COVER SHEET

4 0 0 5 8

SEC Registration Number

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

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

Ma. Riana C. Infante

(Contact Person)

633-7631

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

SEC FORM-17-Q

(Form Type)

Month *Day*

(Annual Meeting)

Nine Months Ended September 30, 2020

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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 **September 30, 2020**

2. Commission identification number **40058**

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

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

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

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

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

8. **(632) 633-7631 locals 278 and 281**
   Issuer's telephone number, including area code

9. Not applicable

   Former name, former address and formal fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
Common Stock, P0.01 par value	**200 Billion**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**x**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Class A and B**

12. Indicate by check mark whether the registrant:

    (a) Has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [**x**]   No [ ]

    (b) Has been subject to such filing requirements for the past ninety (90) days

    Yes [**x**]   No [ ]

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PART I – FINANCIAL INFORMATION

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

a) Consolidated Statements of Financial Position
b) Consolidated Statements of Income
c) Consolidated Statements of Comprehensive Income
d) Consolidated Statements of Changes in Stockholders' Equity
e) Consolidated Statements of Cash Flows

The above financial statements are prepared in conformity with accounting principles generally accepted in the Philippines. Included in this report is summary of the Company's significant accounting policies.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 3rd 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 September 30, 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 has 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 - September 2020) that have not been reflected in the interim reports;
- There has been no changes in the composition of the Company such as business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations;
- There are no contingent liabilities or contingent assets since the last annual balance sheet date ended 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 September 30 (Unaudited)	**2020**	2019	Change
Income Statement data			
Revenues from petroleum operations	**723.76**	3,140.01	(77%)
Petroleum production costs	**1,098.38**	2,365.80	(54%)
Depletion, depreciation & amortization	**475.01**	1,289.74	(63%)
Interest and dividend income	**2,616.90**	2,182.18	20%
Balance Sheet data			
Cash and cash equivalents	**17,418.34**	22,825.78	(24%)
Crude oil inventory	**533.07**	1,232.27	(57%)
Equity instruments at fair value through other comprehensive income	**33,445.07**	24,499.32	37%
Property and equipment	**12,890.18**	13,231.46	(3%)
Accounts and other payables	**174.29**	638.47	(73%)
Other data			
Average peso dollar exchange rate	**50.04**	52.03	(4%)
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 definitive plans for OMWI's operations.

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

LOGPOCOR (a wholly-owned subsidiary of OPMC) was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transportation, marketing, utilization, conservation, stockpiling or storage of all forms of energy products and resources. OPMC acquired LOGPOCOR through the transfer of working interests in Blocks A, B, and C of Service Contract (SC)-14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the transferred working interests, 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

September 30, 2020 vs. September 30, 2019

Revenues from petroleum operations at the end of September 30, 2020, which amounted to US$0.72 million, dropped by US$2.42 million or 77% from US$3.14 million of the same period last year. The drop of average crude oil prices mainly led to the decrease of petroleum revenue. Average crude oil price dropped to US$35.32 per barrel for the period ended September 30, 2020 as compared to US$65.49 per barrel for the same period last year. The decline in oil price was mainly due to oversupply of oil in the world market.

The decline in petroleum revenue was also affected by the decline in production performance of Galoc well-3 and continued shut-in of Galoc well-4 due to problems in the well's subsurface production mechanism. Further, Nido and Matinloc Field was terminated permanently in March 2019.

Petroleum production costs at the end of the nine-month period, which totaled to US$1.10 million, decreased by US$1.27 million or 54% 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 for the period ended September 30, 2020, which totaled to US$0.48 million, decreased by US$0.81 million or 63% for the same period last year. In 2019, remaining crude oil reserve of Nido Field was fully depleted.

For the period ended September 30, 2020, interest and dividend income totaled to US$2.62 million, an increase of 20% from US$2.18 million same period last year, arising from interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost and money market placements.

Financial Position

September 30, 2020

The Company's consolidated assets at the end of the period September 30, 2020, which amounted to US$95.15 million, is higher than same period last year of US$91.54 million due to the following movements:

At the end of third quarter of 2020, cash and cash equivalents of US$17.42 million and time deposits placement under short-term investments account of US$0.95 million totaled to US$18.37 million. There is a decrease as compared to US$23.83 million (cash and cash equivalents of US$22.83 million and time deposits placement under short-term investments account of US$1.00 million) for the same period last year mainly due to acquisition of additional equity instruments at fair value through other comprehensive income.

