Board of Directors and the corporation such as, but not limited to the following:
  - 3.1. Nature of the business of the corporations which he is a Director of
  - 3.2. Age of the nominee for Independent Director
  - 3.3. Number of directorships/active memberships and officerships in other corporations or organizations
4. The Committee shall prepare a list of all candidates and evaluate the candidates based on the required above-listed required qualifications to enable it to effectively review the qualifications of the nominees for Independent Director/s.
5. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with SRC Rule 17.1(b) or SRC Rule 20, respectively, or in such other reports the company is required to submit to the Commission.
  - 5.1. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
6. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.

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

1. **Ricardo Balbido, Jr.**, 69, 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** 79, 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 Corporate Governance, Audit and Board Risk Oversight Committees:**

<b>Corporate Governance Committee</b>	<b>Audit Committee</b>
James L. Go - Chairman	Antonio L. Go - Chairman, Independent Director
Robert G. Coyiuto, Jr. - Member	Benedicto T. Coyiuto - Member
Lance Y. Gokongwei - Member	Lance Y. Gokongwei - Member
James G. Coyiuto - Member	Perry L. Pe - Member
Antonio L. Go - Member, Independent Director	James G. Coyiuto - Member
Ricardo A. Balbido, Jr. - Member, Independent Director	

<b>Board Risk Oversight Committee</b>
James L. Go - Chairman
Robert G. Coyiuto, Jr - Member
Lance Y. Gokongwei - Member
Benedicto T. Coyiuto - Member
Antonio L. Go - Member, Independent Director



## 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

1. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
2. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
3. Mr. Perry L. Pe is the son-in-law of Mr. John L. Gokongwei, Jr.
4. Mr. Benedicto Coyiuto is the son of Mr. Robert Coyiuto, Jr.
5. Mr. James Coyiuto is the brother of Mr. Robert Coyiuto, Jr.

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

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

## Certain Relationships and Related Transactions

1. Related Party Transactions with Subsidiaries and Affiliates

The Corporation in the regular conduct of its business has entered into transactions with affiliates and other related parties principally consisting of 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.

2. Directors Disclosures on Self-Dealing and Related Party Transactions

No transaction, without proper disclosure, was undertaken by the Corporation in which any director, executive officer, or any nominee for election as director was involved or had a direct or indirect material interest.

Directors, officers and employees of the Corporation are required to promptly disclose any business or family-related transactions with the Corporation to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

## Appraisals and Performance Report for the Board

The attendance of the directors at the meetings of the Board of Directors held in 2019 is as follows:

<b>Directors</b>	<b>No. of Meetings Attended/Held</b>	<b>Attendance Percentage</b>
John Gokongwei Jr.*	6/8	75%
James L. Go	8/8	100%
Lance Gokongwei	8/8	100%
Perry L. Pe	8/8	100%
Robert Coyiuto, Jr.	8/8	100%

Benedicto T. Coyiuto	8/8	100%
James G. Coyiuto	8/8	100%
Josephine V. Barcelon	5/8	62.50%
Antonio L. Go	5/8	62.50%
Ricardo A. Balbido, Jr.	8/8	100%

\* Mr. John L. Gokongwei, Jr. passed away on November 9, 2019.

The Board has established committees to assist in exercising its authority in monitoring the performance of the Corporation in accordance with its Revised Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. The Corporate Governance Committee of the Corporation oversees the performance evaluation of the Board and its committees and management.

## 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 2020 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$277.25	US\$-	US\$277.25
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	CFO / Compliance Officer			
b) All officers as a group		US\$357.00	US\$-	US\$357.00

Name	Position	Actual - Year 2019 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$246.54	US\$-	US\$246.54
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	CFO / Compliance Officer			
b) All officers as a group		US\$399.10	US\$-	US\$399.10

Name	Position	Actual - Year 2018 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$246.54	US\$-	US\$246.54
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana Infante	CFO / Compliance Officer			
Teresita H. Vasay	Treasurer			
b) All officers as a group		US\$399.10	US\$-	US\$399.10

### Compensation of Directors

For 2019, the Company paid a total of US\$21,413 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 twenty (20) 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 2018 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.

## **Item 8. None**

## **PART C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Items 9 – 14. None**

## **PART D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

The following are included in the agenda of the Annual Meeting of the Stockholders for approval of the stockholders:

1. Proof of due notice of meeting and determination of quorum
2. Approval of the Minutes of the June 27, 2019 Annual Meeting
3. Reports of Officers and Approval of 2019 Annual Report
4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
5. Election of the members of the Board of Directors
6. Appointment of External Auditors

The matters approved and recorded in the Minutes of the Annual Meeting of the Stockholders last June 27, 2019 are as follows:

1. Approval of Minutes of July 4, 2018 Annual Stockholders' Meeting
2. Reports of Officers and Presentation of Annual Report
3. Ratification of all acts and resolutions of the Board of Directors and Management
4. Election of Board of Directors
5. Election of External Auditors

The annual meeting of the Stockholders was held on June 27, 2019 and was attended by shareholders, the Board of Directors, and various officers of the Corporation. The shareholders were allowed to cast their votes on each agenda item presented to them for approval. The shareholders were also given the opportunity to ask questions, express opinion, and make suggestions on various issues related to the Corporation. The Minutes of the Annual Meeting of the Stockholders held on June 27, 2019 may be viewed and/or downloaded at [https://opmc.com.ph/wp-content/uploads/OPMC-Minutes-of-the-Regular-Stockholders-Meeting\\_27June2019.pdf](https://opmc.com.ph/wp-content/uploads/OPMC-Minutes-of-the-Regular-Stockholders-Meeting_27June2019.pdf)

The results of the voting for each agenda item are as follows:

1. Proof of Notice and Determination of Quorum  
A quorum was present by the presence, in person and by proxy, of shareholders entitled to vote which represent 115,515,120,982 shares or 57.76% of the total issued and outstanding shares of the Corporation.
2. Approval of Minutes of July 4, 2018 Annual Stockholders' Meeting  
The minutes were approved by stockholders holding 115,515,120,982 shares which represent 57.76% of the total issued and outstanding shares of the Corporation. No stockholder voted against or abstained from voting on this agenda item.
3. Reports of Officers, Presentation of Annual Report and Ratification of all acts and resolutions of the Board of Directors and Management  
The report on the results of operations and financial performance of the Corporation for the year ended December 31, 2018 was noted and the audited financial statements for the same year and acts of the Board of Directors and Officers of the Corporation were approved by stockholders holding 115,515,120,982 shares which represent 57.76% of the total issued and outstanding shares of the Corporation. No stockholder voted against or abstained from voting on this agenda item.

#### 4. Election of Board of Directors

The nominees for election as members of the Board of Directors of the Corporation received the following number of votes:

Nominee	Votes in Favor		Votes Against	
	Number of shares	% to Total Outstanding Shares	Number of shares	% to Total Outstanding Shares
John Gokongwei Jr.	115,515,120,982	57.76	0	0
James L. Go	115,515,120,982	57.76	0	0
Lance Gokongwei	115,515,120,982	57.76	0	0
Perry L. Pe	115,515,120,982	57.76	0	0
Robert Coyiuto, Jr.	115,515,120,982	57.76	0	0
Benedicto T. Coyiuto	115,515,120,982	57.76	0	0
James G. Coyiuto	115,515,120,982	57.76	0	0
Josephine V. Barcelon	115,515,120,982	57.76	0	0
Antonio Go	115,515,120,982	57.76	0	0
Ricardo Balbido, Jr.	115,515,120,982	57.76	0	0

No stockholder abstained from voting on this agenda item.

#### 5. Election of External Auditors

The appointment of the auditing firm SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the current fiscal year was approved by stockholders holding 115,515,120,982 shares which represent 57.76% of the total issued and outstanding shares of the Corporation. No stockholder voted against or abstained from voting on this agenda item.

Brief description of material matters approved by the Board of Directors and Management since the last annual stockholders' meeting of June 27, 2019 for ratification by the stockholders:

Date of Board/ Management Approval	Description
November 14, 2019	Results of Organizational Meeting of Board of Directors
November 11, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
September 20, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)

**Items 16 – 18. None**

#### Item 19. Voting Procedures

##### (a) The vote required for approval or election:

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.

##### (b) The method by which votes will be counted:

In accordance with Article II, Section 6 of the By-Laws, every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him which has voting power upon the matter in questions.

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.

Sections 23 and 57 of the Revised Corporation Code provides that the Corporation may allow a stockholder to cast his vote in absentia via modes which the Corporation shall establish, taking into account the company's scale, number of shareholders or members, structure and other factors consistent with the basic right of corporate suffrage.

The Secretary shall record all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

## **Item 20. Participation of Stockholders by Remote Communication**

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication. The livestream of the meeting shall be viewable at the following web address: click to follow the link [OPMC ASM 25June2020](#)

In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or registered on the voting in absentia website who wish to participate via remote communication must notify the Corporation by email to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph) **on or before June 18, 2020**, and must provide the following information by said date: (1) Name; (2) Email Address; (3) Contact Number; (4) Postal Address; and (5) scanned copy of any valid government-issued identification card ("ID") with photo of the stockholder.

Please refer to Annex A for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes in absentia.

## **Restriction that Limits the Payments of Dividends on Common Shares**

None.

## **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.

## **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		CLASS B	
	High	Low	High	Low
2020				
First Quarter	0.012	0.008	0.013	0.008
2019				
First Quarter	0.014	0.012	0.014	0.012
Second Quarter	0.013	0.011	0.013	0.011
Third Quarter	0.013	0.011	0.013	0.011

Fourth Quarter	0.013	0.011	0.013	0.011
2018				
First Quarter	0.013	0.011	0.013	0.012
Second Quarter	0.014	0.011	0.014	0.012
Third Quarter	0.014	0.011	0.014	0.012
Fourth Quarter	0.014	0.012	0.014	0.012
VOLUME (in billion shares)		CLASS A	CLASS B	
2020				
First Quarter		1.111		5.510
2019				
First Quarter		2.709		11.051
Second Quarter		0.907		0.476
Third Quarter		1.068		8.378
Fourth Quarter		1.414		9.749
2018				
First Quarter		2.048		1.328
Second Quarter		6.738		0.714
Third Quarter		8.801		0.816
Fourth Quarter		3.072		1.215

#### *Dividends*

The Board of Directors of the Company approved on June 27, 2019 the declaration of a cash dividend in the amount of P0.0005 per share or a total of PhP 100 million (US\$ 1.94 million) from the Company's unrestricted retained earnings as of December 31, 2018 to all stockholders of record as of July 26, 2019 and payable on August 20, 2019.

The Company has not declared any cash or stock dividends in 2018.

### **CORPORATE GOVERNANCE**

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

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

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, 2019 are as follows:

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

	CLASS A		CLASS B	
	High	Low	High	Low
Stock price (in pesos)	0.0087	0.0082	0.0100	0.0083
Volume (Main Board, in shares)	241,000,000		87,800,000	
Volume (Total, in shares)	245,912,340		87,846,080	

2. As of April 30, 2020, there are approximately **11,596** stockholders both for Class "A" and "B" shares.

**List of Top 20 Stockholders As of April 30, 2020:**

	Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1.	PCD NOMINEE CORPORATION	85,788,847,992	42.89
2.	JG SUMMIT CAPITAL SERVICES CORP.	37,051,952,896	18.53
3.	R. COYIUTO SECURITIES, INC.	26,212,760,122	13.11
4.	PRUDENTIAL GUARANTEE & ASSURANCE, INC.	13,341,635,799	6.67
5.	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,365,206,496	1.18
6.	J.G. SUMMIT HOLDINGS, INC.	1,756,248,841	0.88
7.	F & J PRINCE HOLDINGS CORP.	1,260,888,642	0.63
8.	PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION	1,129,545,907	0.57
9.	PHIL. COMMUNICATIONS SATELLITE CORP.	1,103,946,216	0.55
10.	PAULINO G. PE	935,000,000	0.47
11.	GIBRALTAR INTERNATIONAL HOLDINGS, INC.	832,833,547	0.42
12.	DAVID GO SECURITIES CORP.	698,083,201	0.35
13.	MARGARET S. CHUA CHIACO	663,400,000	0.33
14.	TIONG KENG CHING	622,512,998	0.31
15.	VICTORIA DUCA	611,236,533	0.31
16.	ROBERT COYIUTO, JR.	565,664,986	0.28
17.	JAMES UY, INC.	471,843,600	0.24
18.	ERNESSON S. CHUA CHIACO	441,600,000	0.22
19.	GENEVIEVE S. CHUA CHIACO	441,600,000	0.22
20.	F. YAP SECURITIES, INC.	394,026,036	0.20
		176,688,833,812	88.36
	OTHERS	23,311,166,188	11.64
	<b>TOTAL</b>	<b>200,000,000,000</b>	<b>100.00</b>



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

	<b>2019</b>	2018	2017
Current Ratio	<b>12.81</b>	19.50	27.89
Net Working Capital Ratio	<b>0.21</b>	0.55	0.19
Return on Assets	<b>(2.68%)</b>	(1.69%)	0.31%
Return on Equity	<b>2.60%</b>	0.96%	2.51%
Ratio of Debt-to-Equity	<b>0.03</b>	0.05	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.

<b>PART III</b>
-----------------

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<sup>TH</sup> FLOOR ROBINSONS EQUITABLE TOWER, ADB AVENUE, ORTIGAS CENTER, PASIG CITY.

**SIGNATURES**

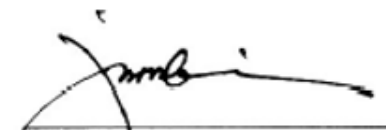
After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 29, 2020.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION**

**Issuer**

**May 29, 2020**

**Date**

  
\_\_\_\_\_  
**Vicente O. Caoile, Jr.**  
Corporate Secretary

**2020 ANNUAL STOCKHOLDERS' MEETING  
OF ORIENTAL PETROLEUM AND MINERALS CORPORATION**

**REGISTRATION AND PROCEDURE FOR VOTING *IN ABSENTIA*  
AND PARTICIPATION VIA REMOTE COMMUNICATION**

**I. VOTING *IN ABSENTIA***

Oriental Petroleum and Minerals Corporation (the "Corporation") has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as allowed under Sections 23 and 57 of the Revised Corporation Code.

1. Stockholders as of June 3, 2020 (the "Stockholder/s") may register by email to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph). Registration shall be open until June 18, 2020.
2. Upon registration, stockholders must provide the information and email the documents listed below (the file size should be no larger than 5MB):
  - a. For individual Stockholders:
    - i. Email address
    - ii. First and Last Name
    - iii. Birthdate
    - iv. Address
    - v. Mobile Number
    - vi. Phone Number
    - vii. Current photograph of the Stockholder, with the face fully visible
    - viii. Valid government-issued ID
    - ix. For Stockholders with joint accounts: A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (to be uploaded under Other Documents)
  - b. For corporate/organizational Stockholders:
    - i. Email address
    - ii. First and Last Name
    - iii. Address
    - iv. Mobile Number
    - v. Phone Number
    - vi. Current photograph of the individual authorized to cast the vote for the account (the "Authorized Voter")
    - vii. Valid government-issued ID of the Authorized Voter
    - viii. A scanned copy of the Secretary's Certificate or other valid authorization in favor of the Authorized Voter (to be uploaded under Other Documents)
3. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. Once the Stockholder has been successfully validated, a username and password shall be generated for the Stockholder, which shall be sent to the email address indicated by the Stockholder on the registration form.
4. The registered Stockholder may then proceed to log in on the voting website using the username and password provided and cast their votes. All items in the agenda

for approval shall be shown one at a time and the registered Stockholder may vote Yes, No, or Abstain. The vote is considered cast for all the registered Stockholder's shares.

5. Once voting on all the agenda items is finished, the registered Stockholder shall be shown a summary of votes cast. The Stockholder can then proceed to submit the accomplished ballot by clicking the 'Submit' button. Before submission, the website will prompt the Stockholder to confirm the submission of the ballot.
6. Voting shall be open from June 20, 2020, 12:01 a.m. to June 24, 2020, 11:59 p.m.
7. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and an independent third party will validate the results.
8. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

## **II. PARTICIPATION VIA REMOTE COMMUNICATION**

1. Stockholders may attend the meeting on June 25, 2020 at 3:00 p.m. via the following livestreaming link: click to follow the link [OPMC ASM 25June2020](#)

The livestream shall be broadcast via Microsoft Teams, which may be accessed either on the web browser or on the Microsoft Teams app. Those who wish to view the livestream may sign in using any Microsoft account or may join the stream anonymously.

2. Stockholders who have not sent their proxies or registered on the voting *in absentia* website ("Unregistered Stockholders") may still attend the meeting through the livestreaming link. In order to be counted for the determination of quorum, Unregistered Stockholders are requested to notify the Corporation by e-mail to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph) by June 18, 2020 of their intention to participate in the meeting by remote communication. For validation purposes, Unregistered Stockholders shall also provide the Corporation the following information in their notification email: (i) complete name; (ii) address; (iii) active phone number; and (iv) valid government issued ID.
3. For purposes of quorum, only the following Stockholders shall be counted as present:
  - a. Stockholders who have registered and voted on the website for voting *in absentia* before the cut off time;
  - b. Stockholders who have sent their proxies via email to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph) before the deadline;
  - c. Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication before the deadline.
4. Questions and comments on the items in the Agenda may be sent to [orientalpetroleum@opmc.com.ph](mailto:orientalpetroleum@opmc.com.ph). Questions or comments received on or before June 18, 2020 may be responded to during the meeting. Any questions not answered during the meeting shall be answered via email.

## CERTIFICATE OF INDEPENDENT DIRECTORS

I, **Antonio L. Go**, Filipino, of legal age and a resident of 51 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Oriental Petroleum and Minerals Corporation and have been its independent director since June 2012.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Equitable Computer Services, Inc.	Director and Vice Chairman	Present
Equicom Savings Bank	Chairman	Present
ALGO Leasing and Finance, Inc.	Chairman	Present
Medilink Network, Inc.	Director	Present
Maxicare Healthcare Corporation	Director	Present
Equicom Manila Holdings, Inc.	Director	Present
Equicom, Inc.	Director	Present
Equitable Development Corp.	Director	Present
United Industrial Corporation Limited (UIC)	Independent Director	Present
T32 Dental Centre Singapore	Director	Present
Dental Implant and Maxillofacial Centre Hong Kong	Director	Present
JG Summit Holdings, Inc.	Independent Director	Present
Pin-An Holdings, Inc.	Director	Present
Equicom Information Technology, Inc.	Director	Present
Cebu Air, Inc.	Independent Director	Present
Robinsons Retail Holdings, Inc.	Independent Director	Present
Steel Asia Manufacturing Corporation	Director	Present
GO KIM PAH Foundation	Trustee	Present
Equitable Foundation, Inc.	Trustee	Present
Gokongwei Brothers Foundation, Inc	Trustee	Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of Oriental Petroleum and Minerals Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable).

<b>Name of Director/Officer/ Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of any pending criminal or administrative investigation or proceeding (as the case may be):

<b>Offense Charged / Investigated</b>	<b>Tribunal or Agency Involved</b>	<b>Status</b>

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the \_\_\_\_\_ to be an Independent Director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
8. I shall inform the Corporate Secretary of Oriental Petroleum and Minerals Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 20th of May 2020.

  
**ANTONIO L. GO**  
Affiant

## CERTIFICATE OF INDEPENDENT DIRECTORS

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

1. I am a nominee for Independent Director of Oriental Petroleum and Minerals Corporation and have been its independent director since June 2012.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Picar Development Inc.	President	3 years

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of Oriental Petroleum and Minerals Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable).

<b>Name of Director/Officer/ Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of any pending criminal or administrative investigation or proceeding (as the case may be):

<b>Offense Charged / Investigated</b>	<b>Tribunal or Agency Involved</b>	<b>Status</b>

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the \_\_\_\_\_ to be an Independent Director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of Oriental Petroleum and Minerals Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 20th of May 2020.

  
**RICARDO A. BALBIDO, JR.**  
Affiant





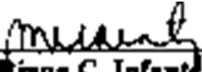
# ORIENTAL PETROLEUM AND MINERALS CORPORATION

May 19, 2020

## DECLARATION OF AUTHENTICITY

Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

I, **MA. RIANA C. INFANTE**, designated as Chief Financial Officer / Compliance Officer of **Oriental Petroleum and Minerals Corporation**, with contact number (632) 8633-7631 and office address at 34th floor Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, do hereby certify the authenticity of the attached SEC 17-A Annual Report with attached audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017. We declare our commitment to submit physical versions of the exact same submitted documents to the Securities and Exchange Commission once the state of public health emergency is lifted.

  
\_\_\_\_\_  
**Ma. Riana C. Infante**  
Authorized Representative

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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

**Vicente O. Caoile, Jr.**

(Contact Person)

**633-7631**

(Company Telephone Number)



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

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


  
 Month Day  
 (Annual Meeting)

## Annual Report 2019

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

### Total Amount of Borrowings

11,603
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Total No. of Stockholders

\_\_\_\_\_

Domestic

Page 10

Foreign

To be accomplished by SEC Personnel concerned

File Number									

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2019
2. Commission identification number 40058
3. BIR Tax Identification No. 000-483-747-000
4. **ORIENTAL PETROLEUM AND MINERALS CORPORATION**  
Exact name of issuer as specified in its charter
5. **Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: [                      ] (SEC Use Only)
7. **34th Floor, Robinsons Equitable Tower**  
**ADB Avenue, Ortigas Center Pasig City** **1600**  
Address of issuer's principal office Postal Code
8. **(632) 633-7631 locals 278 and 281**  
Issuer's telephone number, including area code
9. **Not Applicable**  
-----  
Former name, former address and formal fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA  

Title of each Class	Number of shares of common stock outstanding
Common Stock, P0.01 par value	200 Billion
11. Are any or all of the securities listed on a Stock Exchange?  

Yes [ <input checked="" type="checkbox"/> ]	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 ₱1.31 billion.

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## 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 2019 and 2018

Area	Volume (in bbls.)		Average Selling Price (in US\$/bbl.)	
	2019	2018	2019	2018
Nido / Matinloc	22,192	94,770	64.00	68.00
Galoc	737,755	1,066,075	64.48	74.21

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, 2019, the Company recorded total revenue from petroleum operations of US\$4.25 million. The main source of this revenue was from Galoc operations which contributed a total of US\$3.92 million. In 2018, the Company recorded petroleum revenue of US\$7.69 million; US\$6.52 million came from its share in the Galoc operation.

As of December 31, 2019, 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 identified is when there is a decline in volume of oil and/or in oil price. The decline in production volume is a result of natural decline in the oil reserve while the decline in oil price is due to oversupply of oil in the common market. These risks are common for the industry the Company operates in.

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 equipment 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 6 and 6B (Bonita and Cadlao)	NW Palawan	February 28, 2024	4.909
SC 14A (Nido)	NW Palawan	December 17, 2025	42.940
SC 14B (Matinloc)	NW Palawan	December 17, 2025	17.703
SC 14B1 (N. Matinloc)	NW Palawan	December 17, 2025	27.772
SC14C (West Linapacan)	NW Palawan	December 17, 2025	30.288
SC14C (Galoc)	NW Palawan	December 17, 2025	7.785
SC 14D	NW Palawan	December 17, 2025	20.829

#### Item 3. Legal Proceedings

None.

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

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



## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

#### *Market Information*

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

STOCK PRICES (in pesos)	CLASS A		CLASS B	
	High	Low	High	Low
2020				
First Quarter	0.012	0.008	0.013	0.008
2019				
First Quarter	0.014	0.012	0.014	0.012
Second Quarter	0.013	0.011	0.013	0.011
Third Quarter	0.013	0.011	0.013	0.011
Fourth Quarter	0.013	0.011	0.013	0.011
2018				
First Quarter	0.013	0.011	0.013	0.012
Second Quarter	0.014	0.011	0.014	0.012
Third Quarter	0.014	0.011	0.014	0.012
Fourth Quarter	0.014	0.012	0.014	0.012
<hr/>				
VOLUME (in billion shares)	CLASS A		CLASS B	
2020				
First Quarter		1.111		5.510
2019				
First Quarter		2.709		11.051
Second Quarter		0.907		0.476
Third Quarter		1.068		8.378
Fourth Quarter		1.414		9.749
2018				
First Quarter		2.048		1.328
Second Quarter		6.738		0.714
Third Quarter		8.801		0.816
Fourth Quarter		3.072		1.215

As of December 31, 2019, there are approximately **11,603** stockholders both for Class "A" and "B" shares.