Crude oil inventory amounted to US$0.53 million, a decrease of 57% 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$33.45 million at the end of third quarter of 2020, higher than same period last year of US$24.50 million attributable to additional investments in preferred shares.

Consolidated property and equipment at the end of the third quarter of 2020 amounted to US$12.89 million. The decrease of about 3% was mainly due to depletion and depreciation expenses, partially offset by share in Galoc capital expenditures.

At the end of third quarter of 2020, accounts and other payables account amounted to US$0.17 million, a decrease from US$0.69 million for the same period last year due to payment of accrued expenses and reversal of long-outstanding payables of US$0.25 million.

September 30, 2019

The Company's consolidated assets at the end of the period September 30, 2019, which amounted to US$91.54 million, is slightly lower than same period last year of US$91.81 million due to the following movements:

For the period ended September 30, 2019, cash and cash equivalents account amounted to US$22.83 million, as compared to US$9.60 million for same period last year. The increase in this account was due to reclassification from long-term investments to cash and cash equivalents, partially offset by acquisition of bonds and preferred shares.

Receivable as of the third quarter of 2019 totaled US$0.97 million, a decrease of US$2.29 million from same period last year. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the period held in trust by Galoc Production Company for the Service Contract 14C Consortia.

Crude oil inventory amounted to US$1.23 million, an increase of 73% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher volume of crude oil on storage as of September 30, 2019.

Available-for-sale investments are presented as equity instruments at fair value through other comprehensive income in accordance with PFRS 9, *Financial Instruments*, which amounted to US$24.50 million at the end of third quarter of 2019.

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

Consolidated property and equipment at the end of the third quarter of 2019 amounted to US$13.23 million. The decrease of 5% was mainly due to depletion and depreciation expenses.

September 30, 2018

The Company's consolidated assets at the end of the period September 30, 2018, which amounted to US$91.81 million, is 1% higher than same period last year of US$90.62 million due to the following movements:

For the period ended September 30, 2018, cash and cash equivalents account amounted to US$9.60 million, as compared to US$13.29 million for same period last year. The decrease of 28% was mainly due to acquisition of bonds.

Receivable as of the third quarter of 2018 totaled US$3.26 million, an increase of US$2.29 million from same period last year. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the period held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortia, respectively. Also, this account consists of accrued interest and dividend receivable.

Crude oil inventory amounted to US$0.71 million, a decrease of 48% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The decrease was mainly due to lower volume of crude oil on storage as of September 30, 2018.

Available-for-sale investments amounted to US$11.57 million at the end of the third quarter of 2018, lower than last year's US$12.93 million attributable to redemption of matured preferred shares and change in market value of investments held by the Company partially offset by the acquisition of additional investments.

Investment in bonds totaled US$8.48 million at the end of the third quarter of 2018, higher than last year's US$5.09 million due to additional investments.

Consolidated property and equipment at the end of the third quarter of 2018 amounted to US$13.99 million. The decrease of 7% was mainly due to depletion and depreciation expenses.

<u>September 30, 2020 versus December 31, 2019</u>

The Company's consolidated assets at the end of the period September 30, 2020, which amounted to US$95.15 million, is US$1.74 million higher 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 September 30, 2020 amounted to US$17.42 million and US$0.95 million, respectively, lower as compared to US$17.89 million and US$1.50 million, respectively, as at December 31, 2019. 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, offset by cash receipts from interest and dividend income.

Receivables as at September 30, 2020 totaled US$0.67 million, a decrease of 32% from last year's US$0.98 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.

Equity instruments at fair value through other comprehensive income amounted to US$33.45 million, higher than last year's US$31.08 million attributable to the additional acquisitions of preferred shares, adjusted by changes in the market value of investments and foreign currency rates.

Consolidated property and equipment at the end of the third quarter of 2020 amounted to US$12.89 million, lower as compared to US$13.33 million as at December 31, 2019 due to depletion and depreciation expenses partially offset by share in Galoc capital expenditures.

Accounts and other payables ended at US$0.17 million, a decrease from US$0.74 million at the end of 2019 mainly due to payment of share in operating expenses in Galoc.

Dividends payable ended at US$0.19 million, an increase from US$0.08 million at the end of 2019 due to declaration of cash dividend and offset by payment made in the amount of US$1.84 million.

Provision for plug and abandonment costs as at September 30, 2020 amounted to zero, a decrease of 100% from last year's US$0.82 million due to payment of share in costs to plug and abandon wells in Nido oilfield.

The causes for material changes of September 30, 2020 figures as compared to December 31, 2019 figures of the following accounts are:

Accounts	September 30, 2020	December 31, 2019	Change	%	Remarks
Assets					
Cash and cash equivalents	$17,418,339	$17,887,849	($469,510)	(3%)	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.
Receivables	672,450	982,492	(310,042)	(32%)	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.
Equity instruments at fair value through other comprehensive income	33,445,071	31,080,859	2,364,211	8%	Increase was attributable to the additional acquisitions of preferred shares, adjusted by changes in the market value of investments and foreign currency rates.
Property and equipment	12,890,181	13,325,876	(435,695)	(3%)	Decrease was due to depletion and depreciation expense partially offset by share in Galoc capital expenditures.
Accounts and other payables	174,290	744,922	(570,632)	(77%)	Decrease was due to payment of share in operating expenses in Galoc.
Provision for plug and abandonment	–	817,011	(817,011)	(100%)	Decrease was due to full payment of the company's share in the cost to plug and abandon wells in Nido Oilfield.

The causes for material changes of September 30, 2020 figures as compared to September 30, 2019 figures of the following accounts are:

Accounts	September 30, 2020	September 30, 2019	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	$17,418,339	$22,825,776	(5,407,437)	(24%)	Decrease due to acquisition of additional equity instruments at fair value through other comprehensive income.
Crude oil inventory	533,067	1,232,267	(699,200)	(57%)	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	33,445,071	24,499,315	8,945,755	37%	Increase due to additional investments in preferred shares.
Property and equipment	12,890,181	13,231,460	(341,279)	(3%)	The decrease was mainly due to depletion and depreciation expenses, partially offset by share in Galoc capital expenditures.
Accounts and other payables	174,290	638,466	(464,176)	(73%)	Decrease was due to payment of accrued expenses and reversal of long-outstanding payables of US$0.25 million.
Income Statement					
Revenues from petroleum operations	723,757	3,140,010	(2,416,253)	(77%)	Decline in petroleum revenue was caused by the drop of average crude oil prices due to oversupply of oil in the world market.
Petroleum production costs	1,098,379	2,365,804	(1,267,425)	(54%)	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.

Accounts	September 30, 2020	September 30, 2019	Change	%	Remarks
Depletion, depreciation and amortization	475,007	1,289,738	(814,731)	(63%)	In 2019, full depletion of Nido Field was made.
Interest and dividend income	2,616,895	2,182,177	434,718	20%	Interest and other income arising from the Company's investment in preferred shares, bonds, and short-term and long-term deposits.

I. Key Performance Indicators

	September 30, 2020	September 30, 2019
Current Ratio	**53.15**	35.01
Net Working Capital Ratio	**0.20**	0.28
Return on Assets	**0.00**	(0.01)
Return on Equity	**0.03**	0.01
Ratio of Debt-to-Equity	**0.01**	0.03
Ratio of Asset-to-Equity	**1.01**	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 liabilities over stockholder's equity. Percentage of asset to equity resulted from dividing total assets over stockholders' 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 September 30, 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, short term investments and equity instruments at FVOCI as at September 30, 2020 and 2019 which are usually on demand or collectible within three to twelve months.

b) *Credit risk*

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

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of 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.

Fair Values

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

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

The fair value of the 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.

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, capital in excess of par value and retained earnings which amounted to $93.90 million and $89.26 million as of September 30, 2020 and 2019, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended September 30, 2020 and 2019.

As of September 30, 2020, 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 September 30, 2020 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	85,900,968,615	42.95%
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 September 30, 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 September 30, 2020 are as follows:

Board of Directors	
Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	John L. Gokongwei, Jr.
Director	Lance Y. Gokongwei
Director	Antonio L. Go
Director	Benedicto T. Coyiuto
Director	Josephine V. Barcelon
Director	Perry L. Pe
Director	James G. Coyiuto
Director	Ricardo A. Balbido, Jr.
Executive Officers	
Chief Executive Officer	James L. Go*
President and Chief Operating Officer	Robert Coyiuto, Jr.*
SVP - Operations and Administration / Corporate Information Officer	Apollo P. Madrid
Finance Adviser	Aldrich T. Javellana
Chief Financial Officer / Compliance Officer	Ma. Riana C. Infante
Treasurer	Teodora N. Santiago
Corporate Secretary	Vicente O. Caoile, Jr.
Assistant Corporate Secretary	Perry L. Pe* Rosalinda F. Rivera