## List of Top 20 Stockholders as of December 31, 2019

	Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1.	PCD NOMINEE CORPORATION	85,505,227,509	42.75
2.	JG SUMMIT CAPITAL SERVICES CORP.	37,051,952,896	18.53
3.	R. COYIUTO SECURITIES, INC.	26,212,760,122	13.11
4.	PRUDENTIAL GUARANTEE & ASSURANCE, INC.	13,341,635,799	6.67
5.	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,546,113,277	1.27
6.	J.G. SUMMIT HOLDINGS, INC.	1,756,248,841	0.88
7.	F & J PRINCE HOLDINGS CORP.	1,260,888,642	0.63
8.	PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION	1,129,545,907	0.57
9.	PHIL. COMMUNICATIONS SATELLITE CORP.	1,103,946,216	0.55
10.	PAULINO G. PE	935,000,000	0.47
11.	GIBRALTAR INTERNATIONAL HOLDINGS, INC.	832,833,547	0.42
12.	DAVID GO SECURITIES CORP.	698,258,201	0.35
13.	MARGARET S. CHUA CHIACO	663,400,000	0.33
14.	TIONG KENG CHING	622,512,998	0.31
15.	VICTORIA DUCA	611,236,533	0.31
16.	ROBERT COYIUTO, JR.	565,664,986	0.28
17.	JAMES UY, INC.	471,843,600	0.24
18.	ERNESSON S. CHUA CHIACO	441,600,000	0.22
19.	GENEVIEVE S. CHUA CHIACO	441,600,000	0.22
20.	F. YAP SECURITIES, INC.	394,026,036	0.20
		176,586,295,110	88.31
	OTHERS	23,413,704,890	11.69
	<b>TOTAL</b>	<b>200,000,000,000</b>	<b>100.00</b>

### *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 Board of Directors of the Company approved on June 27, 2019 the declaration of a cash dividend in the amount of PhP 0.0005 per share or a total of PhP 100 million (\$1.94 million) from the Company's unrestricted retained earnings as of December 31, 2018 to all stockholders of record as of July 26, 2019 and payable on August 20, 2019.

The Company has not declared any cash or stock dividends in 2018.

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

The combined crude oil production from the Nido and Matinloc Fields in 2019 totaled 22,192 barrels which was 77% lower than the fields' combined output of 94,770 barrels in 2018. On the other hand, Galoc Field's production for 2019 summed barrels which was 31% lower than the total production of 1,066,075 barrels in 2018. The decline in barrels of oil in Galoc operation was caused by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4 due to problems in the well's subsurface production mechanism. Production in the Nido and Matinloc fields was terminated permanently in March 2019 and seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned in May 2019. The plug and abandonment of the two remaining wells will be completed in 2020.

The Company does not expect any significant change in the number of its employees for the next twelve (12) months.

### ***Results of Operations***

#### **2019 vs. 2018**

Revenue from petroleum operations in 2019, which amounted to US\$4.25 million, decreased by 45% from US\$7.69 million in 2018. Petroleum revenue from the Galoc operations amounted to US\$3.92 million, which comprised 92% of the total revenue, in 2019 and US\$6.52 million, which comprised 85% of the total revenue, in 2018. Revenue from Nido/Matinloc operations amounted to US\$0.33 million in 2019 as compared to US\$1.17 million in 2018.

The decline in crude oil production volume and drop of average crude oil prices led to the decrease of petroleum revenue. Total crude oil production volume declined by 35% from 1.16 million barrels in 2018 to 0.76 million barrels in 2019. The decline in barrels of oil in Galoc operation was caused by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4 due to problems in the well's subsurface production mechanism. Further, production in the Nido and Matinloc fields was terminated permanently in March 2019 and seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned in May 2019.

Further, average price per barrel dropped to US\$64.48 in 2019 as compared to US\$74.21 in 2018 for Galoc operations. For Nido/Matinloc operations, average price per barrel decreased to US\$64.00 in 2019 as compared to US\$68.00 in 2018. The decline in oil price was mainly due to oversupply of oil in the world market.

Petroleum production costs in 2019, which totaled US\$4.60 million, decreased by 39% or US\$2.91 million. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia. In 2019, estimated costs to plug and abandon the remaining 2 wells in Nido oilfield amounted to \$0.82 million. In 2018, actual costs were incurred to plug and abandon wells from Libro and Tara oilfields amounting to \$0.79 million. Further, in 2018, estimated costs to plug and abandon wells from Nido, Matinloc and North Matinloc Oilfields amounted to \$2.06 million.

Despite decrease in volume of crude oil production, depletion and depreciation increased by 39% due to the recognition of unamortized / undepleted costs of plugged and abandoned wells.

Interest and other income reached US\$4.74 million in 2019, an increase of 93% from US\$2.46 million in 2018 arising from interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost, and short-term and long-term deposits and gain on reversal of long-outstanding payables.

### **2018 vs. 2017**

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

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

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

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

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

### **2017 vs. 2016**

Revenue from petroleum operations in 2017, which amounted to US\$7.64 million, dropped by US\$1.03 million or 12% from US\$8.67 million in 2016. Petroleum revenue from the Galoc operations, which comprised 85% of the total revenue, declined by US\$1.20 million or 16%. Revenue from Nido/Matinloc operations, representing the remaining 15% of the total revenue, amounted to US\$1.12 million in 2017 as compared to US\$0.95 million in 2016.

Despite the increase in average crude oil prices, petroleum revenue declined brought by the decrease in crude oil production volume. The average price per barrel increased to US\$54.97

in 2017 as compared to US\$43.35 in 2016 for Galoc operations while US\$53.04 in 2017 as compared to US\$42.59 in 2016 for Nido/Matinloc operations. However, total crude oil production volume decreased by 18% from 1.86 million barrels in 2016 to 1.53 million barrels in 2017.

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

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

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

### ***Financial Position***

#### **2019**

The Company's consolidated assets at the end of 2019, which amounted to US\$93.41 million, is 1% higher than last year's US\$92.29 million due to the following movements:

In 2019, cash and cash equivalents account amounted to US\$17.89 million, as compared to US\$10.52 million in 2018. The increase of 70% was mainly due to investment of proceeds from the maturity of current portion of long-term investment to time deposits, decreased by the acquisition of additional equity instruments at fair value through other comprehensive income and debt instruments at amortized cost.

Receivable at the end of 2019 totaled US\$0.98 million, an increase of 1% from last year's US\$0.97 million. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the year held in trust by the operator, Galoc Production Company for the SC 14C Consortium. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US\$0.67 million, a decrease of 62% from last year's US\$1.77 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 2019 as compared to 2018.

Equity instruments at fair value through other comprehensive income amounted to US\$31.08 million at the end of 2019, higher than last year's US\$11.64 million attributable to additional investments in preferred shares.

Debt instruments at amortized cost totaled US\$27.29 million at the end of 2019, higher than last year's US\$12.99 million due to additional acquisition of bonds.

Consolidated property and equipment at the end of 2019 amounted to US\$13.33 million. The decrease was mainly due to depletion and depreciation expenses.

Accounts and other payables at the end of the year amounted to US\$0.83 million, higher than last year's US\$0.50 million due to billed floating, production, storage and offloading rate charges, partially offset by reversal of long-outstanding payables.

Provision for plug and abandonment costs at the end of the year amounted to US\$0.82 million which pertains to estimated costs to plug and abandon 2 remaining wells in SC 14A Nido oilfield.

## **2018**

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

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

Receivable at the end of 2018 totaled US\$0.97 million, a decrease of 6% from last year's US\$1.03 million. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the period held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US\$1.77 million, an increase of 21% from last year's US\$1.46 million. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher crude oil volume in tank and storage in 2018 as compared to 2017.

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

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

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

Accounts and other payables at the end of the year amounted to US\$0.50 million. Income tax payable increased by US\$0.05 million from 2017 due to higher income tax liability for the year partially offset by payment of income tax.

Provision for plug and abandonment costs at the end of the year amounted to US\$2.06 million which pertains to estimated costs to plug and abandon wells in SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfields.

## **2017**

The Company's consolidated assets at the end of 2017, which amounted to US\$92.11 million, is 1% 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 Philodrigill 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.

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

Accounts	December 31, 2019	December 31, 2018	Change	%	Remarks
<b>Financial Position</b>					
Cash and cash equivalents	\$17,887,849	\$10,523,121	\$7,364,728	70%	Increase was due to investment of proceeds from the maturity of current portion of long-term investment to time deposits, decreased by the acquisition of

Accounts	December 31, 2019	December 31, 2018	Change	%	Remarks
					additional equity instruments at fair value through other comprehensive income and debt instruments at amortized cost.
Receivables	982,492	969,239	13,253	1%	This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the year held in trust by the operators.
Crude oil inventory	668,147	1,773,069	(1,104,922)	(62%)	Decrease was mainly due to lower crude oil volume in tank and storage in 2019 as compared to 2018.
Equity instrument at fair value through other comprehensive income	31,080,859	11,641,849	19,439,010	167%	Increase was due to additional investments in preferred shares during the year.
Debt instruments at amortized cost	27,291,700	12,990,099	14,301,601	110%	Increase was due to additional acquisition of bonds during the year.
Property and equipment	13,325,876	13,717,799	(391,923)	(3%)	Decrease was mainly due to depletion and depreciation expenses.
<b>Income Statement</b>					
Revenue from petroleum operations	4,248,325	7,691,545	(3,443,220)	(45%)	The decline in crude oil production volume and drop of average crude oil prices led to the decrease of petroleum revenue.
Petroleum production costs	4,603,816	7,516,862	(2,913,046)	(39%)	These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs and management and technical fees of the consortia. In 2018, the Group recognized actual and estimated costs to plug and abandon wells from Libro and Tara oilfields and wells from Nido, Matinloc and North Matinloc oilfields.
Depletion and depreciation	1,503,280	1,084,381	418,899	39%	Increase was due to recognition of undepleted costs of plugged and abandoned wells
Interest and other income	4,743,739	2,463,420	2,280,319	93%	Increase was due to interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost, and short-term and long-term deposits



Accounts	December 31, 2019	December 31, 2018	Change	%	Remarks
					and gain on reversal of long-outstanding payables.

### **Key Performance Indicators**

	2019	2018	2017
Current Ratio	<b>12.81</b>	19.50	27.89
Net Working Capital Ratio	<b>0.21</b>	0.55	0.19
Return on Assets	<b>(2.68%)</b>	(1.69%)	0.31%
Return on Equity	<b>2.60%</b>	0.96%	2.51%
Ratio of Debt-to-Equity	<b>0.03</b>	0.05	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.

## **8.1 Information on Independent Accountant**

The Company's independent public accountant is the accounting firm of Sycip Gorres Velayo & Co. The current handling partner of SGV & Co. has been engaged by the Company in 2018 and is expected to be rotated every five (5) years.

## **8.2 External Audit Fees and Services**

### **a. Audit and Audit-Related Fees**

Our external auditor, SGV & Co. has billed the Company a total audit fee of US\$18,920 for the last two (2) fiscal years, 2019 and 2018, for the audit of the Company's annual financial statements in connection with statutory and regulatory filings for the last two (2) fiscal years.

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

### **b. Tax Fees**

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

### **c. All Other Fees**

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

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

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

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

#### Directors

Directors	Name	Age	Citizenship
Director, Chairman and Chief Executive Officer	James L. Go	81	Filipino
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	69	Filipino
Director	Lance Y. Gokongwei	53	Filipino
Director	Antonio L. Go	79	Filipino
Director	Benedicto Coyiuto	41	Filipino
Director	Josephine Barcelon	60	Filipino
Director	James Coyiuto	66	Filipino
Director	Ricardo Balbido, Jr.	69	Filipino
Director, Assistant Corporate Secretary	Perry L. Pe	58	Filipino

#### Executive Officers

Position	Name	Age	Citizenship
SVP - Operations and Administration and Corporate Information Officer	Apollo P. Madrid	79	Filipino
Finance Adviser	Aldrich T. Javellana	46	Filipino
Chief Financial Officer and Compliance Officer	Ma. Riana Infante	40	Filipino
Treasurer	Teodora N. Santiago	53	Filipino
Corporate Secretary	Vicente O. Caoile, Jr.	47	Filipino
Assistant Corporate Secretary	Rosalinda F. Rivera	49	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**, 81, is the Chairman and Chief Executive Officer of OPMC. He is likewise the Chairman of JG Summit Holdings, Inc. and Cebu Air, Inc. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the PLDT Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

**Robert Coyiuto, Jr.**, 69, is a Director of the Company since 1982 and had been Chairman of the Board and President from 1991 to 1993; and President & Chief Operating Officer of the Company since 1994. He is a Presidential Adviser of Capital Market Development. He is also the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is also the Chairman of Prudential Guarantee & Assurance, Inc., PGA Sampo Insurance Corporation, PGA Cars, Inc., PGA Automobile, Inc., and Hyundai North EDSA. He is the Vice Chairman of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is a director of Petrogen Insurance Corporation, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange and the Founding Principal of Porsche Training and Recruitment Center Asia.

**Lance Y. Gokongwei**, 53, has been a Director of the Company since 1994. He is the President and Chief Executive Officer of JG Summit Holdings, Inc. He is the Chairman of Robinsons Retail Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is also the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and is a Director of United Industrial Corporation Limited. He is a member of the Board of Global Reporting Initiative. He is a trustee and chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

**Antonio L. Go**, 79, was elected as an Independent Director of the Company since 2007. He is also an Independent Director of JG Summit Holdings, Inc. He currently serves as Director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank and ALGO Leasing and Finance Inc. He is also a Director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre Hong Kong, Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc. and Steel Asia Manufacturing Corporation. He is a Non-Executive Officer of Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

**Benedicto Coyiuto**, 41, was elected Director of the Company during the last Annual Stockholders' Meeting held on June 27, 2013. He is also a Director of Manila Polo Club. He is the Audi Philippines Head of PGA Cars, Inc. and Executive Assistant for General Affairs of PGA Sompso Japan Insurance, Inc. He is the son of Mr. Robert Coyiuto, Jr.

**Josephine V. Barcelon**, 60, was elected Director during the meeting of June 25, 2014. She is the President / Nominee of J.M. Barcelon & Co., Inc., Stockbroker, Member: Philippine Stock Exchange and CEO of the Barcelon Group of Companies.

**James Coyiuto**, 66, 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, Sompso Japan Insurance Inc.

**Ricardo Balbido, Jr.**, 69, 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. He took advance studies in business leadership & management through the Advance Bank Management Program of the Asian Institute of Management.

**Perry L. Pe**, 58, 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.

**Apollo P. Madrid**, 79, has been the Senior Vice President - Operations and Administration of the Company since 1990.

**Aldrich T. Javellana**, 46, was appointed Finance Adviser of the Company in February 16, 2016. He is Senior Vice President and Treasurer of JG Summit Holdings, Inc. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.

**Ma. Riana C. Infante**, 39, 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.

**Teodora N. Santiago**, 53, was appointed Treasurer of the Company effective September 20, 2019. She is also currently a Finance Manager under Corporate Finance of JG Summit Holdings Inc. Prior to joining JGSHI in 2005, she worked as Treasury Manager in Astoria Group and Treasury Admin Manager in Del Monte Fresh Produce Phils., Inc. She graduated from University of Santo Tomas with a degree in BS Accountancy.

**Vicente O. Caoile, Jr.**, 47, was appointed as the Corporate Secretary of the Company effective October 1, 2018. He is the Managing Partner of Adarlo Caoile & Associates Law Offices (ACALaw). He is also the Assistant Corporate Secretary of PGA Cars, Inc., PGA Automobile, Inc., Autoextreme Performance, Inc., and Automaxx Resources, Inc. He holds a Juris Doctor, second honors, from Ateneo de Manila University and Bachelor of Science in Commerce, Major in Legal Management from De La Salle University Manila.

**Rosalinda F. Rivera**, 49, was appointed as the Assistant Corporate Secretary of the Company effective October 1, 2018. She is the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., and JG Summit Petrochemical Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

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

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

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

### **Significant Employees**

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

## Item 10. Executive Compensation

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

Name	Position	Projected - Year 2020 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$277.25	US\$—	US\$277.25
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	Chief Financial Officer and Compliance Officer			
b) All officers as a group		US\$357.00	US\$—	US\$357.00
Name	Position	Actual - Year 2019 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$264.05	US\$—	US\$264.05
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Apollo P. Madrid	SVP – Operations and Administration			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	Chief Financial Officer and Compliance Officer			
b) All officers as a group		US\$440.18	US\$—	US\$440.18
Name	Position	Actual Year 2018 (in '000 US\$)		
		Salary	Other Compensation & Bonus	Total
a) CEO & Four (4) most highly compensated executive officers		US\$246.54	US\$—	US\$246.54
James L. Go	Chairman and CEO			
Robert Coyiuto, Jr.	President and COO			
Aldrich T. Javellana	Finance Adviser			
Ma. Riana C. Infante	Chief Financial Officer and Compliance Officer			
Teresita H. Vasay	Treasurer			
b) All officers as a group		US\$399.10	US\$—	US\$399.10

### Compensation of Directors

For 2019, the Company paid a total of US\$21,413 to its Directors.

### *Standard Arrangements*

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

### *Other Arrangements*

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

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

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

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

## **Item 11. Security Ownership of Certain Record and Beneficial Owners**

Owners of more than 5% of the Company's securities as of December 31, 2019 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 <sup>a</sup> Old Makati Stock Exchange Bldg. Ayala Avenue, Makati City	<u>85,505,227,509</u>	Record	Filipino	<u>42.75%</u>
Common	JG Summit Capital Services Corp <sup>b</sup> 43rd Floor, Robinsons-PCI Bank, ADB Ave., corner Poveda Rd. Ortigas Center Pasig City	<u>37,051,952,896</u>	Record	Filipino	<u>18.53%</u>
Common	R. Coyiuto Securities, Inc. <sup>c</sup> 5th Flr., Corinthian Plaza Paseo de Roxas, Makati City	<u>26,212,760,122</u>	Record	Filipino	<u>13.11%</u>
Common	Prudential Guarantee & Assurance Inc. <sup>d</sup> 119C Palanca St. Legaspi Village, Makati City	<u>13,341,635,799</u>	Record	Filipino	<u>6.67%</u>

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 PCDF's participants, who hold the shares on their behalf, and their clients. PCDF 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. JG Summit Capital Services Corp (formerly Consolidated Robina Capital Corporation) is a 100% subsidiary of JG Summit Holdings, Inc. OPMC and JGSHI share the following common directors: Mr. James L. Go and Mr. Lance Gokongwei.
  - Any one of the following directors of the Company is authorized to vote: Messrs., James Go, Lance Gokongwei.
  - Indirect ownership of Mr. James Go is 2 shares and Mr. Lance Gokongwei is 3 shares.
- c. R. Coyiuto Securities, Inc. is majority-owned by Mrs. Rosie Coyiuto, wife of Mr. Robert Coyiuto, Jr. Mr. Coyiuto is the President and COO of OPMC.
  - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Samuel Coyiuto, and James Coyiuto.
  - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.
- d. Prudential Guarantee & Assurance, Inc. is majority-owned by Coyiuto Brothers.
  - Mr. Robert Coyiuto, Jr. is authorized to vote.

## Security Ownership of Management as of December 31, 2019

Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (Direct)			% to Total	Citizenship
			Class A	Class B	Total		
A. Named Executive Officers [1]							
Common	James L. Go*	Chairman and CEO	2,313,700,001	—	2,313,700,001	1.1569%	Filipino
Common	Robert R. Coyiuto, Jr.*	Director, President and Chief Operating Officer	423,977,301	141,687,685	565,664,986	0.2828%	Filipino
Common	Apollo P. Madrid*	SVP – Operations and Administration	1,711,971	100,795	1,812,766	0.0009%	Filipino
		Sub-total	2,739,389,273	141,788,480	2,881,177,753	1.4406%	
B. Other Directors and Executive Officers							
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	723,624	—	723,624	0.0005%	
C. All directors and executive officers as a group unnamed							
			2,740,112,897	141,788,480	2,881,901,377	1.4411%	

[1] Chief Executive Officer and two (2) among the four (4) most highly compensated executive officers as of December 31, 2019.

\*Company's executive officers

\*\*less than 0.0001%

## Voting Trust holders of 5% or More

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

## Changes in Control

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

## **Item 12. Certain Relationships and Related Transactions**

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

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

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

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

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

## **PART IV. CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

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

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

### **Item 14. Sustainability Report**

Please refer to the attached Sustainability Report.

**PART V. EXHIBITS AND SCHEDULES**

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

**(a) Exhibits**

None.

**(b) Reports on SEC Form 17-C**

The following is a summary of submissions of SEC Form 17-C filed during 2019:

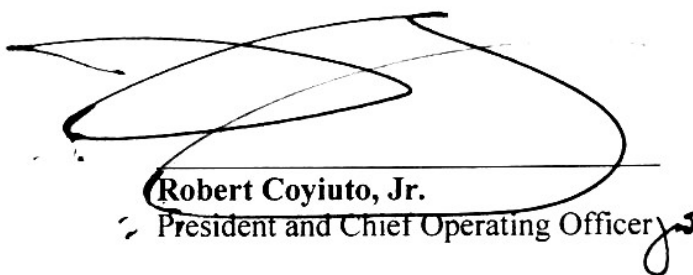
<b>Date of Report</b>	<b>Item Reported</b>
November 14, 2019	Results of Organizational Meeting of Board of Directors
November 11, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
September 20, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
June 27, 2019	Results of Annual Stockholders' Meeting
June 27, 2019	Declaration of Cash Dividends

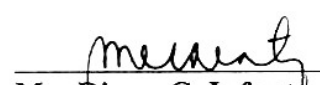
## SIGNATURES

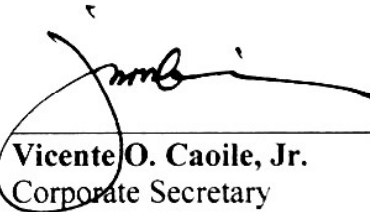
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_, 2020.

By:

  
\_\_\_\_\_  
**James L. Go**  
Chairman and Chief Executive Officer

  
\_\_\_\_\_  
**Robert Coyoito, Jr.**  
President and Chief Operating Officer

  
\_\_\_\_\_  
**Ma. Riana C. Infante**  
Chief Financial Officer

  
\_\_\_\_\_  
**Vicente O. Caoile, Jr.**  
Corporate Secretary

Subscribed and sworn to before this \_\_\_\_ day of \_\_\_\_ 2020, affiants executed to me their CTC / government issued identification cards as follows:

Name	CTC / Government ID No.	Date of Issue	Place of Issue
James L. Go	P0986521A	November 23, 2016	DFA NCR Central
Robert Coyoito, Jr.	P7236639A	May 19, 2018	DFA Manila
Ma. Riana C. Infante	P4098424A	August 20, 2017	DFA NCR East
Vicente O. Caoile, Jr.	P2148769B	May 14, 2019	DFA NCR East

Notary Public

Doc. No. \_\_\_\_  
Page No. \_\_\_\_  
Book No. \_\_\_\_  
Series of 2020.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES**  
**INDEX TO FINANCIAL STATEMENTS**

**FORM 17-A, ITEM 7**

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Consolidated Statements of Income for the Years Ended December 31, 2019, 2018, and 2017	33
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018, and 2017	34
Consolidated Statements of Changes in Stockholders' Equity December 31, 2019, 2018, and 2017	35
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# ORIENTAL PETROLEUM AND MINERALS CORPORATION

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

☎: 633-7631 to 40 Extensions 278, 281 • 📠: 395-2586

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

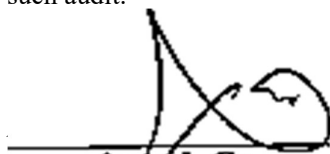
The management of **Oriental Petroleum and Minerals Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

  
**James L. Go**  
Chairman of the Board and  
Chief Executive Officer

  
**Robert Coyiuto, Jr.**  
President and  
Chief Operating Officer

  
**Ma. Riana C. Infante**  
Chief Financial Officer  
and Compliance Officer

Signed this \_\_\_\_ day of \_\_\_\_ 2020

SUBSCRIBED AND SWORN to before this \_\_\_\_ day of \_\_\_\_ 2020 affiants executed to me their respective CTC / government issued identification cards as follows:

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

Doc. No. \_\_\_\_  
Page No. \_\_\_\_  
Book No. \_\_\_\_  
Series of 2020.

**Notary Public**

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4 0 0 5 8

COMPANY NAME

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

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

3 4 t h F l o o r , R o b i n s o n s E q u i t a b l e  
T o w e r , A D B A v e n u e , c o r n e r P o  
v e d a S t r e e t , O r t i g a s C e n t e r , P  
a s i g C i t y

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If  
Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

orientalpetroleum@opmc.com.ph

Company's Telephone Number

8633-7631

Mobile Number

N/A

No. of Stockholders

11,603

Annual Meeting (Month / Day)

5/31

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ma. Riana Caratay-Infante

Email Address

Riana.Caratay@urc.com.ph

Telephone Number/s

8633-7631

Mobile Number

N/A

## CONTACT PERSON'S ADDRESS

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Oriental Petroleum and Minerals Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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





### ***Estimation of Proven Oil Reserves***

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

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

#### ***Audit response***

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

### ***Impairment Testing of Wells, Platforms and Other Facilities***

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

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

#### ***Audit response***

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



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



- 5 -

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

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

SYCIP GORRES VELAYO & CO.



Ysmael S. Acosta

Partner

CPA Certificate No. 112825

SEC Accreditation No. 1744-A (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 301-106-775

BIR Accreditation No. 08-001998-130-2018,

February 9, 2018, valid until February 8, 2021

PTR No. 8125201, January 7, 2020, Makati City

May 4, 2020



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

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

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

See accompanying Notes to Consolidated Financial Statements.



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
(In U.S. Dollars)

	Years Ended December 31		
	2019	2018	2017
<b>REVENUE FROM PETROLEUM OPERATIONS</b>			
(Note 8)	<b>\$4,248,325</b>	\$7,691,545	\$7,644,185
<b>COST OF PETROLEUM OPERATIONS</b>			
Petroleum production costs (Notes 8 and 12)	<b>4,603,816</b>	7,516,862	5,183,177
Depletion, depreciation and amortization (Notes 8 and 10)	<b>1,503,280</b>	1,084,381	1,516,656
	<b>6,107,096</b>	8,601,243	6,699,833
<b>GROSS PROFIT (LOSS)</b>	<b>(1,858,771)</b>	(909,698)	944,352
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
(Note 14)	<b>626,226</b>	648,891	650,778
<b>OTHER INCOME (CHARGES)</b>			
Interest income (Notes 6 and 9)	<b>2,366,359</b>	2,014,026	1,614,460
Foreign exchange gain (loss) - net	<b>1,027,294</b>	(237,799)	(12,789)
Other income (Notes 9 and 15)	<b>1,350,086</b>	687,193	705,618
	<b>4,743,739</b>	2,463,420	2,307,289
<b>INCOME BEFORE INCOME TAX</b>	<b>2,258,742</b>	904,831	2,600,863
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)</b>			
Current	<b>497,316</b>	559,887	293,418
Deferred	<b>(569,664)</b>	(510,343)	88,245
	<b>(72,348)</b>	49,544	381,663
<b>NET INCOME</b>	<b>\$2,331,090</b>	\$855,287	\$2,219,200
<b>Basic/Diluted Earnings Per Share (Note 18)</b>	<b>\$0.000012</b>	\$0.000004	\$0.000011

*See accompanying Notes to Consolidated Financial Statements.*



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In U.S. Dollars)

	Years Ended December 31		
	2019	2018	2017
<b>NET INCOME</b>	<b>\$2,331,090</b>	<b>\$855,287</b>	<b>\$2,219,200</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item to be reclassified to profit or loss in subsequent periods:</i>			
Changes in cumulative translation adjustment	<b>107,652</b>	15,042	153,711
Movement in reserve for fluctuation in value of available-for-sale investments (Note 9)	—	—	(334,505)
<i>Items not to be reclassified to profit or loss in subsequent     periods:</i>			
Movements in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income (Note 9)	<b>2,248,296</b>	(2,276,212)	—
Remeasurement gains (losses) on pension liability - net of tax (Note 16)	<b>(58,101)</b>	21,259	37,920
	<b>2,297,847</b>	(2,239,911)	(142,874)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$4,628,937</b>	<b>(\$1,384,624)</b>	<b>\$2,076,326</b>

*See accompanying Notes to Consolidated Financial Statements.*



# ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Retained Earnings	Reserve for Changes in Value of Equity Instruments at FVOCI (Note 9)	Reserve for Changes in Value of AFS Investments (Note 9)	Remeasurement Gains (Losses) on Pension Liability - Net (Note 16)	Cumulative Translation Adjustment	Total
For the Year Ended December 31, 2019									
Balances as at January 1, 2019	\$82,268,978	(\$373,412)	\$3,650,477	\$4,454,238	(\$2,668,084)	\$—	\$178,836	\$594,302	\$88,105,335
Net income	—	—	—	2,331,090	—	—	—	—	2,331,090
Other comprehensive income (loss)	—	—	—	—	2,248,296	—	(58,101)	107,652	2,297,847
Total comprehensive income (loss)	—	—	—	2,331,090	2,248,296	—	(58,101)	107,652	4,628,937
Collection of subscription receivable (Note 13)	—	95,668	—	—	—	—	—	—	95,668
Cash dividends (Note 13)	—	—	—	(1,941,070)	—	—	—	—	(1,941,070)
Transfer to retained earnings	—	—	—	(283,607)	283,607	—	—	—	—
Balances as at December 31, 2019	\$82,268,978	(\$277,744)	\$3,650,477	\$4,560,651	(\$136,181)	\$—	\$120,735	\$701,954	\$90,888,870
For the Year Ended December 31, 2018									
Balances as at January 1, 2018, as previously reported	\$82,268,978	(\$373,412)	\$3,650,477	\$3,592,772	\$—	(\$385,693)	\$157,577	\$579,260	\$89,489,959
Adoption of PFRS 9	—	—	—	—	(385,693)	385,693	—	—	—
Balances as at January 1, 2018, as adjusted	82,268,978	(373,412)	3,650,477	3,592,772	(385,693)	—	157,577	579,260	89,489,959
Net income	—	—	—	855,287	—	—	—	—	855,287
Other comprehensive income (loss)	—	—	—	—	(2,276,212)	—	21,259	15,042	(2,239,911)
Total comprehensive income (loss)	—	—	—	855,287	(2,276,212)	—	21,259	15,042	(1,384,624)
Transfer to retained earnings	—	—	—	6,179	(6,179)	—	—	—	—
Balances as at December 31, 2018	\$82,268,978	(\$373,412)	\$3,650,477	\$4,454,238	(\$2,668,084)	\$—	\$178,836	\$594,302	\$88,105,335
For the Year Ended December 31, 2017									
Balances as at January 1, 2017	\$82,268,978	(\$373,417)	\$3,650,477	\$1,373,572	\$—	(\$51,188)	\$119,657	\$425,549	\$87,413,628
Net income	—	—	—	2,219,200	—	—	—	—	2,219,200
Other comprehensive income (loss)	—	—	—	—	—	(334,505)	37,920	153,711	(142,874)
Total comprehensive income (loss)	—	—	—	2,219,200	—	(334,505)	37,920	153,711	2,076,326
Collection of subscription receivable	—	5	—	—	—	—	—	—	5
Balances as of December 31, 2017	\$82,268,978	(\$373,412)	\$3,650,477	\$3,592,772	\$—	(\$385,693)	\$157,577	\$579,260	\$89,489,959

See accompanying Notes to Consolidated Financial Statements.





**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. Dollars)

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	\$2,258,742	\$904,831	\$2,600,863
Adjustments for:			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	1,503,280	1,084,381	1,516,656
Plug and abandonment cost (Notes 8 and 12)	1,362,716	2,855,134	—
Movement in pension liability (Note 16)	44,214	39,801	20,224
Gain on reversal of long-outstanding payables	(250,585)	—	—
Unrealized foreign exchange losses (gains) - net	(988,203)	259,448	45,593
Dividend income (Notes 9 and 15)	(1,099,501)	(687,193)	(703,524)
Interest income (Notes 6 and 9)	(2,366,359)	(2,014,026)	(1,614,460)
Gain on sale of available-for-sale investments (Notes 9 and 15)	—	—	(2,094)
Operating income before working capital changes	464,304	2,442,376	1,863,258
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	27,259	16,489	260,957
Crude oil inventory	1,104,922	(310,415)	(255,732)
Other current assets	(102)	1,452	(1,944)
Increase (decrease) in:			
Accounts and other payables	554,459	(2,886,754)	(96,382)
Provision for plug and abandonment	(2,607,553)	2,061,848	—
Cash flows generated from (used for) operations	(456,711)	1,324,996	1,770,157
Income tax paid	(669,992)	(502,565)	(833,523)
Net cash flows provided by (used in) operating activities	(1,126,703)	822,431	936,634
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of long-term investments	40,000,000	—	—
Interest received	2,498,004	2,006,651	1,633,098
Proceeds from redemption/sale of:			
Equity instruments at fair value through other comprehensive income	1,940,740	1,099,731	—
Available-for-sale investments	—	—	27,783
Dividends received	923,917	738,604	723,470
Proceeds from (acquisition of) short-term investments	(1,501,897)	10,255,240	(5,382,483)
Acquisitions of/additions to:			
Property and equipment (Notes 8 and 10)	(1,111,357)	(50,985)	(1,686,748)
Debt instruments at amortized cost (Note 9)	(13,465,080)	(8,060,845)	—
Equity instruments at fair value through other comprehensive income (Note 9)	(19,131,454)	(1,703,871)	—
Held-to-maturity investments (Note 9)	—	—	(2,010,374)
Net cash flows provided by (used in) investing activities	10,152,873	4,284,525	(6,695,254)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of subscription receivable	95,668	—	5
Payment of cash dividends	(1,941,070)	—	—
Net cash flows provided by (used in) financing activities	(1,845,402)	—	5
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	183,960	3,345	(24,002)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,364,728	5,110,301	(5,782,617)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	10,523,121	5,412,820	11,195,437
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	\$17,887,849	\$10,523,121	\$5,412,820

See accompanying Notes to Consolidated Financial Statements.



# **ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES**

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

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### **1. Corporate Information and Status of Operations**

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

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

The Parent Company’s principal office is located at 34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. The Parent Company was listed in the Philippine Stock Exchange (PSE) on October 14, 1970.

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

#### Service Contract (SC) 14

On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972 (Presidential Decree 87 dated November 21, 1972), the Group, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Petroleum Board, now the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in offshore Northwest of Palawan Island, Philippines, which was amended from time to time. This contract area includes the Nido, Matinloc, West Linapacan and Galoc Field where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, B1, C1, C2 and D) covered by SC 14 are situated offshore Northwest of Palawan Island, Philippines. While production activities continue in Blocks A, B, B1 and C1 of SC 14, crude oil production in the West Linapacan Oilfield in Block C2 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion. The Group continually conduct technical evaluation activities of the said area and submitted a work program and budget to DOE. However, the Parent Company participates in the production of other fields, including Nido, Galoc and Matinloc. Total production from these fields is modest but enough to cover operating and overhead expenses of SC 14.

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

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



## SC 14C1 - Galoc

### Farm-in Agreement (FA)

On September 23, 2004, Team Oil (TEAM) and Cape Energy (CAPE) entered into a Farm-in-Agreement (FA) with the SC 14C - Galoc Consortium members for the development of the Galoc Field. The FA was concluded in a Deed of Assignment (DA) dated August 22, 2005 where TEAM and CAPE designated Galoc Production Company (GPC) as the special purpose company to accept the assigned participating interest and to act as the operator of the Galoc production area.

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 59.845% participating interest in the area. Other significant terms and conditions of the Agreements follow:

- 1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.
- 2) That GPC will be assigned its pro-rata share of the \$68 million historical cost recovery of the Galoc block equivalent to \$33 million to be recovered pursuant to the terms of the Block C agreement below.
- 3) That GPC will reimburse the Consortium members (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:
  - a) \$1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and
  - b) \$1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

On July 1, 2009, GPC and the other Consortium members purchased additional interest in the field from Petroenergy Resources Corporation (Petroenergy) and Alcorn Gold Resources Corporation (AGRC).

As at December 31, 2019 and 2018, the Group holds participating interest of 7.78505% in Galoc.

### Joint Operating Agreement (JOA)

On September 12, 2006, the members of 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.

The items are still subsisting hence the JOA continues to be in effect.



### 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 Linapacan Oil Gas and Power Corporation (LOGPOCOR) (0.07335%).

The Block C agreement shall terminate when SC 14 terminates.

#### Lifting Agreement

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

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

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

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



#### Decommissioning Agreement (DA)

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

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

The DA shall terminate when SC 14 terminates.

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

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

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

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

#### SC 14C2 - West Linapacan

A farm-in agreement was signed in May 2008 with Pitkin Petroleum Plc. The agreement requires the farm-in party ("Farminer") to carry out, at its own cost, technical studies, drill a well or wells, and redevelop the West Linapacan-A oilfield. In return, Pitkin Petroleum Plc. will earn 75% interest out of the share of the farming-out parties ("Farmors"). Pitkin assumed the role as operator of the block. The farming-out parties/Farmors are carried free up to commercial "first oil" production.

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



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

On January 14, 2015, the West Linapacan Block Farmors informed the DOE of the termination of the Farm In Agreement due to the non-performance of work obligation by Pitkin Petroleum (hence RMA) for the rehabilitation of the West Linapacan field. In a letter dated March 12, 2015, the DOE acknowledged the termination of the FA between the Farmors and Pitkin (hence RMA) since RMA could not provide the proof of financial capability to perform the work program. The 58.29% participating interest previously assigned to Pitkin provided under the FA will be reassigned to the SC 14-C2 West Linapacan Block Farmors.

The joint venture partners developed a work program and budget for the year 2016 which was submitted to and subsequently approved by the DOE.

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

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

Management intends to assign the 28.21% interest of the Group in West Linapacan (see Note 22).

#### SC 14A, B&B-1 - Nido, Matinloc & North Matinloc

Production in the Nido and Matinloc fields was terminated permanently on March 13, 2019. Nido started oil production in 1979 while Matinloc was put in place in 1982. The final inception-to-date production figures for the two fields are: 18,917,434 bbls for Nido and 12,582,585 bbls for Matinloc. The North Matinloc Field, which was in production from 1988 to 2017 produced a total of 649,765 bbls. The total production for the three fields is 32,149,784 barrels.

The permanent plug and abandonment of the Libro-1 and Tara South-1 wells was completed in early June 2018. The two wells had been shut since 1989 and 1990, respectively. The plug and abandonment took 41.5 days to complete. In 2018, the Group incurred actual costs to plug and abandon wells from Libro-1 and Tara South-1 oilfields amounting to \$0.79 million (see Note 8).

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during the plugging operations. The plug and abandonment of these wells will be completed in 2020. In 2019 and 2018, the Group recognized plug and abandonment and stripping costs amounting to \$1.36 million and \$2.06 million, respectively. As of December 31, 2019 and 2018, outstanding balance of the provision for the plug and abandonment amounted to \$0.82 million and \$2.06 million, respectively (see Notes 8 and 12).



The Consortium conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019.

#### Participating Interests

As at December 31, 2019 and 2018, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	<i>(In percentage)</i>	
	<b>2019</b>	<b>2018</b>
SC 14 (Northwest Palawan)		
Block A (Nido)	<b>42.940</b>	42.940
Block B (Matinloc)	<b>17.703</b>	17.703
Block B1 (North Matinloc)	<b>27.772</b>	27.772
Block C1 (Galoc)	<b>7.785</b>	7.785
Block C2 (West Linapacan)	<b>30.288</b>	30.288
Block D	<b>20.829</b>	20.829
SC 6 (Bonita)	<b>4.909</b>	16.364

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, namely LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the “Group”, which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the consolidated financial statements, have been prepared on a historical cost basis, except for equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair values.

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

For consolidation purposes, the financial statements of the Subsidiaries (OMWI and OLC) whose functional currency is Philippine Peso were translated to U.S. Dollars using the prevailing rate as of the reporting date for statement of financial position accounts and the weighted average rate for the reporting period for the statement of income and statement 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 consolidated 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 (PFRSs).

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017. The subsidiaries are all incorporated in the Philippines.

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

As at December 31, 2019 and 2018, OMWI and OLC subsidiaries of the Parent Company have ceased their operations.

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

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### 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 that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from 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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group elected to use the recognition exceptions for lease contracts for which the underlying asset is of low value (low-value assets).

- 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, *Income Taxes*. It 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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatment will be accepted by the taxation authorities.

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

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

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

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



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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

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

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

These amendments had no impact on the consolidated financial statements as the Group does not have investments in associates and joint venture.

- Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.



- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*  
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

#### Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

#### *Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

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

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

These amendments will apply on future business combinations of the Group.



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

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

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

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

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

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

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

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

*Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. 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.



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#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Short-term Investments

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

##### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### Initial Recognition, Subsequent Measurement and Impairment Effective January 1, 2018

##### *Financial Assets*

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

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

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

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

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



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

*Financial assets at amortized cost*

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

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

*Financial assets at fair value through other comprehensive income (FVOCI)*

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

As of December 31, 2019 and 2018, the Group does not have debt instruments at FVOCI.

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

As of December 31, 2019 and 2018, the Group elected to classify irrevocably its quoted equity instruments under this category.

*Financial assets at fair value through profit or loss (FVPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as





effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

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

As of December 31, 2019 and 2018, the Group does not have financial assets at FVPL.

#### Impairment of financial assets

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

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

For cash and cash equivalents, short-term and long-term investments and debt instruments at amortized costs, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. To estimate the ECL for cash and cash equivalents, short-term and long-term investments and debt instruments, the Group uses the ratings published by a reputable rating agency (i.e., Moody's, Fitch, Capital Intelligence, and Standard and Poor's).



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

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

#### *Financial Liabilities*

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

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

#### *Financial liabilities at fair value through profit or loss*

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

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

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

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

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

#### *Loans and borrowings*

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

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

The Group's financial liabilities under this category includes accounts and other payables.



### Initial Recognition, Subsequent Measurement and Impairment Prior to January 1, 2018

#### *'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.

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income (recorded as finance income in the consolidated statement of income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the



previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

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

##### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### 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 consolidated 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 the expenditures have resulted in an increase in the future economic benefits expected 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 costs of property and equipment.

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



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

	Years
Transportation equipment	6
Office furniture and equipment	5-10

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

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

#### Interest in Joint Arrangements

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

#### *Joint Operations*

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

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly.

#### Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC/Geophysical Survey and Exploration Contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. The exploration costs relating to the SC/GSEC area where oil and gas in commercial quantities are discovered are subsequently capitalized as “Wells, platforms and other facilities” shown under the “Property and equipment” account in the consolidated statement of financial position upon commercial production. When the SC/GSEC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred oil exploration costs are written off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and/or development.

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the Group’s property and equipment and deferred exploration costs may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the



asset's recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate.

### Equity

#### *Capital Stock*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. When the Group issues shares in excess of par, the excess is recognized in the "Capital in excess of par value" account; any incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from it. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

#### *Subscriptions Receivable*

Subscriptions receivable represents the amount for which the shares were subscribed but not fully paid.

#### *Retained Earnings*

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

### Other Comprehensive Income (OCI)

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



## Revenue Recognition

### *Accounting policy effective January 1, 2018*

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

### *Revenue from Petroleum Operation*

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

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

### *Accounting policy prior January 1, 2018*

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

### *Revenue from Petroleum Operation*

Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest.

## Interest Income

Interest income is recognized as it accrues using the EIR method, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of that financial asset.

## Dividend Income

Dividend income is recognized when the Group's right to receive the dividend is established, which is generally when the shareholders approve the dividend.

## Costs and Expenses

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

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





#### *Petroleum Production Cost*

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

#### *General and Administrative Expenses*

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

#### Leases

##### *Accounting policy effective January 1, 2019*

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

##### *Accounting policy prior January 1, 2019*

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 benefits 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 statement 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 subsidiaries, namely 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 statement 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 statement of financial position. Upon disposal of a subsidiary, the deferred cumulative translation adjustment amount recognized in equity relating to that particular subsidiary is recognized in the consolidated statement of income.

#### Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's business and only operating segment pertains to oil exploration and development. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

#### Earnings Per Share (EPS)

EPS is determined by dividing net income by the weighted average number of shares outstanding for each year after retroactive adjustment for any stock dividends declared.

#### Provisions

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



#### Contingencies

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

#### Events After the Reporting Date

Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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### 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, 2019 and 2018, the Group's joint arrangement is in the form of a joint operation.

#### *Determination of Functional Currency*

The entities within the Group determine the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The determination of functional currency was based on the primary economic environment in which each of the entities generates and expends cash. The Parent Company and LOGPOCOR's functional currency is the US Dollar while the functional currency of OMWI and OLC is Philippine Peso.

As at December 31, 2019 and 2018, the Group's cumulative translation adjustment amounted to \$0.70 million and \$0.59 million, respectively.

#### *Provisions and Contingencies*

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

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Fair Values of Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgments. While components of fair value measurements were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect the consolidated statements of comprehensive income and consolidated statements of changes in equity, as appropriate (see Note 20).

#### *Estimation of Provision for ECLs of Receivables*

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

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

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



No provision for ECL on the Group's receivables were recognized in 2019 and 2018. Total carrying value of receivables amounted to \$0.98 million and \$0.97 million as at December 31, 2019 and 2018, respectively (see Note 7).

*Estimating Provision for Plug and Abandonment Costs*

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

The Group recognized provision for plug and abandonment costs amounting to \$0.82 million and \$2.06 million as at December 31, 2019 and 2018, respectively (see Note 12). In 2019 and 2018, the Group also recognized plug and abandonment costs in the consolidated statement of income amounting to \$1.36 million and \$2.86 million which pertains to actual and estimated costs to plug and abandon wells from Libro and Tara South, and wells from Nido, Matinloc and North Matinloc fields.

*Estimation of Oil Reserves*

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

Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

As of December 31, 2019 and 2018, the estimated remaining proven oil reserves totaled to 2.66 million barrels and 3.29 million barrels for Galoc oil field, nil and 0.26 million barrels for Nido oil field, and nil and 0.26 million barrels for Matinloc oil field, respectively.

The carrying value of wells, platforms and other facilities amounted to \$13.27 million and \$13.67 million as of December 31, 2019 and 2018, respectively (see Notes 8 and 10).

*Impairment of wells, platforms and other facilities of SC 14C1*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the inflation rate used. These estimates are most relevant to the wells, platforms and other facilities of SC 14C1



recognized by the Group. The key assumptions used to determine the recoverable amount for this CGU are disclosed and further explained in Note 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 \$0.52 million and \$0.39 million as at December 31, 2019 and 2018, respectively (see Note 16).

#### *Recognition of Deferred Tax Assets*

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

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

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## 6. Cash and Cash Equivalents

	2019	2018
Cash on hand	\$196	\$190
Cash in banks	238,818	380,711
Cash equivalents	17,648,835	10,142,220
	<b>\$17,887,849</b>	<b>\$10,523,121</b>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates ranging from 1.625% to 3.75% per annum in 2019 and 1.50% to 6.90% per annum in 2018.

Interest income earned from cash in banks and short-term deposits amounted to \$0.02 million, \$0.32 million and \$0.25 million in 2019, 2018 and 2017, respectively.

There are no cash restrictions on the Group's cash balance as at December 31, 2019 and 2018.