**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)

	Nine Months Ended September 30 (UNAUDITED)		Year ended December 31
	2020	2019	2019 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	**$17,418,339**	$22,825,776	$17,887,849
Short-term investments	**945,034**	1,000,000	1,501,897
Receivables	**672,450**	970,061	982,492
Crude oil inventory	**533,067**	1,232,267	669,147
Other current assets	**9,143**	10,273	10,440
Total Current Assets	**19,578,033**	26,038,377	21,050,825
Noncurrent Assets			
Equity instruments at fair value through other comprehensive income	**33,445,071**	24,499,314	31,080,859
Debt instruments at amortized cost	**28,575,054**	27,108,491	27,291,700
Property and equipment	**12,890,181**	13,231,460	13,325,876
Deferred exploration costs	**662,844**	662,844	662,844
Total Noncurrent Assets	**75,573,150**	65,502,109	72,361,279
	$95,151,183	$91,540,486	$93,412,104
LIABILITIES AND EQUITY			
Liabilities			
Accounts and other payables	**$174,290**	$638,466	$744,922
Provision for plug and abandonment	**–**	–	817,011
Dividends payable	**194,094**	105,323	80,848
Total Current Liabilities	**368,384**	743,789	1,642,781
Noncurrent Liabilities			
Pension liability	**522,337**	449,268	522,337
Deferred tax liabilities - net	**358,117**	1,084,166	358,116
Total Noncurrent Liabilities	**880,454**	1,533,434	880,453
Total Liabilities	**1,248,838**	2,277,223	2,523,234
Equity			
Paid-up capital	**85,641,744**	85,641,711	85,641,711
Retained earnings	**5,521,650**	3,822,803	4,560,651
Reserve for changes in value of equity instruments at fair value through other comprehensive income	**1,916,262**	(974,389)	(136,181)
Remeasurement gains on pension liability	**120,735**	178,836	120,735
Cumulative translation adjustment	**701,954**	594,302	701,954
Total Equity	**93,902,345**	89,263,263	90,888,870
	$95,151,183	$91,540,486	$93,412,104

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended		Three Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
REVENUE FROM PETROLEUM OPERATIONS	**$723,757**	$3,140,010	**$208,460**	$1,085,572
COST OF PETROLEUM OPERATIONS				
Depletion, depreciation and amortization	**475,007**	1,289,738	**106,752**	952,932
Petroleum production costs	**1,098,379**	2,365,804	**471,836**	653,084
	1,573,386	3,655,542	**578,588**	1,606,016
GROSS PROFIT (LOSS)	**(849,629)**	(515,532)	**(370,128)**	(520,444)
GENERAL AND ADMINISTRATIVE EXPENSES	**492,702**	420,584	**116,217**	117,963
OTHER INCOME (CHARGES)				
Interest income	**1,321,851**	1,519,165	**471,970**	575,485
Dividend income	**1,295,044**	663,012	**667,713**	382,655
Foreign exchange gain (loss) - net	**1,683,557**	63,573	**1,053,488**	(494,256)
	4,300,452	2,245,750	**2,193,171**	463,884
INCOME (LOSS) BEFORE TAX	**2,958,121**	1,309,634	**1,706,825**	(174,523)
PROVISION FOR INCOME TAX	**–**	–	**–**	–
NET INCOME (LOSS)	**$2,958,121**	$1,309,634	**$1,706,825**	($174,523)
Weighted Average Number of Common Stock Outstanding	**200,000,000,000**	200,000,000,000	**200,000,000,000**	200,000,000,000
Income (loss) per share	**$0.000015**	$0.000007	**$0.000009**	($0.000001)

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

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

	Nine Months Ended		Three Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
NET INCOME (LOSS)	**$2,958,121**	$1,309,634	**$1,706,825**	($174,523)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item not to be reclassified to profit or loss in subsequent periods:				
Movement in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income	**2,052,443**	1,693,695	**1,524,660**	876,411
TOTAL COMPREHENSIVE INCOME	**$5,010,564**	$3,003,329	**$3,231,485**	$701,888

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In U.S. Dollars)