## 7. Receivables

	2019	2018
Due from operators (Note 8)	\$455,224	\$454,100
Dividend receivable	264,441	88,857
Interest receivable	262,297	393,942
Trade receivables	—	31,484
Others	530	855
	<b>\$982,492</b>	<b>\$969,238</b>

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.

Dividend receivable pertains to cash dividends to be received by the Group in relation to its quoted equity instruments at fair value through other comprehensive income (see Note 9).

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

Due from operators and trade receivables are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at December 31, 2019 and 2018.

## 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:

	2019	2018
Current assets:		
Due from operators (Note 7)	\$455,224	\$454,100
Crude oil inventory	668,147	1,773,069
	<b>1,123,371</b>	<b>2,227,169</b>
Noncurrent assets:		
Property and equipment (Note 10)		
Wells, platforms and other facilities	89,317,353	88,225,470
Less accumulated depletion, depreciation and amortization	(76,046,157)	(74,551,458)
Deferred exploration costs (Note 11)	662,844	662,844
	<b>13,934,040</b>	<b>14,336,856</b>
	<b>\$15,057,411</b>	<b>\$16,564,025</b>



	2019	2018	2017
Revenue from petroleum operations	<b>\$4,248,325</b>	\$7,691,545	\$7,644,185
Cost of petroleum operations:			
Petroleum production costs	<b>4,603,816</b>	7,516,862	5,183,177
Depletion, depreciation and amortization expenses (Note 10)	<b>1,503,280</b>	1,084,381	1,516,656
	<b>6,107,096</b>	8,601,243	6,699,833
	<b>(\$1,858,771)</b>	(\$909,698)	\$944,352

Details of the petroleum production costs are as follows:

	2019	2018	2017
Floating, production, storage and offloading	<b>\$2,312,873</b>	\$3,090,597	\$3,412,593
Plug and abandonment cost	<b>1,362,716</b>	2,855,134	—
Repairs and maintenance	<b>186,413</b>	91,022	74,282
Supply vessel	<b>183,698</b>	266,795	298,067
Freight costs	<b>131,218</b>	316,632	369,232
Operations management	<b>122,468</b>	150,688	188,103
Helicopter services	<b>101,936</b>	256,497	266,066
Insurance expenses	<b>75,043</b>	143,354	154,022
General and administrative	<b>74,843</b>	198,306	273,315
Logistics base	<b>24,498</b>	28,880	26,352
Marketing fees	<b>11,553</b>	77,268	81,980
Others*	<b>16,557</b>	41,689	39,165
	<b>\$4,603,816</b>	\$7,516,862	\$5,183,177

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

## 9. Investments

### Short-term Investment

In 2019, the Group availed of short-term investment with a local bank amounting to \$1.50 million. This investment has original maturity of more than three (3) months but less than one (1) year from date of placement. This investment earned interest of 1.90% and matured on January 9, 2020.

Interest income earned from short-term investments amounted to \$0.01 million, \$0.18 million and \$0.01 million in 2019, 2018 and 2017, respectively.

### Long-term Investments

In 2016, the Group availed of various long-term deposit investments with a local bank amounting to \$40.00 million. These investments earned interest of 2.75% and matured from May 10, 2019 to October 7, 2019.

Interest income earned from long-term investments amounted to \$0.34 million, \$0.94 million and \$1.32 million in 2019, 2018 and 2017, respectively.



#### Equity Instruments at FVOCI

Equity instruments at FVOCI represent equity instruments in quoted shares carried at fair value as at the end of the reporting period.

The total carrying value of the Group's equity instruments at FVOCI amounted to \$31.08 million and \$11.64 million as at December 31, 2019 and 2018, respectively.

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

	2019	2018
Balances at beginning of year	<b>(\$2,668,084)</b>	(\$385,693)
Fair value changes during the year	<b>2,248,296</b>	(2,276,212)
Transfer to retained earnings	<b>283,607</b>	(6,179)
Balances at end of year	<b>(\$136,181)</b>	(\$2,668,084)

The carrying values of equity instruments at FVOCI have been determined as follows:

	2019	2018
Balances at beginning of year	<b>\$11,641,849</b>	\$13,313,921
Additions	<b>19,131,454</b>	1,703,871
Redemption/disposal	<b>(1,940,740)</b>	(1,099,731)
Fair value changes during the year	<b>2,248,296</b>	(2,276,212)
Balances at end of year	<b>\$31,080,859</b>	\$11,641,849

Dividend income earned and received from equity instruments at FVOCI amounted to \$1.10 million, \$0.69 million and \$0.70 million in 2019, 2018 and 2017, respectively (see Note 15).

#### Debt Instruments at Amortized Cost

In 2019, the Group acquired various fixed rate bonds from corporate bond issuers amounting to \$13.47 million (P700.00 million). The various bonds pay interest at rates ranging from 4.70% to 5.10% per annum and will mature starting June 28, 2021 to May 6, 2026.

In 2018, the Group acquired various fixed rate bonds from corporate bond issuers amounting to \$8.06 million (P425.00 million). The various bonds pay interests at rates ranging from 6.08% to 8.51% per annum and will mature starting November 9, 2020 to October 25, 2028.

In 2017, the Group acquired fixed rate bond from a corporate bond issuer amounting to \$2.01 million (P100 million). The bonds pay interests at a rate of 5.1683% per annum. The bonds will mature on May 18, 2024.

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

	2019	2018
Balances at beginning of year	<b>\$12,990,099</b>	\$5,205,087
Additions	<b>13,465,080</b>	8,060,845
Unrealized foreign exchange gain (loss)	<b>836,521</b>	(275,833)
Balances at end of year	<b>\$27,291,700</b>	\$12,990,099

Interest income earned from investments in bond amounted to \$1.99 million, \$0.57 million and \$0.03 million in 2019, 2018 and 2017, respectively.



## 10. Property and Equipment

2019				
	Wells, Platforms and Other Facilities (Notes 1 and 8)	Transportation Equipment	Office Furniture and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	\$88,225,470	\$234,951	\$45,294	\$88,505,715
Additions	1,091,883	18,194	1,280	1,111,357
Retirement	—	—	(20,605)	(20,605)
Balances at end of year	89,317,353	253,145	25,969	89,596,467
<b>Accumulated Depletion, Depreciation and Amortization</b>				
Balance at beginning of year	74,551,458	202,769	33,689	74,787,916
Depletion, depreciation and amortization (Note 8)	1,494,699	8,178	403	1,503,280
Retirement	—	—	(20,605)	(20,605)
Balances at end of year	76,046,157	210,947	13,487	76,270,591
<b>Net Book Values</b>	<b>\$13,271,196</b>	<b>\$42,198</b>	<b>\$12,482</b>	<b>\$13,325,876</b>

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

In 2019, the Group performed impairment test for the Wells, Platforms and Other Facilities of SC 14C1 due to the continued decline in the oil prices.

The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C1 of \$3.79 million as at December 31, 2019 has been determined based on a value in use calculation using cash flow projections from work program and budget approved by senior management covering a five-year period, the work and budget for 2020 was approved by the DOE. The pre-tax discount rate applied to cash flow projections is 8.35%. As a result of this analysis, management has not recognized any impairment for the Wells, Platforms and Other Facilities of SC 14C1

The calculation of value in use for the Wells, Platforms and Other Facilities of SC 14C1 is most sensitive to the forecasted oil prices which are estimated with reference to external market forecasts of Brent crude prices; volume of resources and reserves which are based on resources and reserves report prepared by third parties; capital expenditure, production and operating costs which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and discount rate which were estimated based on the industry weighted average cost of capital (WACC), which includes the cost of equity and debt after considering the gearing ratio. The



pre-tax discount rates applied to cash flow projections range from 8.35% to 9.35% as at December 31, 2019.

Value in use is most sensitive to changes in discount rate and cash flows input. All things being equal, change of the discount rate to a rate higher than 22.62% or a decrease in the forecasted oil prices of 5% for the five-year period would result to impairment of the Wells, Platforms and Other Facilities of SC 14C1.

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## 11. Deferred Exploration Costs

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

### SC 6 and 6B Cadlao and Bonita Block

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

In 2009, a 15-year extension period for the Bonita Block was requested from and subsequently granted by the DOE. The conditions for the grant of the 15-year extension period required the submission and implementation of a yearly work program and budget. It includes as well the financial assistance to the DOE for training and scholarships in geological and engineering studies. The term of SC 6 will expire on February 28, 2024.

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

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

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

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

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

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



In 2018, one of the joint venturers, Phinma Energy Corporation (formerly, Trans-Asia Oil & Energy Corporation), relinquished its participating interest of 14.063% and assigned this to the remaining partners. The relinquishment and assignment of interest was approved by the DOE.

An in-house evaluation completed by the Operator, Philodrill, in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a “stand-alone” basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B. Subsequently, a seismic reprocessing program over East Cadlao and Cadlao Field will now be undertaken.

On October 17, 2019, Philodrill, as the current operator of the SC 6B, received DOE’s approval for the transfer of 70% participating interest of the members of the consortium in SC 6B to Manta Oil Company Ltd. related to the letter dated October 30, 2018 submitted by Philodrill to the DOE documenting the request for the approval of the Deed of Assignment and transfer of participating interest.

As a result, the Parent Company’s interest in SC 6B decreased to 4.909%. A plan of development for the Cadlao Field and East Cadlao Prospect will be submitted to the DOE around June 2020. It will include the drilling of 1-2 deviated production wells.

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

	2019	2018
Accounts payable	\$709,202	\$383,321
Dividends payable	80,848	77,812
Subscriptions payable	27,381	26,672
Others	8,339	9,083
	<b>\$825,770</b>	<b>\$496,888</b>

Accounts payable mainly consist of unpaid legal service fees. These are noninterest-bearing and are normally settled in 30- to 60-day terms.

Dividends payable include amounts payable to the Group’s shareholders.

### Provision for Plug and Abandonment

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during the plugging operations. The plug and abandonment of these wells will be completed in 2020. In 2019 and 2018, the Group recognized plug and abandonment and stripping costs amounting to \$1.36 million and \$2.06 million, respectively. As of December 31, 2019 and 2018, outstanding balance of the provision for the plug and abandonment amounted to \$0.82 million and \$2.06 million, respectively (see Note 8).



### 13. Capital Stock

Under the existing laws of the Republic of the Philippines, at least 60% of the Parent Company's issued capital stock should be owned by citizens of the Philippines for the Parent Company to own and hold any mining, petroleum or renewable energy contract area. As at December 31, 2019, total issued and subscribed capital stock of the Parent Company is 98.21% Filipino and 1.79% non-Filipino, as compared to 96.98% Filipino and 3.02% non-Filipino as at December 31, 2018.

As at December 31, 2019 and 2018, this account consists of:

	2019	2018
Class A - \$0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	\$49,361,387	\$49,361,387
Class B - \$0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	32,907,591	32,907,591
	82,268,978	82,268,978
Subscriptions receivable		
Subscribed - 475.97 million shares	(277,744)	(373,412)
Capital in excess of par value	3,650,477	3,650,477
	\$85,641,711	\$85,546,043

All shares of stock of the Parent Company enjoy the same rights and privileges, except that Class A shares shall be issued solely to Filipino citizens, whereas Class B shares can be issued either to Filipino citizens or foreign nationals. There were no issuances of additional common shares in 2019 and 2018.

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

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of yearend
Listing by way of introduction	10,000,000,000	₱0.01	Mar. 24, 1970	
Additions:				
	2,500,000,000	0.01	Mar. 23, 1981	
	37,500,000,000	0.01	Aug. 5, 1988	
	50,000,000,000	0.01	Nov. 14, 1989	
	100,000,000,000	0.01	May 31, 1995	
December 31, 2015	200,000,000,000			11,859
Deduct: Movement	—			(32)
December 31, 2016	200,000,000,000			11,827
Deduct: Movement	—			(121)
December 31, 2017	200,000,000,000			11,706
Deduct: Movement	—			(74)
December 31, 2018	200,000,000,000			11,632
Deduct: Movement	—			(29)
December 31, 2019	200,000,000,000			11,603



#### *Cash Dividends*

On June 27, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to \$1.94 million to the stockholders of record of common stocks as of July 26, 2019 coming from the Parent Company's unrestricted retained earnings.

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#### 14. General and Administrative Expenses

	2019	2018	2017
Staff costs (Note 16)	\$530,862	\$494,201	\$462,339
Professional fees	22,287	16,300	18,760
Rent (Note 19)	14,080	13,057	12,879
Taxes and licenses	11,976	8,026	30,290
Messengerial services	10,560	7,737	8,447
Transportation and communication	9,044	4,282	5,733
Printing	6,737	6,672	12,428
Entertainment, amusement and recreation	2,623	5,567	3,129
Insurance	1,589	1,502	1,217
Utilities	1,425	1,644	1,308
Registration and filing fees	184	75,875	299
Advertising and publication	—	211	215
Miscellaneous	14,859	13,817	93,734
	<b>\$626,226</b>	<b>\$648,891</b>	<b>\$650,778</b>

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

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#### 15. Other Income

	2019	2018	2017
Dividend income (Note 9)	\$1,099,501	\$687,193	\$703,524
Others	250,585	—	2,094
	<b>\$1,350,086</b>	<b>\$687,193</b>	<b>\$705,618</b>

The dividend income is derived primarily by the Group from its investments in equity instruments. Other income includes gain on sale of AFS investments in 2017 and reversal of long-outstanding payables in 2019.

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#### 16. Retirement Plan

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





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

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

	2019	2018	2017
Current service cost	<b>\$26,193</b>	\$26,016	\$30,887
Interest cost on defined benefit obligation	<b>18,021</b>	13,785	14,590
Total pension expense	<b>\$44,214</b>	\$39,801	\$45,477

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:

	2019	2018
Present value of defined benefit obligation	<b>\$522,357</b>	\$387,160
Fair value of plan assets	<b>(20)</b>	(19)
	<b>\$522,337</b>	\$387,141

Changes in the present value of defined benefit obligation follow:

	2019	2018
Balances at beginning of year	<b>\$387,141</b>	\$388,991
Current service cost	<b>26,193</b>	26,016
Interest cost on defined benefit obligation	<b>18,021</b>	13,785
Foreign currency translation adjustment	<b>7,992</b>	(11,262)
Remeasurement losses (gains) arising from:		
Experience adjustments	<b>33,427</b>	(7,691)
Financial assumptions	<b>49,583</b>	(21,447)
Demographic assumptions	<b>—</b>	(1,232)
Balances at end of year	<b>\$522,357</b>	\$387,160

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

		2018
Rate of salary increase	<b>5.70%</b>	5.70%
Discount rate	<b>5.00%</b>	7.31%



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:

	Increase (decrease)	Effect on defined benefit obligation	
		2019	2018
Discount rates	+100 basis points	<b>(\$23,955)</b>	(\$11,625)
	-100 basis points	<b>27,833</b>	13,425
Future salary increases	+1.00%	<b>30,546</b>	14,984
	-1.00%	<b>(9,191)</b>	(13,204)

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

The weighted average duration of the defined benefit obligation is 12.85 years and 12.72 years as of December 31, 2019 and 2018, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2019 and 2018:

	2019	2018
Less than 1 year	<b>\$322,023</b>	\$271,112
More than 1 year to 5 years	<b>28,296</b>	18,485
More than 5 years to 10 years	<b>160,284</b>	121,100
More than 10 years to 15 years	<b>329,298</b>	241,482
More than 15 years to 20 years	<b>57,692</b>	43,329
More than 20 years	<b>451,081</b>	317,012

## 17. Income Tax

Provision for (benefit from) income tax consist of:

	2019	2018	2017
Current			
RCIT	\$—	\$183,138	\$128,700
Final	<b>497,316</b>	376,749	164,718
	<b>497,316</b>	559,887	293,418
Deferred	<b>(569,664)</b>	(510,343)	88,245
	<b>(\$72,348)</b>	\$49,544	\$381,663



The Group's net deferred tax liabilities as of December 31, 2019 and 2018 are detailed below:

	2019	2018
Deferred tax assets on:		
NOLCO	\$579,228	\$—
Unrealized foreign exchange loss	344,792	—
Provision for plug and abandonment	240,152	618,554
Pension liability	153,536	116,142
	<b>1,317,708</b>	734,696
Deferred tax liability on excess of book over tax base of property and equipment	<b>(1,675,824)</b>	(1,799,165)
	<b>(\$358,116)</b>	(\$1,064,469)

As of 2018, the Group did not recognize deferred tax assets on unrealized foreign exchange loss amounting \$0.07 million.

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

	2019	2018	2017
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Tax effects of:			
Nondeductible expense	<b>268.89</b>	85.55	53.08
Changes in unrecognized deferred tax assets on deductible temporary differences	<b>15.15</b>	(43.06)	0.51
Dividend income	<b>(68.26)</b>	(10.63)	(6.97)
Interest income subjected to final tax	<b>(146.85)</b>	(31.27)	(15.12)
Income exempt from tax	<b>(197.84)</b>	(92.22)	(57.94)
Others	<b>95.71</b>	67.10	11.12
Effective income tax rate	<b>(3.20%)</b>	5.47%	14.68%

## 18. Basic/Diluted Earnings Per Share

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

	2019	2018	2017
Net income	<b>\$2,331,090</b>	\$855,287	\$2,219,200
Divided by weighted average number of common shares outstanding	<b>200,000,000,000</b>	200,000,000,000	200,000,000,000
	<b>\$0.000012</b>	\$0.000004	\$0.000011

For the years ended December 31, 2019, 2018 and 2017, 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:

2019				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Entities under common control of the Parent Company				
a. Cash and cash equivalents (Note 6)	\$-	\$522,141	Interest-bearing at prevailing market rate; 1.625% to 3.75% per annum; due and demandable	No impairment
Interest income	62,274	-	-	-
b. Rent (Note 14)	14,080	-	Noninterest-bearing payable on demand	Unsecured
2018				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Entities under common control of the Parent Company				
a. Cash and cash equivalents (Note 6)	\$-	\$1,109,292	Interest-bearing at prevailing market rate; 1.50% to 6.90% per annum; due and demandable	No impairment
Interest income	148,858	-	-	-
b. Rent (Note 14)	13,057	-	Noninterest-bearing payable on demand	Unsecured

- The Group has money market placements with an affiliated bank, a subsidiary of a stockholder.
- The Group entered into a lease agreement with an affiliate covering the office space it occupies, which is renewable annually.

Compensation of key management personnel of the Group follows:

	2019	2018	2017
Short-term employee benefits	\$264,050	\$246,537	\$245,000
Post-employment benefits	57,657	20,373	32,569
	<b>\$321,707</b>	<b>\$266,910</b>	<b>\$277,569</b>

## 20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, short-term and long-term investments, equity instruments at FVOCI, debt instruments at amortized costs and accounts and other payables (excluding statutory liabilities). The main objectives of the Group's financial risk management are as follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The main risks arising from the Group's financial instruments are liquidity, credit, foreign currency, and equity price risk.



The Group's risk management policies are summarized below:

a) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and service maturing debts.

The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

As of December 31, 2019 and 2018, all financial liabilities are expected to mature within one (1) year. All commitments up to a year are either due within the time frame or are payable on demand.

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

	2019			Total
	On Demand	Less than a year	One year or more	
<b>Financial Assets</b>				
Cash and cash equivalents	\$238,818	\$17,648,835	\$—	\$17,887,653
Short-term investments	—	1,501,897	—	1,501,897
Due from operators	455,224	—	—	455,224
Interest receivable	—	262,297	—	262,297
Dividend receivable	176,974	87,467	—	264,441
Other receivables	—	530	—	530
Equity instruments at FVOCI	—	—	31,080,859	31,080,859
Debt instruments at amortized cost	—	—	27,291,700	27,291,700
	871,016	19,501,026	58,372,559	78,744,601
<b>Other Financial Liabilities</b>				
Accounts and other payables*	191,648	625,783	—	817,431
Net exposure	\$679,368	\$18,875,243	\$58,372,559	\$77,927,170

\*Excludes statutory payables

	2018			Total
	On Demand	Less than a year	One year or more	
<b>Financial Assets</b>				
Cash and cash equivalents	\$380,711	\$10,142,220	\$—	\$10,522,931
Current portion of long-term investments	—	40,000,000	—	40,000,000
Due from operators	454,100	—	—	454,100
Interest receivable	—	393,942	—	393,942
Dividend receivable	29,303	59,554	—	88,857
Trade receivables	—	31,484	—	31,484
Other receivables	—	855	—	855
Equity instruments at FVOCI	—	—	11,641,849	11,641,849
Debt instruments at amortized cost	—	—	12,990,099	12,990,099
	864,114	50,628,055	24,631,948	76,124,117
<b>Other Financial Liabilities</b>				
Accounts and other payables*	426,922	60,883	—	487,805
Net exposure	\$437,192	\$50,567,172	\$24,631,948	\$75,636,312

\*Excludes statutory payables



Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk consist of cash and cash equivalents, long-term investments, receivables and equity instruments at FVOCI as of December 31, 2019 and 2018, which are usually on demand or collectible within a term of 30 days. The long-term investments will mature in 2019.

*b) Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with its dealers. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of Equity instruments at FVOCI, and Debt instruments at amortized cost 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:

	2019	2018
Financial assets at amortized cost		
Cash in banks and cash equivalents	\$17,887,653	\$10,522,931
Short-term investments	1,501,897	—
Current portion of long-term investments	—	40,000,000
Due from operators	455,224	454,100
Interest receivable	262,297	393,942
Dividend receivable	264,441	88,857
Trade receivables	—	31,484
Other receivables	530	855
Debt instruments at amortized cost	27,291,700	12,990,099
Equity instruments at FVOCI	31,080,859	11,641,849
	<b>\$78,744,601</b>	<b>\$76,124,117</b>

In 2019 and 2018, the Group's cash in banks and cash equivalents, short-term and long-term investments are considered high-grade while the remaining financial assets are considered standard grade. The Group uses the following criteria to rate credit quality:

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

*c) Foreign currency risk*

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



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

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

	2019		2018	
	In PHP <sup>(1)</sup>	In USD	In PHP <sup>(1)</sup>	In USD
<b>Financial Assets</b>				
Cash and cash equivalents	<b>₱305,814,535</b>	<b>\$6,026,615</b>	₱41,155,413	\$780,582
Trade receivables	—	—	62,584	1,307
Dividend receivable	<b>13,417,746</b>	<b>264,441</b>	4,684,920	88,858
Interest receivable	<b>12,338,852</b>	<b>243,159</b>	7,643,875	144,979
Equity instruments at FVOCI	<b>1,575,264,261</b>	<b>31,080,859</b>	613,804,871	11,641,849
Debt instruments at amortized cost	<b>1,384,890,000</b>	<b>27,291,700</b>	684,890,000	12,990,099
	<b>3,291,725,394</b>	<b>64,906,774</b>	1,352,241,663	25,647,674
<b>Other Financial Liabilities</b>				
Accounts and other payables	<b>15,815,761</b>	<b>311,677</b>	24,741,288	496,888
Net foreign currency-denominated assets	<b>₱3,275,909,633</b>	<b>\$64,595,097</b>	₱1,327,500,375	\$25,150,786

<sup>1</sup> The exchange rates used as of December 31, 2019 and 2018 are \$0.01972 to ₱1 and \$0.01895 to ₱1, respectively.

The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before income tax in 2019 and 2018. There is no other impact on the Group's equity other than those already affecting income.

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

	Change in PHP rate	Effect on income before income tax
<b>2019</b>	<b>+3.84%</b>	<b>(\$2,480,452)</b>
	<b>-3.84</b>	<b>2,480,452</b>
<b>2018</b>	<b>+3.43%</b>	<b>(\$862,672)</b>
	<b>-3.43</b>	<b>862,672</b>

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 statements of financial position as equity instruments at FVOCI.

The following table shows the sensitivity of the Group's equity (through OCI) from changes in the carrying value of the Group's equity instruments at FVOCI 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
<b>2019</b>	<b>+14%</b>	<b>\$4,351,320</b>
	<b>-14</b>	<b>(4,351,320)</b>
2018	+18%	\$2,095,533
	-18	(2,095,533)

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Group considers its capital stock (net of any subscription receivable) and retained earnings which amounted to \$90.20 million and \$90.00 million as of December 31, 2019 and 2018, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

#### Fair Values

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

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

The fair value of the equity instruments at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date.

The fair value of the debt instruments at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date. Fair value and carrying value of debt instruments at amortized cost amounted to \$27.29 million and \$12.99 million, respectively (see Note 9).

#### 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, 2019 and 2018, the fair value of equity instruments at FVOCI under Level 1 hierarchy amounted to \$31.08 million and \$11.64 million, respectively (see Note 9).

There has been no transfer from Level 1 to Level 2 or 3 categories in 2019, 2018 and 2017.

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## 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 \$93.41 million and \$2.88 million, respectively, as of December 31, 2019 and \$92.29 million and \$5.25 millions, respectively, as of December 31, 2018. Segment's revenue and net income amounted to \$4.25 million and \$2.33 million, respectively, in 2019, \$7.69 million and \$0.86 million, respectively, in 2018 and \$7.64 million and \$2.22 million, respectively, in 2017. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations in 1994.

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

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## 22. Subsequent Events

### *Impact of COVID-19*

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine throughout the entire island of Luzon until April 12, 2020, and subsequently extended until May 15, 2020. This measure is expected to result to disruptions to businesses and economic activities.

The Group considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

### *SPA and farm-out agreement in respect of SC 14 Block C-2 West Linapacan*

On January 7, 2020, the Group and other members of the Consortium of the service contract entered into a SPA and farm-out agreement with a third party for the sale and assignment of the 28.21% interest of the Group in SC 14 Block.

As of May 4, 2020, the SPA and farm-out agreement has not yet completed the relevant closing conditions, which include regulatory approval.



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**23. Approval of Consolidated Financial Statements**

The accompanying consolidated financial statements were authorized for issue by the BOD on May 4, 2020.



## **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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated May 4, 2020. 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 Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**SYCIP GORRES VELAYO & CO.**

Ysmael S. Acosta  
Partner  
CPA Certificate No. 112825  
SEC Accreditation No. 1744-A (Group A),  
March 14, 2019, valid until March 13, 2022  
Tax Identification No. 301-106-775  
BIR Accreditation No. 08-001998-130-2018,  
February 9, 2018, valid until February 8, 2021  
PTR No. 8125201, January 7, 2020, Makati City

May 4, 2020



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 4, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

**SYCIP GORRES VELAYO & CO.**

Ysmael S. Acosta  
Partner  
CPA Certificate No. 112825  
SEC Accreditation No. 1744-A (Group A),  
March 14, 2019, valid until March 13, 2022  
Tax Identification No. 301-106-775  
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February 9, 2018, valid until February 8, 2021  
PTR No. 8125201, January 7, 2020, Makati City

May 4, 2020



**ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**SEC FORM 17 - A**

**CONSOLIDATED FINANCIAL STATEMENTS**

Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report on Consolidated Financial Statements

Consolidated Statements of Financial Position as at December 31, 2019 and 2018

Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

**SUPPLEMENTARY SCHEDULES**

Independent Auditors' Report on Supplementary Schedules

A. Financial Assets in Equity Securities

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

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

D. Intangible Assets

E. Long-term debt

F. Indebtedness to Related Parties (Long term Loans from Related Companies)

G. Guarantees of Securities of Other Issuers

H. Capital Stock

Annex 68-D. Reconciliation of Unappropriated Retained Earnings Available For Dividend Declaration

Annex 68-E. Financial Soundness Indicator

Map of the Relationships of the Companies within the Group

# ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68 DECEMBER 31, 2019

### 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, 2019:

Name of Issuing Entity and Association of Each Issue	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
<b>Debt Instruments at Amortized Cost</b>			
Various	\$27,291,700	\$27,291,700	\$1,992,444
<b>Equity Instruments at Fair Value through Other Comprehensive Income</b>			
Various	31,080,859	31,080,859	1,099,501
<b>Total</b>	<b>\$58,372,559</b>	<b>\$58,372,559</b>	<b>\$3,091,945</b>

### 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 above ₱1 million (\$19,708) or 1% of total consolidated assets as of December 31, 2019.

### 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, 2019.

	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	(\$18,721,241)	(\$771,008)	\$-	\$-	\$-	(\$19,492,249)	(\$19,492,249)
Oriental Land Corporation	(7,689)	-	-	-	-	(7,689)	(7,689)
Oriental Mahogany Woodworks, Inc.	91,227	-	-	-	-	91,227	91,227
<b>Total</b>	<b>(\$18,637,703)</b>	<b>(\$771,008)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$19,408,711)</b>	<b>(\$19,408,711)</b>

### Schedule D. Intangible Asset

The Group has no intangible asset as of December 31, 2019.

### Schedule E. Long-term Debt

The Group has no long-term debt as of December 31, 2019.

### 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, 2019.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2019.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	200,000,000,000	200,000,000,000	—	78,362,597,658	2,881,901,377	118,755,500,965

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**ANNEX 68-D. RECONCILIATION OF UNAPPROPRIATED RETAINED  
EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2019**

<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year</b>		<b>\$4,736,281</b>
<b>Net income based on the face of audited financial statements</b>	<b>\$2,331,090</b>	
<b>Less: Non-actual/unrealized income net of tax</b>		
• Amount of recognized DTA that reduced the amount of income tax expense	(569,664)	
• Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(804,241)	
• Equity in net income of associate/joint venture	—	
• Unrealized actuarial gain	—	
• Fair value adjustment (mark-to-market gains)	—	
• Fair value adjustment of investment property resulting to gain	—	
• Adjustment due to deviation from PFRS - gain	—	
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
<b>Add: Non-actual losses</b>		
• Depreciation on revaluation increment (after tax)	—	
• Adjustment due to deviation from PFRS - loss	—	
• Loss on fair value adjustment of investment property (after tax)	—	
<b>Net income actually earned during the period</b>		<b>957,185</b>
<b>Less:</b>		
• Dividends declaration during the period	(\$1,941,070)	
• Realized loss on redemption/disposal of equity instruments at FVOCI transferred to retained earnings	(283,607)	
• Appropriations of retained earnings during the period	—	
• Reversals of appropriations	—	
• Effects of prior period adjustments	—	
• Treasury shares	—	
		<b>(2,224,677)</b>
<b>Unappropriated Retained Earnings, available for dividend distribution</b>		<b>\$3,468,789</b>



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

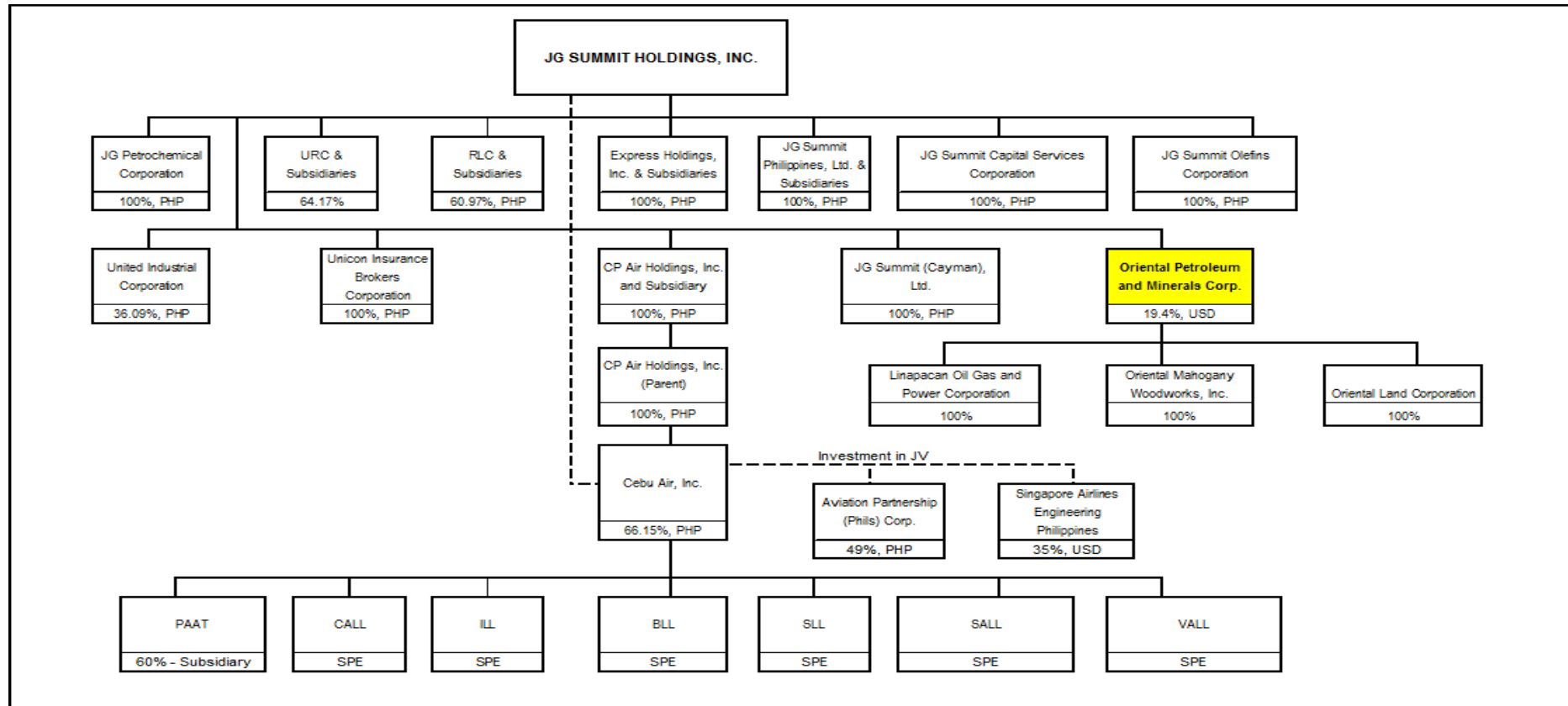
**ANNEX 68-E. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2019 and 2018:

Financial ratios		2019	2018
Current ratio	$\frac{\text{Current assets (CA)}}{\text{Current liabilities (CL)}}$	<b>12.81:1</b>	19.50:1
Acid test ratio	$\frac{\text{Current assets (CA)} - \text{Inventory} - \text{Prepayments}}{\text{Current liabilities (CL)}}$	<b>12.40:1</b>	18.85:1
Solvency ratio			
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>0.03:1</b>	0.05:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>1.03:1</b>	1.05:1
Interest rate coverage ratio	Not Applicable		
Return on equity	$\frac{\text{Net income}}{\text{Average equity}}$	<b>2.60%</b>	0.96%
Return on assets	$\frac{\text{Operating income}}{\text{Average assets}}$	<b>-2.68%</b>	-1.69%
Net profit margin	$\frac{\text{Net income}}{\text{Total Revenue}}$	<b>39.85%</b>	11.12%
Net working capital ratio	$\frac{\text{CA} - \text{CL}}{\text{Total assets}}$	<b>0.21:1</b>	0.55:1

## ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2019



**Oriental Petroleum and Minerals Corporation**  
2019 Sustainability Report in Compliance with  
the SEC Sustainability Reporting Guidelines  
for Publicly Listed Companies

## Contextual Information

Company Details	
Name of Organization	Oriental Petroleum and Minerals Corporation (OPMC)
Location of Headquarter	34 <sup>th</sup> Floor Robinson's Equitable Tower, ADB Avenue, Ortigas Center, Pasig City
Location of Operations	Offshore Northwest Palawan
Report Boundary: Legal Entities included in this report*	
Business Model, including Primary Activities, Brands, Products and Services	Oil and Gas Exploration
Reporting Period	January 1, 2019 to December 31, 2019
Highest Ranking Person responsible for this report	Ma. Riana C. Infante CFO and Compliance Officer

\*If you are a holding Company, you could have an option whether to report on the holding Company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.

## Materiality Process

Explain how you applied materiality principle (or the materiality process) in identifying your material topics
<p>Oriental Petroleum and Minerals Corporation is a publicly- listed Company which undertakes upstream petroleum operations in offshore North West Palawan, Philippines. OPMC has a Joint Venture Partnership with several industry players to perform petroleum activities within Service Contracts 6 and 14.</p> <p>Materiality assessment in defining the content in this report was done based on the Company's 50 years of experience in the oil exploration industry. The Company identified key areas that are materially relevant for a sustainable operation and that will give value to its stakeholders. It acknowledges the risk involved in this industry thus, strategic partnerships are well evaluated to ensure that work program and budgets are carried out as planned.</p>

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

Disclosure	Amount (in thousands)	Units
Direct Economic Value Generated (revenue)	4,248	US\$
Direct economic value distributed:		
a. Operating costs	4,603	US\$
b. Employee Wages and Benefits	465	US\$
c. Payments to suppliers, other operating costs	1,608	US\$
d. Dividends given to stockholders	1,941	US\$
e. Taxes given to government	509	US\$
f. Investments to community (e.g donations, CSR)*	<i>*still gathering data</i>	US\$

\*Galoc Consortium's CSR in Palawan

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a pioneer in the oil exploration industry, OPMC has contributed in the early life of the Philippines' Petroleum Industry. Through various Joint Ventures, the Company was able to explore oilfields in the country that generated economic value not only for the Company but for other stakeholders including the government. It continues to directly and indirectly support employment in the country through its operations.	<ul style="list-style-type: none"> <li>- Stockholders</li> <li>- Employees</li> <li>- Community</li> <li>- Government</li> </ul>	OPMC remains supportive of the different projects of the Joint Ventures that will promote sustained operations thereby ensuring continued employment and support to the government.
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
In 2019, the risks identified were the decline in volume and in oil price. The decline in production volume was a result of natural decline in the oil reserve while the oil price was due to over-supply of oil in the world market. These risks are common for the industry the Company operates in.	<ul style="list-style-type: none"> <li>- Stockholders</li> <li>- Customers</li> <li>- Government</li> </ul>	In order to mitigate the risks, the Company, together with its partners in the Consortia, continue to explore ways on how to combat the natural decline of the oil reserve. This includes studies on drilling new wells, development of new fields, and optimizing oil recovery.
What is/are the opportunity/ies identified?	Which stakeholders are affected	Management Approach

OPMC is currently looking into its possible participation in the Department of Energy's Philippine Conventional Energy Contracting Program (PCECP), where the Company can acquire rights to explore and develop a potential petroleum area. Acquisition of new petroleum areas may lead to the discovery of economically profitable oilfields that can be extracted to sustain the country's growing energy demand.	<ul style="list-style-type: none"> <li>- Stockholders</li> <li>- Customers</li> <li>- Government</li> <li>- Community</li> </ul>	The management has been very supportive in the Company's pursuit to venture in new oil and gas fields in the Philippines by providing financial and technical assistance needed to participate in DOE's PCECP.
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### Climate- related risks and opportunities

OPMC is a Joint Venture Partner of Galoc Production Company (Service Contract Operator) in an Oil Producing Field located in offshore NW Palawan known as the Galoc Field Area Development Project or the GFAD Project. It started operation in 2008 and as of December 2019, has produced more than 21.5 million barrels of oil. The oil is produced by utilizing a ship known as Floating Production Storage and Offloading (FPSO).

The Galoc reservoir contains both oil and associated gas in the form of condensates. In extracting the oil, GPC usually just flares the condensates. Flaring of the gas releases methane and carbon dioxide, which are major greenhouse gases. These gases are the major contributor of global warming leading to climate change.

In 2018, the Consortium recognized the potential of reducing GFAD's emission of greenhouse gas by investing on a patented new technology. NGL Tech, a Malaysian Company, was engaged by the Consortium to create value from the condensates. Recovery of the condensates will be done through a Low Pressure- Condensate Recovery Unit. The condensates are targeted to add up to 300 barrels of oil per day and can extend the field life up to 5 months while reducing the field's greenhouse gas emission by 20%-30%.

### Procurement Practices – Not material

#### Proportion of spending in local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risks.	Not applicable	Not applicable

What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

### Anti- corruption – not material

#### Training on Anti- corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti- corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti- corruption training		%
Percentage of employees that have received anti- corruption training		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risks.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

#### Incidents of Corruption – The Company has no reported incidents of corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	%
Number of incidents in which employees were dismissed or disciplined for corruption	None	%
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No material risk identified.	Not applicable	Not applicable

What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

**Explanation:**

This is the first Sustainability Report that is required from the Company and it commits to organize these trainings/programs in the future. As indicated in the Company's Revised Corporate Governance Manual, the Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. The same shall be disseminated to all employees across the Corporation through trainings to embed them in the Company's culture. Nonetheless, the Company and its employees have always been transparent in all their dealings with the partners, government agencies and other stakeholders.

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	59,137.151882 <sup>[1][2][5]</sup>	GJ
Energy consumption (diesel)	8,670.63890 <sup>[2][5]</sup>	GJ
Energy consumption (electricity)	0	kWh

[1] Value converted from MMBTU to GJ as per data provided by GPC.

[2] Natural Gas value instead of LPG.

[5] Data provided by Galoc Production Company

#### Reduction of energy consumption:

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (diesel)	0	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Since the production facility is located offshore, the energy consumption for the FPSO operations are not from the national grid. Much of the energy consumption is through diesel combustion using	- Field employees	The management also decided that aside from extracting energy from diesel combustion, part of the produced associated gas from the oil production will also be used for power generation



generators and natural gas consumption to power the whole production facility.		certain facilities in the FPSO to minimize diesel combustion.
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risk.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

**Explanation:**

In Petroleum Service Contracts, it is the Service Contractor who secures the rights to explore and exploit a petroleum area. After the decommissioning and abandonment of the Nido and Matinloc field last 2019, the Galoc Field is the next active project of OPMC. GPC is the main petroleum service contractor engaged in the exploration and development of the Galoc Field and OPMC is a JV Partner. As a service contractor, GPC has commitments to practice environmental and social sustainability in compliance with their Environment Compliance Certificate and Environmental Management Plan. GPC submits quarterly and annual reports to the Department of Environment and Natural Resources – Environment Management Bureau (DENR- EMB) such as Compliance Monitoring Report and Self- Monitoring Reports which presents and discusses their quarterly energy consumption. The Floating Production Storage and Offloading (FPSO) which is basically a marine vessel in the middle of the sea, utilizes generators powered by diesel to be able to generate electricity and support the electrical needs of the production facility and the accommodation units. Moreover, diesel is needed to run the vessel. Same principles were also employed when the Nido- Matinloc Field was still operating. However, for the Nido- Matinloc it used platforms instead of a vessel. Solar-powered lights were also utilized during the operation of Nido- Matinloc.

**Water consumption within the organization:**

Disclosure	Quantity	Units
Water Withdrawal	0	Cubic meters
Water consumption	0	Cubic meters
Water recycled and reused	0	Cubic meters

- No data for water consumption provided by GPC

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risk.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

Explanation:

As mentioned above, resource management such as water and energy consumption are being managed by the Service Contractor. It is a common practice in the petroleum industry to have a water maker that would usually convert seawater to potable water. Recycling of water is also necessary especially for offshore production where the supply of readily available water is limited.

**Materials used by the organization**

Disclosure	Quantity	Units
Materials used by weight		
• Renewable	0	Cubic meters
• Non- renewable	0	Cubic meters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risk.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

Explanation:

GPC, being the Service Contractor of SC 14, plans the activities in the GFAD. Each equipment and materials in the FPSO undergone technical evaluation and is designed accordingly for the safety and well- being of the production facilities and the FPSO. The management of the renewable and non- renewable resources in the FPSO is duly managed by GPC.

**Ecosystems and biodiversity (whether in upland/ watershed or coastal/ marine**

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Please see explanation below	
Habitats protected or restored	None	ha
Water recycled and reused	0	

What is the impact and where does it occur? What	Which stakeholders are affected?	Management Approach
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is the organization's involvement in the impact?		
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No identified material risk.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

**Explanation:**

Both the Nido- Matinloc and the Galoc Oilfields are located in offshore Northwest Palawan. They are about 25-km from El Nido, which is a famous tourist spot in the Philippines. However, both fields are not located anywhere near a protected site or areas of high biodiversity. In fact, during the last underwater survey done during the decommissioning and abandonment of the Nido and Matinloc Platforms, Philodrill, the Service Contract Operator for the Nido-Matinloc Oilfield, was able to found that coral reefs bloomed in the legs of the platforms and many marine animals are dwelling within the platforms. These are proofs that the water column is healthy and habitable. There were also plans that these platforms can be used for recreational diving sites in the future. Moreover, before awarding the service contract, protected sites are being identified and carved out by the DOE from the service contract. Thus, protected areas are not included within the service contract areas.

## **Environmental Impact Management**

### **Air Emissions**

#### **GHG**

Disclosure	Quantity	Units
Direct (scope 1) GHG Emissions	385,805.36 <sup>[3]</sup>	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	614.687 <sup>[4]</sup>	Tonnes CO2e
Emissions of ozone- depleting substances (ODS)	0	Tonnes

[3] For the flaring facility, emission rate estimates of the GFAD Floating Production Storage Offloading (FPSO) Vessel for the year 2019

[4] For fuel combustion, emission rate estimates of the FPSO for the Year 2019

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Associated gas in oil production is usually being flared (burn away the gas) in the flaring facility. This is categorized as Direct (Scope 1) GHG emission. While fuel combustion is categorized as Scope 2. Both of these emissions, occur in the Floating Production Storage and	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field Employees</li> <li>Government</li> </ul>	The Service Contract Operator regulates the emission of Scope 1 and 2 on a daily basis by providing a Daily Production Report to the JV partners and the Department of Energy (DOE). The Operator ensures that daily gas emissions are acceptable and compliant with

Offloading (FPSO), which is a production vessel floating northwest of Palawan Island. The Consortium, during the commencement of the production stage, decided to flare the associated gas for it is in minimal quantity and uneconomical. Moreover, processing the gas will also need a different production facility aside from the existing oil facility.		its Environmental Compliance Certificate issued by the Department of Environment and Natural Resource (DENR).
<b>What are the risk/s identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<p>Unregulated GHG emissions can lead to unacceptable values of GHG that are not compliant to the project's ECC and would result into fines and penalties from the DENR.</p> <p>Moreover, too much GHG emission can accelerate global warming that can lead to human-induced climate change. Flaring of gas, and production of oil in general, is considered as a very high-risk process when it comes to safety and hazard. One unsafe act can lead to a chain of unfortunate events and can endanger the entire production facility and all crew onboard. Damaging the production facility can lead to oil leaks/ spill.</p>	<ul style="list-style-type: none"> <li>• JV Consortium</li> <li>• Field employees</li> <li>• Government</li> <li>• Community</li> </ul>	<p>The JV Consortium of GFAD is currently in its efforts to install a Low Pressure- Condensate Recovery Unit. The CRU adds up to 300 barrels of oil per day in the production target and can extend the field life up to 5 months while reducing the field's GHG emission by 20-30%.</p> <p>The Consortium strictly ensures the safety and survival measures being implemented in the FPSO by giving proper safety training to its crew as well as posting of safety warnings in the FPSO.</p>
<b>What are the opportunity/ies identified?</b>	<b>Which stakeholders are affected</b>	<b>Management Approach</b>
The JV Consortium of GFAD is currently in its efforts to install a Low Pressure- Condensate Recovery Unit. The CRU adds up to 300 barrels of oil per day in the production target and can extend the field life up to 5 months while reducing the field's greenhouse gas emission by 20-30%.	<ul style="list-style-type: none"> <li>• JV Consortium</li> <li>• Field employees</li> <li>• Government</li> </ul>	The Consortium has been very supportive in the installation of the CRU since its planning up to the execution stage.

Explanation:

GPC submits its quarterly and annual reports to the Department of Environment and Natural Resources – Environment Management Bureau (DENR- EMB) such as Compliance Monitoring Report and Self- Monitoring Reports which presents and discusses the potential air and water pollutants. In the oil and gas industry, flaring is usually done, and it releases methane and carbon dioxide, which are the major greenhouse gases. GPC declares its Greenhouse gas emission on its quarterly and annual report.