	Paid up capital				Other comprehensive income (loss)			
	Capital Stock	Subscription Receivable	Capital in Excess of Par Value	Retained Earnings	Reserve for Changes in Value of Equity Instruments at FVOCI	Remeasurement Gains on Pension Liability	Cumulative Translation Adjustment	Total
Balances as at January 1, 2020	**$ 82,268,978**	**$ (277,744)**	**$ 3,650,477**	**$ 4,560,651**	**$ (136,181)**	**$ 120,735**	**$ 701,954**	**$ 90,888,870**
Comprehensive income								
Net income for the period	**–**	**–**	**–**	**2,958,121**		**–**	**–**	**2,958,121**
Other comprehensive income	**–**	**–**	**–**	**–**	**2,052,443**	**–**	**–**	**2,052,443**
Total comprehensive income	**–**	**–**	**–**	**2,958,121**	**2,052,443**	**–**	**–**	**5,010,564**
Collection of subscription receivable	**–**	**33**	**–**	**–**	**–**	**–**	**–**	**33**
Cash dividends	**–**	**–**	**–**	**(1,997,122)**	**–**	**–**	**–**	**(1,997,122)**
Balances as at September 30, 2020	**$ 82,268,978**	**$ (277,711)**	**$ 3,650,477**	**$ 5,521,650**	**$ 1,916,262**	**$ 120,735**	**$ 701,954**	**$ 93,902,345**
Balances as at January 1, 2019	$ 82,268,978	$ (373,412)	$ 3,650,477	$ 4,454,238	$ (2,668,084)	$ 178,836	$ 594,302	$ 88,105,335
Comprehensive income								
Net income for the period	–	–	–	1,309,634	–	–	–	1,309,634
Other comprehensive income	–	–	–	–	1,693,695	–	–	1,693,695
Total comprehensive income	–	–	–	1,309,634	1,693,695	–	–	3,003,329
Collection of subscription receivable	–	95,668	–	–	–	–	–	95,668
Cash dividends	–	–	–	(1,941,069)	–	–	–	(1,941,069)
Balances as at September 30, 2019	$ 82,268,978	$ (277,744)	$ 3,650,477	$ 3,822,803	$ (974,389)	$ 178,836	$ 594,302	$ 89,263,263
Balances as at July 1, 2020	**$ 82,268,978**	**$ (277,711)**	**$ 3,650,477**	**$ 3,814,825**	**$ 391,602**	**$ 120,735**	**$ 701,954**	**$ 90,670,860**
Comprehensive income								
Net income for the period	**–**	**–**	**–**	**1,706,825**	**–**	**–**	**–**	**1,706,825**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,524,660**	**–**	**–**	**1,524,660**
Total comprehensive income	**–**	**–**	**–**	**1,706,825**	**1,524,660**	**–**	**–**	**3,231,485**
Balances as at September 30, 2020	**$ 82,268,978**	**$ (277,711)**	**$ 3,650,477**	**$ 5,521,650**	**$ 1,916,262**	**$ 120,735**	**$ 701,954**	**$ 93,902,345**
Balances as at July 1, 2019	$ 82,268,978	$ (277,744)	$ 3,650,477	$ 3,997,326	$ (1,850,800)	$ 178,836	$ 594,302	$ 88,561,375
Comprehensive income								
Net income (loss) for the period	–	–	–	(174,523)	–	–	–	(174,523)
Other comprehensive income	–	–	–	–	876,411	–	–	876,411
Total comprehensive income (loss)	–	–	–	(174,523)	876,411	–	–	701,888
Balances as at September 30, 2019	$ 82,268,978	$ (277,744)	$ 3,650,477	$ 3,822,803	$ (974,389)	$ 178,836	$ 594,302	$ 89,263,263