**Air Pollutants**

Disclosure	Quantity	Units
NOx	156,414.98 <sup>[5]</sup>	kg
Sox	9.98 <sup>[5]</sup>	kg
Persistent organic pollutant (POPs)	0	kg
Volatile Organic Compounds (VOCs)	249,983.83 <sup>[5]</sup>	kg
Hazardous air pollutants (HAPs)	840,349.72 <sup>[5][6]</sup>	kg
Particulate Matter (PM)	338.38 <sup>[5]</sup>	kg

[5] Data provided by Galoc Production Company

[6] Carbon Monoxide as Hazardous Air Pollutants

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The air pollutants are the combined values of the emissions in the flaring facility and the fuel combustion in the FPSO. Some of the air pollutants are dissolved or sometimes the by-product of the hydrocarbon.	<ul style="list-style-type: none"><li>• JV Consortium</li><li>• Field employees</li><li>• Government</li></ul>	The Operator strictly regulates and reports the emission of air pollution on a quarterly and annual basis by providing a Compliance Monitoring Report and Self- Monitoring Reports to the DENR and the DOE. The management ensures that air pollutant emissions are acceptable and compliant with its Environmental Compliance Certificate issued by the DENR.
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
Unregulated air pollutant emissions can lead to unacceptable values above the required standards set by the DENR and as stated in the project's ECC. This would result into fines and penalties from the DENR.	<ul style="list-style-type: none"><li>• JV Consortium</li><li>• Field employees</li><li>• Government</li><li>• Community</li></ul>	The Operator has set up competent team and uses advanced technologies to be able to strictly regulate the air pollutant emissions from the FPSO. It also submits quarterly and annual Compliance Monitoring Report and Self-Monitoring Reports to the DENR and the DOE to declare

		its quarterly and annual total air pollutants emission.
<b>What are the opportunity/ies identified?</b>	<b>Which stakeholders are affected</b>	<b>Management Approach</b>
Acquisition of the CRU is one of the projects of the JV Consortium in pursuing a sustainable energy source that will lessen GHG emission. With the growing concerns regarding sustainability, the CRU will pave the way to develop new forms of technology to be able to reduce the GFAD project's air pollutant impact.	<ul style="list-style-type: none"> <li>• JV Consortium</li> <li>• Field employees</li> <li>• Government</li> <li>• Community</li> </ul>	The JV Consortium has been very supportive in pursuing alternative ways to attain a sustainable energy that would promote less gas and air pollutant emissions.

## Solid and Hazardous Wastes

### Solid Waste

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total Solid Waste Generated	338,500 <sup>[5]</sup>	kg
Reusable	0	kg
Recyclable	0	Kg
Composted	0	Kg
Incinerated	0	Kg
Residuals/ Landfilled	0	kg

[5] Data provided by Galoc Production Company

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
The FPSO facilities generates waste from packaging of materials necessary in the operation such as food waste, plastics, metals, carton boxes, glass, rags, wooden pallets, and bottles.	<ul style="list-style-type: none"> <li>• JV Consortium</li> <li>• Field employees</li> <li>• Government</li> <li>• Community</li> </ul>	Wastes are segregated through trash bins labelled as Biodegradable and Non-Biodegradable. Since the facility is located offshore, the waste cannot be disposed directly into the sea, for it will violate environmental laws. Instead, the wastes were being stored in a waste facility in the FPSO to be later on collected by a supply vessel whenever there will be a delivery of goods. The wastes will be sorted out based on its category such as bottles, plastics, glass etc.

What are the risk/s identified?	Which stakeholders are affected?	Management Approach
Improper disposal of solid wastes from the FPSO can cause pollution to the ocean and may lead to filing of fines and penalties by the DENR.	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> </ul>	The Operator is strict about solid waste disposal by having trash bins in designated areas in the FPSO especially in the accommodation unit where most of the crew eat and stay. Moreover, a breakdown of solid wastes generated in the FPSO are incorporated in the quarterly and annual Compliance Monitoring Report and Self- Monitoring Reports to the DENR and the DOE.
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
Sustainable proper waste disposal can be achieved by recycling and adapting new technologies to reduced solid waste.	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> </ul>	The Operator regularly monitors solid waste generation and disposal in the FPSO and are open to finding alternative ways to enhance sustainable solid waste management.

### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	4,1107.35 <sup>[5]</sup>	Kg
Total weight of hazardous waste transported	4,3964.08 <sup>[5]</sup>	kg

[5] Data provided by Galoc Production Company

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Hazardous wastes generated during operation in the FPSO includes oil waste, oil-contaminated materials, wastes with lead and mercury compounds, pathological or infectious wastes, explosives and expired medicines.	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> </ul>	Hazardous wastes are being collected by supply vessels and are properly handled until the final disposal facility.
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
Improper handling of hazardous wastes from the FPSO can cause pollution to the ocean and may lead to filing of	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> </ul>	The Operator is strict about hazardous waste disposal and regularly reports its generated wastes in the FPSO in the quarterly and annual

finances and penalties by the DENR.		Compliance Monitoring Report and Self-Monitoring Reports to the DENR and the DOE.
<b>What are the opportunity/ies identified?</b>	<b>Which stakeholders are affected</b>	<b>Management Approach</b>
Sustainable hazardous waste disposal can be achieved by recycling and adapting new technologies to reduce hazardous waste.	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> <li>Oil and gas industry</li> </ul>	The Operator regularly monitors hazardous waste generation and disposal in the FPSO and are open to finding alternative ways to enhance sustainable hazardous waste management.

### **Effluents**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total volume of water discharges	5,048,915.34 <sup>[5]</sup>	Cubic meters
Percent of wastewater recycled	0	%

[5] Data provided by Galoc Production Company

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Effluents from the FPSO includes Produced Formation Water (water from the underground oil reservoir), Wash Water (vessel washings), Cooling Water from the engine room, and cooling water from the process area.	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> <li>Government</li> <li>Community</li> </ul>	Produced Formation Water with >15 ppm oil content is either diverted to the cargo tank (if oil content is very high) and/or directed to the oily water tank (slopy tank). In due time, oil in the slop tank separates and floats on top of the water layer. The relatively oil-free water is flowed to the clean water slop tank and is re-processed for overboard disposal, while the accumulated oil is flowed to the cargo tank (as part of the crude product). If the produced water is <15 ppm oil content, it is being discharged overboard. An alarm system or a full-time technician diverts the produced water to the slop tank if the oil content is greater than 15 ppm. <sup>[5]</sup>
<b>What are the risk/s identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Improper handling of effluents can lead to unwanted disposal	<ul style="list-style-type: none"> <li>JV Consortium</li> <li>Field employees</li> </ul>	The Operator strictly regulates and reports the total



of untreated waste water directly into the ocean.	<ul style="list-style-type: none"> <li>• Government</li> <li>• Community</li> </ul>	discharged water and effluents on a quarterly and annual basis by providing a Compliance Monitoring Report and Self-Monitoring Reports to the DENR and the DOE. The management ensures that effluents are acceptable and compliant with its Environmental Compliance Certificate issued by the DENR.
<b>What are the opportunity/ies identified?</b>	<b>Which stakeholders are affected</b>	<b>Management Approach</b>
The Consortium is constantly on the lookout and open to adopting demonstrated good practice on effluent handling and disposal.	<ul style="list-style-type: none"> <li>• JV Consortium</li> <li>• Field employees</li> <li>• Government</li> <li>• Community</li> <li>• Oil and gas industry</li> </ul>	The Operator strictly regulates the total discharged water and effluents to ensure compliance with the standards set by the DENR.

[5] Data provided by Galoc Production Company

## Environmental Compliance

### Non- compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non- compliance with environmental laws and/ or regulations	0	PhP
No. of non- monetary sanctions for non- compliance with environmental laws and/ or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact.	Not applicable	Not applicable
What are the risk/s identified?	Which stakeholders are affected?	Management Approach
No material risk identified.	Not applicable	Not applicable
What are the opportunity/ies identified?	Which stakeholders are affected	Management Approach
No identified opportunities.	Not applicable	Not applicable

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

**Employee Data – Represents the Company's employees only. Does not include employees of other Joint Venture Partners and Contractors.**

Disclosure	Quantity	Units
Total number of employees	14	
a. Number of female employees	5	#
b. Number of male employees	9	#
Attrition rate	0	Rate
Ratio of lowest paid employee against minimum wage	0	ratio

#### **Employee benefits**

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
Philhealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental Leaves	Y	-	0
Vacation Leaves	Y	100%	100%
Sick Leaves	Y	100%	100%
Medical Benefits (aside from Philhealth)	Y	40%	11%
Retirement Fund (aside from SSS)	Y		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible- working hours	Y	100%	100%
(others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Compensation and benefits are key factors in employees' satisfaction that determines their willingness to stay in the Company.	The Company abides by the safety, health, and welfare standards and policies set by the Department of Labor and Employment and mandatory benefits established by the government. In addition, the Company ensures to give competitive compensation package in order to retain its employees and acquire new talents.

<b>What are the risk/s identified?</b>	<b>Management Approach</b>
OPMC has identified lack of technical experts in the industry as a major risk.	Many experts have gone overseas thus, the management believes that a competitive package can address this risk. Also, the Company continues to enhance its training programs to equip its technical staff with the proper knowledge.
<b>What are the opportunity/ies identified?</b>	<b>Management Approach</b>
The Company sees engaging with young professionals and providing trainings will ensure continuity of its operations.	OPMC continues to grow its talent through trainings and seminars. Also, the Company continues to evolve to adapt to the ever-changing business landscape.

### Employee Training and Development

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total training hours provided to employees		
a. Female employees	82	hours
b. Male employees	4	hours
Average Training hours provided to employees		
a. Female employees	17.5	Hours/ employee
b. Male employees	4	Hours/ employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
OPMC's training and development programs have led to substantial career growth among its employees. The Company believes that career development and employee empowerment are crucial in employee retention.	The Company continues to enhance its training and seminar programs which give employees opportunities to develop, enhance and enrich themselves with skill sets they need to better perform their roles in the Company and in the community.
<b>What are the risk/s identified?</b>	<b>Management Approach</b>
Possible employee poaching from other industry players.	The Company believes that an attractive compensation package is effective in maintaining talents.
<b>What are the opportunity/ies identified?</b>	<b>Management Approach</b>
Given the ever-changing business landscape where everything is going digital, this is an opportune time for the employees to get trainings in different business applications and software.	The Management will incorporate in its training programs topics that involves digital transformation.

### Labor- Management Relations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of employees covered with Collective Bargaining Agreements	None	%
Number of consultations conducted with employees concerning employee- related policies	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No material impact.	Not applicable
What are the risk/s identified?	Management Approach
No identified material risk/s.	Not applicable
What are the opportunity/ies identified?	Management Approach
No identified material opportunity/ies.	Not applicable

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of Female workers in the workplace	36	%
% of Male workers in the workplace	64	%
Number of employees from indigenous communities and/ or vulnerable sector*	2	# of elderly

Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that there is equality and diversity in the organization. Although it is dominated by male employees, it is only because of the nature of its business where most experts (Geologist) are in the male gender.	OPMC conducts its hiring process based on the applicants' qualifications that match the Company's requirements. Compensation and benefits are also based on merit and benchmarked with industry rates.
What are the risk/s identified?	Management Approach
The Company identified lack of technical employees/experts in the field of Geology as a risk.	The Company is on continuous search for Geologists that will complement its technical group. It continues to enhance its development programs to train existing Junior Geologist.
What are the opportunity/ies identified?	Management Approach
OPMC sees as opportunity having access to Consultants in the Oil Exploration Industry.	Starting 2019, the Company has been looking for opportunities to expand its technical group. This opens the opportunities to meet with Consultants and experts in the industry. The Company in its best efforts will contract with potential Consultants that will help strengthens the Company's technical team.

### Workplace conditions, Labor Standards, and Human Rights

#### Occupational Health and Safety:

Disclosure	Quantity	Units
Safe Man- Hours	26,544	Man-hours
No. of work- related injuries	0	#
No. of work- related fatalities	0	#
No. of work- related ill- health	0	#

No. of Safety Drills	2	#
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Occupational health and safety affects the welfare of OPMC's employees in their performance of their roles.	<p>The Company recognizes its statutory responsibility to provide healthy and safe working environment to its employees.</p> <p>Please see:  <a href="https://opmc.com.ph/corporate-governance/Company-policies/#HealthSafetyWelfare">https://opmc.com.ph/corporate-governance/Company-policies/#HealthSafetyWelfare</a>  or  <a href="https://opmc.com.ph/corporate-governance/Company-policies/code-of-business-conduct-and-ethics/">https://opmc.com.ph/corporate-governance/Company-policies/code-of-business-conduct-and-ethics/</a></p>
What are the risk/s identified?	Management Approach
<p>The Company identified the following risks:</p> <ul style="list-style-type: none"> <li>• Work-related injuries that may cause permanent or temporary disability or fatality</li> <li>• Occurrence of Fire or Earthquake emergencies</li> </ul>	<p>Please see:  <a href="https://opmc.com.ph/corporate-governance/Company-policies/#HealthSafetyWelfare">https://opmc.com.ph/corporate-governance/Company-policies/#HealthSafetyWelfare</a></p>
What are the opportunity/ies identified?	Management Approach
No identified material opportunities	Not applicable

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	Man-hours

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference in the Company policy
Forced Labor	N	
Child Labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The topic impacts the welfare of the employees as they are hired and work for the Company.	The Company complies with all the applicable laws and regulations on

	employees' welfare, the Labor Code, and has grievance and communication mechanisms in place.  The Company however, is still in the process of crafting its human rights policies.
<b>What are the risk/s identified?</b>	<b>Management Approach</b>
Though there were no reports, OPMC has identified as risk, potential human rights and labor violations within the Company.	The Company complies with all the applicable laws and regulations on employees' welfare, the Labor Code, and has grievance and communication mechanisms in place.
<b>What are the opportunity/ies identified?</b>	<b>Management Approach</b>
No material opportunities identified	Not applicable

### **Supply Chain Management – not material**

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

Do you consider the following sustainability topics when accrediting suppliers?

<b>Topic</b>	<b>Y/N</b>	<b>If yes, cite reference in the supplier policy</b>
Environmental performance		
Forced labor		
Child Labor		
Human Rights		
Bribery and corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	<b>Management Approach</b>
No material impact.	Not applicable
<b>What are the risk/s identified?</b>	<b>Management Approach</b>
No identified material risk/s.	Not applicable
<b>What are the opportunity/ies identified?</b>	<b>Management Approach</b>
No identified material opportunities.	Not applicable

### **Relationship with Community – not material**

#### Significant Impacts on Local Communities

<b>Operations with significant (positive or negative) impacts on</b>	<b>Location</b>	<b>Vulnerable Groups (if applicable)*</b>	<b>Does this particular operation have impacts in indigenous</b>	<b>Collective or individual rights that have been identified that or particular</b>	<b>Mitigating measures ( if negative) or enhancement measures ( if positive)</b>

local communities (exclude CSR projects; this has to be business operated)			people (Y/N)?	concern for the community	

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate total number of Free and Prior informed Consent (FPIC) undergoing consultations and certification preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Disclosure	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the risk/s identified?	Management Approach
Please see explanation below	
What are the opportunity/ies identified?	Management Approach
Please see explanation below	

#### **Explanation:**

All community-related operations are through the Consortium's CSRs which is part of the Consortium's commitment as embodied in the ECC and Strategic Environmental Plan of the Palawan Council for Sustainable Development (PCSD). As of to date, there were 15 projects implemented in the municipalities of Culion, Busuanga and Linapacan:

#### **Education:**

- Solar Powered E- TV Educational Package
- Trainings for Teachers
- Library rehabilitation
- Constructions of Classrooms
- Construction of Laboratory House for students

#### **Livelihood**

- Water access Project and Manpower Development Skills Training
- Donation of Gensets
- Construction of Eco- Tourism Center

#### **Health**

- Solar Electrification of Health Center
- Donation of Medical Equipments

The Consortium allocates funds for training, scholarship, conferences and similar activities for the DOE's personnel. The commitment is US\$20,000 per year for Service Contract areas under

exploration/ development stage and US\$50,000 per year for Service Contract areas that are in production stage.

Further, the Consortium is required to provide scholarship to deserving students residing within the vicinity of the service contract area.

### **Customer Management – not material**

#### **Customer Satisfaction**

<b>Disclosure</b>	<b>Score</b>	<b>Did a third party conduct the customer satisfaction study (Y/N)?</b>
Customer satisfaction		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No material impact.	Not applicable
What are the risk/s identified?	Management Approach
No identified material risk/s.	Not applicable
What are the opportunity/ies identified?	Management Approach
No identified material opportunities.	Not applicable

### **Health and Safety – not material**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantial complaints on product or service health and safety		#
No. of complaints addressed		#

\* Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanism as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No material impact.	Not applicable
What are the risk/s identified?	Management Approach
No identified material risk/s.	Not applicable
What are the opportunity/ies identified?	Management Approach
No identified material opportunities.	Not applicable

### **Marketing and labelling – not material**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		

\* Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanism as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
---	---------------------



No material impact.	Not applicable
What are the risk/s identified?	Management Approach
No identified material risk/s.	Not applicable
What are the opportunity/ies identified?	Management Approach
No identified material opportunities.	Not applicable

#### **Customer privacy – not material**

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		
No. of customers, users and account holders whose information is used for secondary purposes		

\* Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanism as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No material impact.	Not applicable
What are the risk/s identified?	Management Approach
No identified material risk/s.	Not applicable
What are the opportunity/ies identified?	Management Approach
No identified material opportunities.	Not applicable

#### **Data Security – Data Privacy Act**

Disclosure	Quantity	Units
No. of breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Ensuring the investors and employees data privacy is one of the factors that contributes to the Company's integrity and investor's trust and confidence.	The Management adheres to the conditions set forth in the Data Privacy Act of 2012 or RA 10173.
What are the risk/s identified?	Management Approach
Should there be any leak in information, the Company will lose the trust and confidence of its investors.	The Management adheres to the conditions set forth in the Data Privacy Act of 2012.
What are the opportunity/ies identified?	Management Approach
OPMC aims to continuously improve its data management and privacy system to ensure continuous investor patronage.	The Management adheres to the conditions set forth in the Data Privacy Act of 2012.

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development

Key Products and Services	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative
Crude Oil	<p>SDG 4: Quality Education</p> <p>OPMC has been a long-time partner of oil and gas contractors in providing sustainable quality education especially to remote areas in northern Palawan such as the municipalities of Culion, Busuanga and Linapacan through donation of Solar Powered E-TV Educational Package, providing trainings for teachers, constructions of Classrooms and Laboratory house and rehabilitation of libraries.</p>	<p>Petroleum Service Contracts has only 50 years validity, once the terms have expired, the production of the field will cease and the contractor will rehabilitate and abandon the area. The abandonment of the field will lead to the cessation of the scholarship and educational assistance, for these are included within the service contract as contractor's obligation and commitment.</p>	<p>OPMC, together with other petroleum companies are hand in hand in their continuous efforts to explore and develop new oil and gas fields to be able to secure another service contract and provide sustainable quality education.</p>



# ORIENTAL PETROLEUM AND MINERALS CORPORATION

May 28, 2020

## CERTIFICATION

Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

I, Ma. Riana C. Infante, Chief Financial Officer, is a duly authorized representative of Oriental Petroleum and Minerals Corporation with SEC registration 40058 with principal office address at 34th floor Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Philippines, do hereby certify that:

Oriental Petroleum and Minerals Corporation will comply with the guidelines for the alternative filing of reports and/or documents online with the Securities and Exchange Commission in light with imposition of an Enhanced Community Quarantine and Stringent Social Distancing Measures over Luzon to prevent the spread of the 2019 Coronavirus Disease (COVID-2019).

The information contained in 2020 SEC Form 17-Q (Quarterly Report) with attached unaudited consolidated financial statements for the period ended March 31, 2020, submitted on May 28, 2020 online is true and correct to the best of my knowledge.

On behalf of Oriental Petroleum and Minerals Corporation I hereby undertake to (1) submit hard or physical copies of 2020 SEC Form 17-Q (Quarterly Report) with proper notarization and certification; (2) pay the filing fees (where applicable); (3) pay the penalties due (where applicable) and (4) other impositions (where applicable), within ten (10) calendar days from the date of the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours.

I am fully aware that non-submission of hard/physical copies of reports as well as certification that they refer to one and the same document submitted online, within ten (10) calendar days from the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours, shall invalidate the reports, applications, compliance, requests and other documents submitted via email. Hence, the corresponding penalties under existing rules and regulations of the Commission shall apply without prejudice to the imposition of penalties under Section 54 of the Securities Regulation Code and other applicable existing rules and regulations for failure to comply with the orders of the Commission.

I am executing this certification on May 28, 2020 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

  
Ma. Riana C. Infante  
Authorized Representative

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Ma. Riana C. Infante
----------------------

(Contact Person)

633-7631
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(Company Telephone Number)

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Month Day  
(Fiscal Year)

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(Form Type)

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Month Day  
(Annual Meeting)

Three Months Ended March 31, 2020

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**
2. Commission identification number **40058**
3. BIR Tax Identification No. **000-483-747-000**
4. **ORIENTAL PETROLEUM AND MINERALS CORPORATION**  
Exact name of issuer as specified in its charter
5. **Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: [                      ] (SEC Use Only)
7. **34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center Pasig City**  
**1600**  
Address of issuer's principal office                      Postal Code
8. **(632) 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

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding</u>
<b>Common Stock, P0.01 par value</b>	<b>200 Billion</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [ **x** ]                      No [   ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange                      Class A and B**

12. Indicate by check mark whether the registrant:

- (a) Has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

**Yes** [ **x** ]      No [   ]

- (b) Has been subject to such filing requirements for the past ninety (90) days

**Yes** [ **x** ]      No [   ]

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### **PART I - - FINANCIAL INFORMATION**

#### **Item 1 Financial Statements**

Consolidated Statements of Financial Position  
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Consolidated Statements of Comprehensive Income  
Consolidated Statements of Changes in Stockholders' Equity  
Consolidated Statements of Cash Flows

#### **Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **PART II - - OTHER INFORMATION**

#### **SIGNATURE**

## **PART I – FINANCIAL INFORMATION**

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

- a) Consolidated Statements of Financial Position
- b) Consolidated Statements of Income
- c) Consolidated Statement of Comprehensive Income
- d) Consolidated Statements of Changes in Stockholders' Equity
- e) Consolidated Statements of Cash Flows

The above financial statements are prepared in conformity with accounting principles generally accepted in the Philippines. Included in this report is summary of the Company's significant accounting policies.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 1st Quarter of 2020 as compared with the most recent annual audited financial statements ending December 31, 2019.

Attached are the interim financial statements for and as of March 31, 2020.

The Company' management discloses the following:

- Interim operations are not cyclical and or seasonal;
- There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, amount, size, or incidents;
- There are no changes in the amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- There have been no issuances, repurchases, and repayments of debt and equity securities;
- The Company maintains no business or geographical segment;
- There are no material events subsequent to the end of the interim period (January - March 2020) that have not been reflected in the interim reports;
- There have been no changes in the composition of the Company such as business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations;
- There are no contingent liabilities or contingent assets since the last annual balance sheet date ending December 31, 2019.
- There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.



***Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations***

**FINANCIAL AND OPERATIONAL HIGHLIGHTS - (in thousand dollars)  
(except exchange rates and number of employees)**

As of and for the period ended  
March 31 (Unaudited)

	2020	2019	Change
<b>Income Statement data</b>			
Revenues from petroleum operations	164.95	1,096.05	(85%)
Petroleum production costs	397.18	876.59	(55%)
Depletion, depreciation & amortization	71.72	182.11	(61%)
Other income	666.43	593.38	12%
<b>Balance Sheet data</b>			
Cash and cash equivalents	16,518.21	10,283.67	61%
Receivables	618.88	816.56	(24%)
Crude oil inventory	831.24	947.39	(12%)
Equity instruments at fair value through other comprehensive income	30,354.64	12,558.01	142%
Debt instruments at amortized cost	27,291.70	12,990.10	110%
Provision for plug and abandonment	408.51	840.52	(51%)
<b>Other data</b>			
Average peso dollar exchange rate	50.96	52.38	(3%)
Number of employees	15	15	

The Company's subsidiaries consolidated herewith are Oriental Mahogany Woodworks, Inc., Oriental Land Corporation and Linapacan Oil Gas and Power Corporation. Brief descriptions of the subsidiaries are as follows:

**a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)**

OMWI (a wholly-owned subsidiary of Oriental Petroleum and Mineral Corporation - OPMC) was incorporated and started commercial operations on May 2, 1988 with principal objective of supplying overseas manufacturers, importers and designers with high quality furniture.

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

## **b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)**

LOGPOCOR (a wholly-owned subsidiary of OPMC) was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transporting, marketing, utilization, conservation, stockpiling of any forms of energy products and resources. OPMC acquired LOGPOCOR through transfer of 12.6 working interest in Blocks A, B, and C of SC14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the 12.6 working interest, however, LOGPOCOR continues to share in the related capitalizable expenses. On the other hand, the depletion of such costs is charged to OPMC and accordingly deducted from the unamortized cost.

## **c) ORIENTAL LAND CORPORATION (OLC)**

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

## **Results of Operations**

### **March 31, 2020 vs. March 31, 2019**

Revenue from petroleum operations at the end of March 31, 2020, which amounted to US\$0.16 million, dropped by US\$0.93 million or 85% from US\$1.10 million on March 31, 2019. The decline in crude oil production volume and drop of average crude oil prices led to the decrease of petroleum revenue. The decline in barrels of oil in Galoc operation was caused by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4 due to problems in the well's subsurface production mechanism. Production in the Nido and Matinloc fields was terminated permanently in March 2019. Further, average price per barrel dropped to US\$34.19 in 2020 as compared to US\$61.37 in 2019 for Galoc operations. The decline in oil price was mainly due to oversupply of oil in the world market.

Petroleum production costs at the end of the three-month period, which totaled to US\$0.40 million, decreased by US\$0.48 million or 55% for the same period last year. 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. Production in the Nido and Matinloc fields was terminated permanently in March 2019.

Depletion, depreciation and amortization decreased by 61% due to decrease in volume of crude oil production.

Interest and other income increased to US\$0.67 million from US\$0.59 million arising from interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost.

## Financial Position

### March 31, 2020

The Company's consolidated assets at the end of the first quarter of 2020, which amounted to US\$91.48 million, is slightly lower by US\$0.54 million than the first quarter of 2019 due to the following movements:

For the first quarter of 2020, cash and cash equivalents of US\$16.52 million and time deposits placement under short-term investments account of US\$1.93 million totaled to US\$18.45 million decreased as compared to US\$50.28 million (cash and cash equivalents of US\$10.28 million and time deposits placement under current portion of long term investments account of US\$40.00 million) for the first quarter of 2019 mainly due to acquisition of additional equity instruments at fair value through other comprehensive income and debt instruments at amortized cost.

Receivables for the first quarter of 2020 totaled US\$0.62 million, a decrease of 24% from the same period last year. This account mainly represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively.

Crude oil inventory amounted to US\$0.83 million, a decrease of 12% from the same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The decrease was mainly due to lower crude oil volume in tank and storage in 2020 as compared to 2019.

Equity instruments at fair value through other comprehensive income amounted to US\$30.35 million for the first quarter of 2020, higher than same period last year of US\$12.56 million attributable to additional investments in preferred shares.

Debt instruments at amortized cost totaled US\$27.29 million for the first quarter of 2020, higher than same period last year of US\$12.56 million due to additional acquisition of bonds.

Consolidated property and equipment at the end of the first quarter of 2020 amounted to US\$13.27 million. The decrease of about 4% was mainly due to depletion and depreciation expenses.

For the first quarter of 2020, accounts and other payables account amounted to US\$0.27 million, a decrease from US\$0.53 million for the same period last year due to payment of accrued expenses and reversal of long-outstanding payables of US\$0.25 million.

Provision for plug and abandonment amounted to US\$0.41 million, a decline from US\$0.84 million for the same period last year due to payment of accrued costs to plug and abandon wells.

Income tax payable decreased by US\$0.17 million due to payment of income tax.

### **March 31, 2019**

The Company's consolidated assets at the end of the first quarter of 2019, which amounted to US\$92.02 million, is 1% higher than the first quarter of 2018, amounting to US\$91.41 million due to the following movements:

For the first quarter of 2019, cash and cash equivalents account amounted to US\$10.28 million, as compared to US\$2.35 million for the first quarter of 2018. The increase of US\$7.93 million was mainly due to reclassification of placements from short-term investments to cash and cash equivalents account, partially decreased by payment of plug and abandonment cash call.

Receivables for the first quarter of 2019 totaled US\$0.82 million, a decrease of 13% from the same period last year. This account mainly represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US\$0.95 million, a decrease of 29% from the same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The decrease was mainly due to lower crude oil volume in tank and storage in 2019 as compared to 2018.

Available-for-sale investments are presented as equity instruments at fair value through other comprehensive income according to PFRS 9, *Financial Instruments*, which amounted to US\$12.56 million at the end of first quarter of 2019.

Held-to-maturity investments are presented as debt instruments at amortized cost according to PFRS 9, which amounted to US\$12.99 million at the end of first quarter of 2019.

Consolidated property and equipment at the end of the first quarter of 2019 amounted to US\$13.75 million. The decrease of about 5% was mainly due to depletion and depreciation expenses.

Provision for plug and abandonment costs pertains to estimated costs to plug and abandon wells in SC 14A, B and B1 - Nido, Matinloc and North Matinloc oilfields amounting to US\$0.84 million at the end of first quarter of 2019.

### **March 31, 2018**

The Company's consolidated assets at the end of the first quarter of 2018, which amounted to US\$91.41 million, is 1% higher than the first quarter of 2017, which amounted to US\$90.87 million due to the following movements:

For the first quarter of 2018, cash and cash equivalents account amounted to US\$2.35 million, as compared to US\$14.81 million for the first quarter of 2017. The decrease of 84% 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 for the first quarter of 2018 totaled US\$0.94 million, a decrease of 28% from the first quarter of last year's US\$1.30 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.

Available-for-sale investments reached US\$12.25 million at the end of the first quarter of 2018, lower than last year's US\$13.18 million attributable to the change in market value of investments.

Investment in bonds totaled US\$9.05 million for the first quarter of 2018, higher than last year's US\$3.19 million due to additional acquisition of bonds.

Consolidated property and equipment at the end of the first quarter of 2018 amounted to US\$14.51 million. The decrease of about 5% is mainly due to depletion and depreciation expenses.

For the first quarter of 2018, accounts and other payables account amounted to US\$0.52 million, a decrease from US\$0.62 million in 2017 due to payment of accrued expenses. Income tax payable decreased by US\$0.54 million from 2017 due to payment of income tax and lower income tax liability for the year.

### **March 31, 2020 versus December 31, 2019**

The Company's consolidated assets at the end of the period March 31, 2020, which amounted to US\$91.48 million, is US\$1.93 million lower compared to the end of 2019 of US\$93.41 million due to the following movements:

Cash and cash equivalents and time deposit placement under short-term investments account as at March 31, 2020 amounted to US\$16.52 million and US\$1.93 million, respectively, lower as compared to US\$17.89 million and US\$1.50 million, respectively, as of December 31, 2019. The decrease in this account was mainly due to the payment of share in operating expenses in Galoc, share in cost to plug and abandon wells in Nido oilfield and acquisition of additional equity instruments at fair value through other comprehensive income, partially offset by cash receipts from interest and dividend income.

Crude oil inventory amounted to US\$0.83 million which resulted to an increase of 24% from last year's US\$0.67 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.

Equity instruments at fair value through other comprehensive income amounted to US\$30.35 million, lower than last year's US\$31.08 million attributable to changes in the market value of investments, offset by additional acquisitions of preferred shares.

Accounts and other payables account amounted to US\$0.27 million, a decrease from US\$0.83 million at the end of 2019 mainly due to payment of share in operating expenses in Galoc.

Provision for plug and abandonment amounted to US\$0.41 million, a decline from US\$0.82 million at the end of 2019 due to payment of accrued costs to plug and abandon wells in Nido oilfield.

The causes for material changes of March 31, 2020 figures as compared to December 31, 2019 figures of the following accounts are:

Accounts	March 31, 2020	December 31, 2019	Change	%	Remarks
<b>Balance Sheet</b>					
Cash and cash equivalents	<b>\$16,518,211</b>	\$17,887,849	(\$1,369,638)	(8%)	Decrease was mainly due to the payment of share in operating expenses in Galoc, share in cost to plug and abandon wells in Nido oilfield and acquisition of additional equity instruments at fair value through other comprehensive income, partially offset by cash receipts from interest and dividend income.
Crude oil inventory	<b>831,236</b>	668,147	163,089	24%	This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers.
Equity instruments at fair value through other comprehensive income	<b>30,354,641</b>	31,080,859	(726,218)	(2%)	Decrease was due to changes in the market value of investments, offset by additional acquisitions of preferred shares.
Accounts and other payables	<b>269,819</b>	825,770	(555,951)	(67%)	Decrease was mainly due to payment of share in operating expenses in Galoc and accrued expenses.
Provision for plug and abandonment	<b>408,505</b>	817,011	(408,506)	50%	Decrease was mainly due to payment of accrued cost to plug and abandon wells in Nido Oilfield.

The causes for material changes of March 31, 2020 figures as compared to March 31, 2019 figures of the following accounts are:

Accounts	March 31, 2020	March 31, 2019	Change	%	Remarks
<b>Balance Sheet</b>					
Cash and cash equivalents	<b>\$16,518,211</b>	\$10,283,667	\$6,234,544	61%	Increase was due to reclassification of placements from current portion of long term investment account to cash and cash equivalents and short-term investments account, decreased by acquisition of additional equity instruments at fair value through other comprehensive income and debt instruments at amortized cost.
Crude oil inventory	<b>831,236</b>	947,391	(116,155)	(12%)	Decrease was mainly due to lower crude oil volume in tank and storage at the end of first quarter of 2020.
Equity instruments at fair value through other comprehensive income	<b>30,354,641</b>	12,558,012	12,558,012	142%	Increase was attributable to additional investments in preferred shares.
Debt instruments at amortized cost	<b>27,291,700</b>	12,990,099	14,301,600	110%	Increase was attributable to additional investments in bonds.
Property and equipment	<b>13,262,881</b>	13,749,400	(486,519)	(4%)	Decrease was due to depletion and depreciation expenses.
Accounts and other payables	<b>269,818</b>	531,002	(261,183)	(49%)	Decrease was due to payment of accrued expenses and reversal of long-outstanding payables of US\$0.25 million.
<b>Income Statements</b>					
Revenues from petroleum operations	<b>164,948</b>	1,096,053	(931,105)	(85%)	The decline in crude oil production volume and drop of average crude oil prices led to the decrease of petroleum revenue for the first quarter of 2020 as compared to the same period last year.
Petroleum production costs	<b>397,178</b>	876,591	(479,413)	(55%)	These costs mainly include floating, production, storage and offloading charges, field /platform operation costs, and management and technical fees. Production in the Nido and Matinloc fields was terminated permanently in March 2019.

Depletion, depreciation and amortization	<b>71,716</b>	182,114	(110,398)	(61%)	Decrease was due to decrease in volume of crude oil production.
Interest and other income	<b>666,433</b>	593,384	73,049	12%	Increase in interest and other income arising from the Company's investment in preferred shares, bonds, and short-term and long-term deposits.

## Key Performance Indicators

	March 31, 2020	March 31, 2019
Current Ratio	<b>29.35</b>	33.71
Net Working Capital Ratio	<b>0.21</b>	0.55
Return on Assets	<b>(0.74%)</b>	(0.09%)
Return on Equity	<b>(0.01%)</b>	0.58%
Ratio of Debt-to-Equity	<b>0.02</b>	0.03
Ratio of Asset-to-Equity	<b>1.02</b>	1.03

*Figures are based on Unaudited Financial Statements*

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

## Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, short-term and long-term investments, equity instruments at FVOCI, debt instruments at amortized costs and accounts and other payables (excluding statutory liabilities). The main objectives of the Group's financial risk management are as follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The main risks arising from the Group's financial instruments are liquidity, credit, foreign currency, and equity price risk.

The Group's risk management policies are summarized below:

### a) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and service maturing debts.



The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

As of March 31, 2020 and 2019, all financial liabilities are expected to mature within one year. All commitments up to a year are either due within the time frame or are payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk consist of cash and cash equivalents, long-term investments, receivables and equity instruments at FVOCI as of March 31, 2020 and 2019 consist of loans and receivables and short-term investments which are usually on demand or collectible within a term of 30 days.

*b) Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with its dealers. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of Equity instruments at FVOCI, and Debt instruments at amortized cost exposes the Group to credit risk of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets, if the counterparty is unwilling or unable to fulfill its obligation. Credit risk management involves entering into transactions with counterparties that have acceptable credit standing.

In 2020 and 2019, the Group's cash in banks and cash equivalents, short-term and long-term investments are considered high-grade while the remaining financial assets are considered standard grade.

The Group uses the following criteria to rate credit quality:

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

*c) Foreign currency risk*

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

The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of the Group's investments and other transactions in Philippine

Peso, the consolidated statements of income can be affected significantly by movements in the U.S. Dollars.

e) *Equity price risk*

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statement of financial position as equity instruments at FVOCI.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Group considers as capital the equity attributable to the equity holders, which amounted to \$89.92 million and \$89.02 million as of March 31, 2020 and 2019, respectively. No changes were made in the objectives, policies or processes during the periods ended March 31, 2020 and 2019.

Fair Values

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

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

The fair value of the equity instruments at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date.

The fair value of the debt instruments at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date.

Fair Value Hierarchy

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

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

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

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

As of March 31, 2020 and 2019, OPMC's Capital stock consists of the following:

1. Common Stock – Class “A” with par value of ₱0.01 per share, 120 billion shares issued and outstanding out of the 120 billion authorized shares
2. Common Stock – Class “B” with par value of ₱0.01 per share, 80 billion shares issued and outstanding out of the 80 billion authorized shares

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

The Company's management discloses the following information:

- There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- There are no material commitments for capital expenditures.
- There are no known trends or uncertainties, that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- There are no significant elements of income or loss that did not arise from continuing operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**Other matters:**

The owners of more than 5% of the Company's securities as of March 31, 2020 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	85,788,847,992	42.89%
Common	JG Summit Capital Services Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	26,212,760,122	13.11%
Common	Prudential Guarantee & Assurance, Inc.	13,341,635,799	6.67%

As of March 31, 2020, OPMC has approximately 11,596 stockholders both for Class “A” and “B” shares.

## Board of Directors and Executive Officers

The Company's Board of Directors and executive officers as of March 31, 2020 are as follows:

### *Board of Directors*

Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	Lance Y. Gokongwei
Director	Antonio Go
Director	Benedicto Coyiuto
Director	Josephine Barcelon
Director	Perry L. Pe
Director	James Coyiuto
Director	Ricardo Balbido

### *Executive Officers*

Chief Executive Officer	James L. Go*
President and Chief Operating Officer	Robert Coyiuto, Jr.*
Corporate Secretary	Vicente O. Caoile, Jr.
Assistant Corporate Secretary	Perry L. Pe*
	Rosalinda F. Rivera
SVP - Operations and Administration	Apollo P. Madrid
Finance Adviser	Aldrich T. Javellana
Chief Financial Officer	Ma. Riana C. Infante
Treasurer	Teodora N. Santiago

*\*Member of the Board of Directors*

## **PART II – OTHER INFORMATION**

All current disclosures were already reported under SEC Form 17-C.

### **SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

#### **ORIENTAL PETROLEUM AND MINERALS CORPORATION**



**ROBERT COYIUTO, JR.**  
President and Chief Operating Officer

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

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

	Three Months Ended March 31 (UNAUDITED)		Year Ended December 31 2019 (Audited)
	2020	2019	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 16,518,211	\$ 10,283,667	\$ 17,887,849
Current portion of long term investments	-	40,000,000	-
Short-term investments	1,930,138	-	1,501,897
Receivables	618,875	816,563	982,492
Crude oil inventory	831,236	947,391	668,147
Other current assets	9,869	10,019	10,440
Total Current Assets	19,908,329	52,057,640	21,050,825
<b>Noncurrent Assets</b>			
Equity instruments at fair value through other comprehen	30,354,641	12,558,012	31,080,859
Debt instruments at amortized cost	27,291,700	12,990,099	27,291,700
Property and equipment - net	13,262,881	13,749,400	13,325,876
Deferred exploration costs	662,844	662,844	662,844
Total Noncurrent Assets	71,572,066	39,960,355	72,361,279
	\$ 91,480,395	\$ 92,017,995	\$ 93,412,104
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables	\$ 269,820	\$ 531,001	\$ 825,770
Povision for plug and abandonment	408,505	840,522	817,011
Income taxes payable	-	172,676	-
Total Current Liabilities	678,325	1,544,199	1,642,781
<b>Noncurrent Liabilities</b>			
Net pension liabilities	522,337	387,141	522,337
Deferred tax liabilities - net	358,116	1,064,469	358,116
Total Noncurrent Liabilities	880,453	1,451,610	880,453
Total Liabilities	1,558,778	2,995,809	2,523,234
<b>Equity</b>			
Paid-up capital	85,641,745	85,641,711	85,641,711
Retained earnings (deficit)	4,549,422	4,969,077	4,560,651
Reserve for changes in value of equity instruments at fair value through other comprehensive income	(1,092,239)	(2,361,739)	(136,181)
Remeasurement gains on pension liability - net	120,735	178,836	120,735
Cumulative translation adjustment	701,954	594,302	701,954
Total Equity	89,921,617	89,022,187	90,888,870
	\$ 91,480,395	\$ 92,017,995	\$ 93,412,104

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(In U.S. Dollars)

	Three Months Ended	
	March 31, 2020	March 31, 2019
<b>REVENUE FROM PETROLEUM OPERATIONS</b>	<b>\$ 164,948</b>	<b>\$ 1,096,053</b>
<b>COSTS AND EXPENSES</b>		
Depletion, depreciation and amortization	71,716	182,114
Petroleum production costs	397,178	876,591
General and administrative	238,044	115,893
Foreign currency adjustment	135,672	-
	<b>842,610</b>	<b>1,174,598</b>
<b>OPERATING INCOME / LOSS</b>	<b>(677,662)</b>	<b>(78,545)</b>
<b>OTHER INCOME</b>	<b>666,433</b>	<b>593,384</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>(11,229)</b>	<b>514,839</b>
<b>PROVISION FOR INCOME TAX</b>	<b>-</b>	<b>-</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (11,229)</b>	<b>\$ 514,839</b>
<b>Weighted Average Number of Common Stock Outstanding</b>	<b>200,000,000,000</b>	<b>200,000,000,000</b>
<b>Income per share</b>	<b>\$ (0.000000)</b>	<b>\$ 0.000003</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In U.S. Dollars)**

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>NET INCOME</b>	<b>\$ (11,229)</b>	<b>\$ 514,839</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Item not to be reclassified to profit or loss in subsequent periods -</i>		
Movements in reserve for fluctuation in value of equity instruments		
at fair value through other comprehensive income	<b>(956,058)</b>	<b>306,345</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (967,287)</b>	<b>\$ 821,184</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' EQUITY**

	Capital Stock	Subscription Receivable	Capital in Excess of Par Value	Retained Earnings (Deficit)	Reserve for Changes in Value of Equity Instruments at FVOCI	Remeasurement Gains on Pension Liability	Cumulative Translation Adjustment	Total
<b>Balances as at January 1, 2020</b>	<b>\$ 82,268,978</b>	<b>\$ (277,744)</b>	<b>\$ 3,650,477</b>	<b>\$ 4,560,651</b>	<b>\$ (136,181)</b>	<b>\$ 120,735</b>	<b>\$ 701,954</b>	<b>\$ 90,888,870</b>
<b>Comprehensive income</b>								
Net income for the period	—	—	—	(11,229)	—	—	—	(11,229)
Other comprehensive loss	—	—	—	—	(956,058)	—	—	(956,058)
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,229)</b>	<b>(956,058)</b>	<b>—</b>	<b>—</b>	<b>(967,287)</b>
<b>Collection of subscription receivable</b>	<b>—</b>	<b>34</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>34</b>
<b>Balances as at March 31, 2020</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 4,549,422</b>	<b>\$ (1,092,239)</b>	<b>\$ 120,735</b>	<b>\$ 701,954</b>	<b>\$ 89,921,617</b>
<b>Balances as at January 1, 2019</b>	<b>\$ 82,268,978</b>	<b>\$ (373,412)</b>	<b>\$ 3,650,477</b>	<b>\$ 4,454,238</b>	<b>\$ (2,668,084)</b>	<b>\$ 178,836</b>	<b>\$ 594,302</b>	<b>\$ 88,105,335</b>
<b>Comprehensive income</b>								
Net income for the period	—	—	—	514,839	—	—	—	514,839
Other comprehensive loss	—	—	—	—	306,345	—	—	306,345
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>514,839</b>	<b>306,345</b>	<b>—</b>	<b>—</b>	<b>821,184</b>
<b>Collection of subscription receivable</b>		<b>95,667</b>						<b>95,667</b>
<b>Balances as at March 31, 2019</b>	<b>\$ 82,268,978</b>	<b>\$ (277,745)</b>	<b>\$ 3,650,477</b>	<b>\$ 4,969,077</b>	<b>\$ (2,361,739)</b>	<b>\$ 178,836</b>	<b>\$ 594,302</b>	<b>\$ 89,022,186</b>
<b>Balances as at January 1, 2018</b>	<b>\$ 82,268,978</b>	<b>\$ (373,412)</b>	<b>\$ 3,650,477</b>	<b>\$ 3,592,772</b>	<b>\$ (385,693)</b>	<b>\$ 157,577</b>	<b>\$ 579,260</b>	<b>\$ 89,489,959</b>
<b>Comprehensive income</b>								
Net income for the period	—	—	—	378,456	—	—	—	378,456
Other comprehensive loss	—	—	—	—	(1,061,754)	—	—	(1,061,754)
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>378,456</b>	<b>(1,061,754)</b>	<b>—</b>	<b>—</b>	<b>(683,298)</b>
<b>Balances as at March 31, 2018</b>	<b>\$ 82,268,978</b>	<b>\$ (373,412)</b>	<b>\$ 3,650,477</b>	<b>\$ 3,971,228</b>	<b>\$ (1,447,447)</b>	<b>\$ 157,577</b>	<b>\$ 579,260</b>	<b>\$ 88,806,661</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In U.S. Dollars)**

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ (11,229)	\$ 514,839
Adjustments for:		
Depletion, depreciation and amortization	71,716	182,114
Interest income	(399,067)	(460,998)
Dividend income	(210,515)	(132,386)
Operating income before working capital changes	(549,095)	103,568
Decrease (increase) in:		
Short-term investments	(428,241)	—
Receivables	333,700	62,059
Crude oil inventory	(163,089)	825,678
Other current assets	571	319
Increase (decrease) in:		
Accounts and other payables	(555,951)	(1,221,326)
Provision for plug and abandonment	(408,506)	34,114
Net cash provided by (used in) operating activities	(1,770,611)	(195,588)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	429,092	482,438
Dividends received	210,408	201,562
Acquisitions of:		
Equity instruments at fair value through other comprehensive income	(229,841)	(609,818)
Property and equipment	(8,721)	(213,715)
Net cash used in investing activities	400,938	(139,534)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt of subscription receivable	35	95,667
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,369,638)</b>	<b>(239,454)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>17,887,849</b>	<b>10,523,121</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 16,518,211</b>	<b>\$ 10,283,667</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**ORIENTAL PETROLEUM AND MINERALS CORPORATION**  
**Aging of Accounts Receivable**  
**As of March 31, 2020 (in US Dollar)**

Type of Accounts Receivable	Total Amount	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	360 days and above
Trade receivable	\$ 329,002	\$ 329,002					
Interest receivable	289,230	289,230					
Others	643						
<b>Grand Total</b>	<b>\$ 618,875</b>	<b>\$ 618,232</b>					

# **ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES**

## **NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information and Status of Operations**

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

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

The Parent Company’s principal office is located at 34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. The Parent Company was listed in the Philippine Stock Exchange (PSE) on October 14, 1970.

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

#### Service Contract (SC) 14

On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972 (Presidential Decree 87 dated November 21, 1972), the Group, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Petroleum Board, now the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in Northwest offshore Palawan, Philippines, which was amended from time to time. This contract area includes the Nido, Matinloc, West Linapacan and Galoc Field where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, C and D) covered by SC 14 are situated offshore Northwest of Palawan Island, Philippines. Crude oil production in the West Linapacan Oilfield in Block C of SC 14 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion. However, the Parent Company participates in the production of other fields, including Nido, Galoc and Matinloc. Total production from these fields is modest but enough to cover operating and overhead expenses of SC 14.

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

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

#### SC 14 - Galoc

#### Farm-in Agreement (FA)

On September 23, 2004, Team Oil (TEAM) and Cape Energy (CAPE) entered into a FA with the SC - 14C - Galoc joint venture partners for the development of the Galoc Field. The FA was concluded in a Deed of Assignment (DA) dated August 22, 2005 where TEAM and CAPE designated Galoc Production Company (GPC) as the special purpose company to accept the assigned participating interest and to act as the Operator of the Galoc production area.

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 59.845% participating interest in the area. Other significant terms and conditions of the Agreements follow:

- 1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.
- 2) That GPC will be assigned its pro-rata share of the \$68 million historical cost recovery of the Galoc block equivalent to \$33 million to be recovered pursuant to the terms of the Block C agreement below.
- 3) That GPC will reimburse the joint venture partners (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:
  - a) \$1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and
  - b) \$1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

On July 1, 2009, GPC and the other joint venture partners purchased additional interest in the field from Petroenergy Resources Corporation (Petroenergy) and Alcorn Gold Resources Corporation (AGRC).

As at March 31, 2020 and 2019, the Group holds a participating interest of 7.78505% in Galoc.

#### 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.

The items are still subsisting hence the JOA continues to be in effect.

#### Block C Agreement

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

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

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

- 1) GPC shall be entitled to the FPIA, Production Allowance, Recovery of Operating Expenses and the Net Proceeds of the SC 14 insofar as it relates to the Galoc Block.
- 2) The portion of the Galoc Contract Area Rights allocable as FPIA, Production Allowance and Net Proceeds shall be distributed as follows:

- a) GPC shall be allocated an amount equal to its participating interest in the Galoc Block which is currently 58.291%;
  - b) Nido Petroleum and Philodrill shall be allocated an amount equal to 17.500% and 4.375%, respectively; and
  - c) The balance of 19.834% shall be allocated to the Remaining Block (except GPC) in accordance with number 5 below.
- 3) The portion of the Galoc Contract Area Rights allocable to recovery of operating expenses (the reimbursement amount) shall be distributed as follows:
- a) First, an amount equal to the operating expenses incurred by the Galoc Block Owners in respect of production costs on and from the date of the 2nd Galoc well being brought on stream shall be allocated to each Galoc Block Owner in accordance with each Galoc Block Owner's participating interest;
  - b) Second, an amount equal to the operating expenses incurred by GPC and Nido Petroleum in respect of the Galoc Block (excluding the \$68 million historical cost assigned to the Galoc Block pursuant to the FA) shall be allocated 77.721% to GPC and the balance of 22.279% to Nido Petroleum;
  - c) Third, any reimbursement amount remaining after applying the provisions of 3a and 3b above shall be allocated 58.291% to GPC, 17.500% to Nido Petroleum, 4.375% to Philodrill and 19.834% to the Galoc Block Owners (except GPC but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) until all the Galoc Block Owners have received in aggregate a total of \$34 million in accordance with this provision. The 19.834% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below; and
  - d) Fourth, any reimbursement amount remaining after applying the provisions of 3a, 3b and 3c above shall be allocated 38.861% to GPC, 17.500% to Nido Petroleum and the balance of 43.639% to the Galoc Block Owners (except GPC but including Nido Petroleum only in relation to its remaining 4.779% interest in the Galoc Block) until all the Galoc Block Owners have received in aggregate a total of \$34 million in accordance with this provision. The 43.639% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.
- 4) After the provisions in Clause 3.3 of the Block C Agreement (as detailed in number 3 above) have been satisfied, all the Galoc Block Owners shall share the reimbursement amount in accordance with each Galoc Block Owner's participating interest as follows:
- a) GPC, Nido Petroleum and Philodrill shall receive 58.291%, 17.500% and 4.375%, respectively; and
  - b) The balance of 19.834% shall be distributed by GPC to the Galoc Block Owners (except Galoc but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) in accordance with Clause 5 of the Block C Agreement (see number 5 below).
- 5) All amounts due to the Galoc Block Owners (except GPC) pursuant to Clauses 3.2, 3.3c, 3.3d and 3.4 (see numbers 2, 3c, 3d and 4 above) (the "Outstanding Balance"), shall be distributed by GPC in accordance with written instructions to distribute the Outstanding Balance authorized by all the other Galoc Block Owners.

Effective July 1, 2009, the amount allocated to Petroenergy and AGRC in accordance with the Block C agreement shall be allocated to the remaining partners in accordance with the amount of additional interest they have

purchased from Petroenergy and AGRC. The additional interest purchased are as follows: Nido Petroleum (0.60052%), Philodrill (0.19745%), Parent Company (0.13970%) and LOGPOCOR (0.07335%).

The Block C agreement shall terminate when SC 14 terminates.

#### Lifting Agreement

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

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

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

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

#### Decommissioning Agreement (DA)

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

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

The DA shall terminate when SC 14 terminates.

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

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

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

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

#### SC-14C2 - West Linapacan

A farm-in agreement was signed in May 2008 with Pitkin Petroleum Plc. The agreement requires the farm-in party /Farminnee 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 Department of Energy (DOE) in July 2011. The transfer of operatorship to RMA was approved by the DOE in April 2012. The Farmors continued to be carried free up to commercial first oil production. RMA carried technical studies that will lead to the drilling and re-development of the West Linapacan-A structure. An independent third party assessment was also commissioned to determine the range of recoverable reserves from the structure.

In 2014, preparations were made to drill a well with spud-in date no later than end December 2014. However, there was difficulty in raising the necessary funding for the drilling operations. Starting the second half of 2014, prices of crude oil 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 Department of Energy/DOE of the termination of the Farm In Agreement due to the non-performance of work obligation by Pitkin Petroleum (hence RMA) for the rehabilitation of the West Linapacan field. In a letter dated March 12, 2015, the DOE acknowledged the termination of the Farm In Agreement between the Farmors and Pitkin (hence RMA) since RMA could not provide the proof of financial capability to perform the work program. The 58.29% participating interest previously assigned to Pitkin provided under the Farm In Agreement will be reassigned to the SC14C2 West Linapacan Block Farmors.

The joint venture partners developed a work program and budget for the year 2016 which was submitted to and subsequently approved by the DOE.

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

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

Management intends to assign the 28.21% interest of the Group in West Linapacan.



### Participating Interests

As of March 31, 2020 and 2019, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	<i>(In percentage)</i>	
	<b>March 31, 2020</b>	March 31, 2019
SC 14 (Northwest Palawan)		
Block A (Nido)	<b>42.940</b>	42.940
Block B (Matinloc)	<b>17.703</b>	17.703
Block B-1 (North Matinloc)	<b>27.772</b>	27.772
Block C (West Linapacan)	<b>30.288</b>	30.288
Block C (Galoc)	<b>7.785</b>	7.785
Block D	<b>20.829</b>	20.829
SC 6 (Bonita)	<b>4.909</b>	16.364

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.

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

### Basis of Preparation

The accompanying consolidated financial statements of the Parent Company and its wholly-owned subsidiaries, LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the “Group”, which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the consolidated financial statements, have been prepared on a historical cost basis, except for equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair values.

The consolidated financial statements are presented in U.S. Dollars, the Group’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 March 31, 2020 and 2019. The subsidiaries are all incorporated in the Philippines.

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

As at March 31, 2020 and 2019, 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:

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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.

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## 2. 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, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from 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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group elected to use the recognition exceptions for lease contracts for which the underlying asset is of low value (low-value assets).

- 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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatment will be accepted by the taxation authorities.

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

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

The amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

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

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

These amendments had no impact on the consolidated financial statements as the Group does not have investments in associates and joint venture.

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

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

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

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

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

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

#### Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

#### *Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Business Combinations*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The

amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

These amendments will apply on future business combinations of the Group.

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

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

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

*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 17, *Insurance Contracts*

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

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

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

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

*Deferred effectivity*

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB)

completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Short-term Investments

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

##### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition, Subsequent Measurement and Impairment Effective January 1, 2018

##### *Financial Assets*

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

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

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

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

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

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group

of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

*Financial assets at amortized cost*

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

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

*Financial assets at fair value through other comprehensive income (FVOCI)*

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

As of March 31, 2020 and 2019, the Group does not have debt instruments at FVOCI.

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

As of March 31, 2020 and 2019, the Group elected to classify irrevocably its quoted equity instruments under this category.

*Financial assets at fair value through profit or loss (FVPL)*

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

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



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

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

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

As of March 31, 2020 and 2019, the Group does not have financial assets at FVPL.

#### Impairment of financial assets

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

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

For cash and cash equivalents, short-term and long-term investments and debt instruments at amortized costs, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. To estimate the ECL for cash and cash equivalents, short-term and long-term investments and debt instruments, the Group uses the ratings published by a reputable rating agency (i.e., Moody's, Fitch, Capital Intelligence and Standard and Poor's).

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

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

#### *Financial Liabilities*

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

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

*Financial liabilities at fair value through profit or loss*

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

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

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

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

*Loans and borrowings*

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

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

The Group's financial liabilities under this category includes accounts and other payables.

Initial Recognition, Subsequent Measurement and Impairment Prior to January 1, 2018

*'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.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortized cost*

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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income (recorded as finance income in the consolidated statement of income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

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

##### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Fair Value Measurement

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

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

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

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

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

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

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

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

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

#### Crude Oil Inventory

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

#### Long-term Investments

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

#### Property and Equipment

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

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

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

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

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

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

	Years
Transportation equipment	6
Office furniture and equipment	5-10

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

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

#### Interest in Jointly Controlled Assets

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

#### *Joint Operations*

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

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly.

#### Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC/Geophysical Survey and Exploration Contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. The exploration costs relating to the SC/GSEC area where oil and gas in commercial quantities are discovered are subsequently capitalized as “Wells, platforms and other facilities” shown under the “Property and equipment” account in the consolidated statement of financial position upon commercial production. When the SC/GSEC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred oil exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and/or development.

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the Group’s property and equipment and deferred exploration costs may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. Recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate.

#### Equity

##### *Capital Stock*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. When the Group issues shares in excess of par, the excess is recognized in the "Capital in excess of par value" account; any incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from it. If additional paid in capital is not sufficient, the excess is charged against retained earnings.

##### *Subscriptions Receivable*

Subscriptions receivable represents shares subscribed but not fully paid.

##### *Retained Earnings*

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

#### Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Group's OCI in 2020 and 2019 pertains to reserve for fluctuation in value of AFS investments which can be reclassified to profit or loss in subsequent period and remeasurement gains (losses) on pension liability and changes in cumulative translation adjustment which cannot be recycled to profit or loss in the subsequent period.

#### Revenue Recognition

##### *Accounting policy effective January 1, 2018*

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

##### *Revenue from Petroleum Operation*

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

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

##### *Accounting policy prior January 1, 2018*

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group

assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

*Revenue from Petroleum Operation*

Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest.

Interest Income

Interest income is recognized as it accrues using the EIR method, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of that financial asset.

Dividend Income

Dividend income is recognized when the Group's right to receive the dividend is established, which is generally when the shareholders approve the dividend.

Costs and Expenses

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

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

*Petroleum Production Cost*

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

*General and Administrative Expenses*

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

Leases

*Accounting policy effective January 1, 2019*

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Accounting policy prior January 1, 2019*

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

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

##### *Deferred Income Tax*

Deferred income tax is provided, using the liability method, on all temporary differences, with certain exceptions, at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized, except:

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

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax



asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Pension Expense

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

#### Foreign Currency-denominated Transactions and Translations

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

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

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

#### Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's business segments consist of: (1) oil exploration and development; (2) furniture manufacturing and distribution; and (3) real estate. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

#### Earnings Per Share

Earnings per share is determined by dividing net income (loss) by the weighted average number of shares outstanding for each year after retroactive adjustment for any stock dividends declared.

#### Provisions

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

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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## **5. Significant Accounting Judgments and Estimates**

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

Judgments, 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 March 31, 2020 and 2019, the Group's joint arrangement is in the form of a joint operation.

##### *Determination of Functional Currency*

The entities within the Group determine the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The determination of functional currency was based on the primary economic environment in which each of the entities generates and expends cash. The Parent Company and LOGPOCOR's functional currency is the US Dollar. The functional currency of OMWI and OLC is Philippine Peso.

#### *Provisions and Contingencies*

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

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Fair Values of Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgments. While components of fair value measurements were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect the consolidated statements of comprehensive income and consolidated statements of changes in equity, as appropriate.

#### *Estimation of Provision for ECLs of Receivables*

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

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

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

No provision for ECL on the Group's receivables were recognized in 2020 and 2019.

#### *Estimating Provision for Plug and Abandonment Costs*

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

The Group recognized provision for plug and abandonment costs amounting to \$0.82 million and \$0.84 million as at March 31, 2020 and 2019, respectively. In 2019 and 2018, the Group also recognized plug and abandonment costs in the consolidated statement of income amounting to \$1.36 million and \$2.86 million which pertains to actual and estimated costs to plug and abandon wells from Libro and Tara South, and wells from Nido, Matinloc and North Matinloc fields.

#### *Estimation of Oil Reserves*

The estimation of oil reserves requires significant judgment and assumptions by management and engineers and has a material impact on the consolidated financial statements, particularly on the depletion of wells, platforms and other facilities and impairment testing. There is the inherent uncertainty in estimating oil reserve quantities arising from the exercise of significant management judgment and consideration of inputs from geologists/engineers and complex contractual arrangements involved as regards the Group's share of reserves in

the service contract area. This reserve estimate also depends on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of these data.

Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

#### *Impairment of wells, platforms and other facilities of SC 14C1*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the inflation rate used. These estimates are most relevant to the wells, platforms and other facilities of SC 14C1 recognized by the Group.

#### *Pension Expense*

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

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

#### *Recognition of Deferred Tax Assets*

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

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## **6. Cash and Cash Equivalents**

This account consists of:

	<b>2020</b>	<b>2019</b>
Petty cash fund	<b>\$196</b>	\$190
Cash in banks	<b>1,142,388</b>	436,594
Short-term deposits	<b>15,375,627</b>	9,846,883
	<b>\$16,518,211</b>	\$10,283,667

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates which ranges from 1.10% p.a. to 5.13% p.a. in 2020 and 1.63% p.a. to 5.75% p.a. in 2019.

There are no cash restrictions on the Group's cash balance as at March 31, 2020 and 2019.

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## 7. Receivables

This account consists of:

	2020	2019
Trade receivables	\$329,002	\$422,840
Interest receivable	289,230	372,502
Dividend receivable	—	19,682
Others	643	1,539
	<b>\$618,875</b>	<b>\$816,563</b>

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.

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

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

Due from operators and trade receivables are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at March 31, 2020 and 2019.

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## 8. Investments

### Short-term investments

In 2019, the Group availed of short-term investment with a local bank amounting to \$1.50 million. This investment has original maturity of more than three (3) months but less than one (1) year from date of placement. This investment earned interest of 1.90% and matured on January 9, 2020.

### Equity Instruments at FVOCI

Equity instruments at FVOCI represent equity instruments in quoted shares carried at fair value as at the end of the reporting period.

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

	2020	2019
At January 1	(\$136,181)	(\$2,668,084)
Unrealized loss during the year	(956,058)	306,345
At March 31	<b>(\$1,092,239)</b>	<b>(\$2,361,739)</b>

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

	2020	2019
At January 1	\$31,080,859	\$11,641,849
Reserve for fluctuation in value of AFS investments	(956,058)	306,345
Additions	229,841	609,818
At March 31	\$30,354,641	\$12,558,012

#### Debt Instruments at Amortized Cost

In 2019, the Group acquired various fixed rate bonds from corporate bond issuers amounting to \$13.47 million (PhP700.00 million). The various bonds pay interest at rates ranging from 4.70% to 5.10% per annum and will mature starting June 28, 2021 to May 6, 2026.

In 2018, the Group acquired various fixed rate bonds from corporate bond issuers amounting to \$8.06 million (P425.00 million). The various bonds pay interests at rates ranging from 6.08% to 8.51% per annum and will mature starting November 9, 2020 to October 25, 2028.

In 2017, the Group acquired fixed rate bond from a corporate bond issuer amounting to \$2.01 million (P100 million). The bonds pay interests at a rate of 5.1683% per annum. The bonds will mature on May 18, 2024.

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

	2020	2019
At January 1	\$27,291,700	\$12,990,099
Additions	—	—
Unrealized foreign exchange loss	—	—
At March 31	\$27,291,700	\$12,990,099

## 9. Property and Equipment

The rollforward analysis of this account follows:

	2020			
	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
<b>Cost</b>				
At January 1	\$ 89,317,353	\$ 253,145	\$ 25,969	\$ 89,596,467
Additions	8,721	—	—	8,721
At March 31	89,326,074	253,145	25,969	89,605,188
<b>Accumulated Depletion, Depreciation and Amortization</b>				
At January 1	76,046,157	210,947	13,487	76,270,591
Additions	68,961	2,622	133	71,716
At March 31	76,115,118	213,569	13,620	76,342,307
<b>Net Book Values</b>	<b>\$ 13,210,956</b>	<b>\$ 39,576</b>	<b>\$ 12,349</b>	<b>\$ 13,262,881</b>

2019				
	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
<b>Cost</b>				
At January 1	\$ 88,225,470	\$ 234,951	\$ 45,294	\$ 88,505,715
Additions	213,715	–	–	213,715
At March 31	88,439,185	234,951	45,294	88,719,430
<b>Accumulated Depletion, Depreciation and Amortization</b>				
At January 1	74,551,458	202,769	33,689	74,787,916
Additions	180,332	1,713	69	182,114
At March 31	74,731,790	204,482	33,758	74,970,030
<b>Net Book Values</b>	\$ 13,707,395	\$ 30,469	\$ 11,536	\$ 13,749,400

In 2019, the Group performed impairment test for the Wells, Platforms and Other Facilities of SC 14C1 due to the continued decline in the oil prices.

The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C1 of \$3.79 million as at December 31, 2019 has been determined based on a value in use calculation using cash flow projections from work program and budget approved by senior management covering a five-year period, the work and budget for 2020 was approved by the DOE. The pre-tax discount rate applied to cash flow projections is 8.35%. As a result of this analysis, management has not recognized any impairment for the Wells, Platforms and Other Facilities of SC 14C1.

The calculation of value in use for the Wells, Platforms and Other Facilities of SC 14C1 is most sensitive to the forecasted oil prices which are estimated with reference to external market forecasts of Brent crude prices; volume of resources and reserves which are based on resources and reserves report prepared by third parties; capital expenditure, production and operating costs which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and discount rate which were estimated based on the industry weighted average cost of capital (WACC), which includes the cost of equity and debt after considering the gearing ratio. The pre-tax discount rates applied to cash flow projections range from 8.35% to 9.35% as at December 31, 2019.

Value in use is most sensitive to changes in discount rate and cash flows input. All things being equal, change of the discount rate to a rate higher than 22.62% or a decrease in the forecasted oil prices of 5% for the five-year period would result to impairment of the Wells, Platforms and Other Facilities of SC 14C1.

#### 10. Deferred Exploration Costs

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

##### SC 6 Bonita

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

In 2009, a 15-year extension period for the Bonita Block was requested from and subsequently granted by the DOE. The conditions for the grant of the 15-year extension period required the submission and implementation of a yearly work program and budget. It includes as well the financial assistance to the DOE for training and



scholarships in geological and engineering studies. The term of SC 6 will expire on February 28, 2024.

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

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

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

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

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

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

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

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

An in-house evaluation completed by the Operator, Philodrill, in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a “stand-alone” basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B. Subsequently, a seismic reprocessing program over East Cadlao and Cadlao Field will now be undertaken.

On October 17, 2019, Philodrill, as the current operator of the SC 6B, received DOE’s approval for the transfer of 70% participating interest of the members of the consortium in SC 6B to Manta Oil Company Ltd. related to the letter dated October 30, 2018 submitted by Philodrill to the DOE documenting the request for the approval of the Deed of Assignment and transfer of participating interest.

As a result, the Parent Company’s interest in SC 6B decreased to 4.909%. A plan of development for the Cadlao Field and East Cadlao Prospect will be submitted to the DOE around June 2020. It will include the drilling of 1-2 deviated production wells.

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## 11. Accounts and Other Payables

This account consists of:

	2020	2019
Accounts payable and accrued expenses	<b>\$161,591</b>	\$426,518
Dividends payable	<b>80,848</b>	77,812
Subscriptions payable	<b>27,381</b>	26,672
	<b>\$269,820</b>	\$531,002

Accounts payable mainly consist of unpaid legal service fees. These are noninterest-bearing and are normally settled in thirty (30) to sixty (60)-day terms.

Dividends payable include amounts payable to the Group's shareholders.

### Provision for Plug and Abandonment

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during the plugging operations. The plug and abandonment of these wells will be completed in 2020. In 2019, the Group recognized plug and abandonment and stripping costs amounting to \$1.36 million. As of March 31, 2020 and 2019, outstanding balance of the provision for the plug and abandonment amounted to \$0.82 million and \$0.84 million, respectively.

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## 12. Paid up Capital

As of March 31, 2019 and 2018, this account consists of:

	2020	2019
Class A - \$0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	<b>\$49,361,387</b>	\$49,361,387
Class B - \$0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	<b>32,907,591</b>	32,907,591
Subscriptions receivable	<b>(277,710)</b>	(277,745)
Capital in excess of par value	<b>3,650,477</b>	3,650,477
	<b>\$85,641,745</b>	\$85,641,710

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

### *Cash Dividends*

On June 27, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to \$1.94 million to the stockholders of record of common stocks as of July 26, 2019 coming from the Parent Company's unrestricted retained earnings.

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### 13. Other Income

This account consists of:

	2020	2019
Interest income	<b>\$456,025</b>	\$460,998
Dividend income	<b>210,408</b>	132,386
	<b>\$666,433</b>	<b>\$593,384</b>

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

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### 14. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Affiliates are related entities of the companies by virtue of common ownership and representation to management where significant influence is apparent.

As of March 31, 2020 and 2019, the Company had Cash and Cash equivalents maintained at various banks including an affiliated bank. The Company likewise leases an office space from an affiliate that is renewable annually.

#### *Terms and conditions of transactions with related parties*

Outstanding balances at the end of the period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts due from related parties in 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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### 14. Subsequent Events

#### *Impact of COVID-19*

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines which resulted to an imposition of Enhanced Community Quarantine throughout the entire island of Luzon starting midnight of March 16, 2020. This measure is expected to result to disruptions to businesses and economic activities.

In compliance with the notice of the Securities and Exchange Commission dated March 12, 2020, the Group disclosed to the public the measures it has undertaken to manage the risk of COVID-19. The Group has ensured that it fully complies with all the government-mandated measures to contain the COVID-19 outbreak in the country. Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

#### *SPA and farm-out agreement in respect of SC 14 Block C-2 West Linapacan*

On January 7, 2020, the Group and other members of the Consortium of the service contract entered into a SPA and farm-out agreement with a third party for the sale and assignment of the 28.21% interest of the Group in SC 14 Block.

As of March 31, 2020, the SPA and farm-out agreement has not yet completed the relevant closing conditions, which include regulatory approval.