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended		Three Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITES				
Income before income tax	**$2,958,121**	$1,309,634	**$1,523,616**	($174,523)
Adjustments for:				
Depletion, depreciation and amortization	**475,007**	1,289,738	**106,752**	952,932
Unrealized foreign exchange loss (gain)	**(1,836,056)**	(94,554)	**(1,022,778)**	540,332
Interest income	**(1,321,851)**	(1,519,165)	**(471,970)**	(575,485)
Dividend income	**(1,295,044)**	(663,012)	**(667,713)**	(382,655)
Operating income before working capital changes	**(1,019,823)**	322,641	**(532,093)**	360,601
Decrease (increase) in:				
Long-term investments	**–**	39,000,000	**–**	19,000,000
Short-term investments	**627,142**	–	**1,055,383**	–
Receivables	**126,109**	(130,898)	**568**	(16,941)
Crude oil inventory	**135,080**	540,802	**352,326**	470,275
Other current assets	**1,296**	65	**(128)**	(635)
Increase (decrease) in:				
Accounts and other payables	**(607,772)**	266,600	**(50,167)**	223,700
Provision for plug and abandonment	**(817,011)**	(2,061,848)	**(408,505)**	(326,331)
Cash generated from (used in) operations	**(1,554,979)**	37,937,362	**417,384**	19,710,669
Income taxes paid	**–**	(155,081)	**–**	–
Net cash provided by (used in) operating activities	**(1,554,979)**	37,782,281	**417,384**	19,710,669
CASH FLOWS FROM INVESTING ACTIVITES				
Interest received	**1,280,173**	1,560,383	**448,699**	594,516
Dividends received	**1,559,485**	751,869	**667,713**	402,337
Acquisitions of:				
Equity instruments at fair value through other comprehensive income	**(311,769)**	(11,163,771)	**–**	(665,178)
Debt instrument at amortized cost	**–**	(13,465,081)	**–**	–
Property and equipment	**(39,312)**	(803,399)	**(13,154)**	(346,872)
Net cash provided by (used in) investing activities	**2,488,577**	(23,119,999)	**1,103,258**	(15,197)
CASH FLOWS FROM FINANCING ACTIVITES				
Cash dividends paid	**(1,843,594)**	(1,941,069)	**(1,843,594)**	(1,941,069)
Receipt of subscription receivable	**33**	95,667	**–**	–
Net cash used in financing activities	**(1,843,561)**	(1,845,402)	**(1,843,594)**	(1,941,069)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**440,453**	(514,225)	**297,760**	(552,753)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(469,510)**	12,302,655	**(25,192)**	17,201,650
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**17,887,849**	10,523,121	**17,443,531**	5,624,126
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$17,418,339**	$22,825,776	**$17,418,339**	$22,825,776

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIRIES

Aging of Accounts Receivable

As of September 30, 2020 (In U.S. Dollar)

	Total Amount	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	Beyond 360 days
Trade receivables	$368,475	$368,475					
Interest receivable	303,975	303,975					
Grand Total	$672,450	$672,450					

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

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

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

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

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

<u>Service Contract (SC) 14</u>
On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972, the Parent Company, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through 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 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. 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 participated 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 operations on June 22, 2009 with effectivity on June 19, 2009 while Block D remains a retained area.

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

<u>SC 14C1 - Galoc</u>

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

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 58.291% participating interest in the area. Other significant terms and conditions of the Agreements follow:

1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be

allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.

2) That GPC will be assigned its pro-rata share of the $68 million historical cost recovery of the Galoc block equivalent to $33 million to be recovered pursuant to the terms of the Block C agreement below.

3) That GPC will reimburse the joint venture partners (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:

   a) $1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and

   b) $1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

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

As at September 30, 2020 and 2019, the Parent Company and its subsidiary, Linapacan Oil Gas and Power Corporation (LOGPOCOR), hold a combined participating interest of 7.78505% in Galoc.

<u>Joint Operating Agreement (JOA)</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Block C agreement shall terminate when SC 14 terminates.

Lifting Agreement

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

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

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

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

Decommissioning Agreement (DA)

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

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

The DA shall terminate when SC 14 terminates.

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

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

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

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

In 2020, the Operator, GPC, following the issuance of the termination Notice from the Floating Production Storage and Offloading (FPSO) service provider, Rubicon Offshore International, has set the Cessation of Operation (COP) for Galoc on September 24, 2020. The matter has been relayed to the DOE and is seeking approval of the initial drawdown on the Abandonment Fund for the implementation of the Suspension Plan.

GPC has relayed its total commitment to the long-term future of the Galoc asset and is currently evaluating several scenarios to retain flexibility for the earliest possible production re-start as and when the market conditions improve.

SC 14 –West Linapacan

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

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

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

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

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

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

SC14A, 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.

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 June 30, 2020 and 2019, outstanding balance of the provision for the plug and abandonment amounted to $0.41 million and $0.33 million, respectively.

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

The program for the final plug and abandonment for the two remaining Nido wells was suspended due to the COVID-19 situation and implemented ECQ which restricted movement of personnel and deployment of the vessels that will execute the P&A works. The current plan is to resume the P&A operations within the next weather window in September 2020.

Participating Interests

As of September 30, 2020 and 2019, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

		(In percentage)
	2020	2019
SC 14 (Northwest Palawan)		
Block A (Nido)	**42.940**	42.940
Block B (Matinloc)	**17.703**	17.703
Block B-1 (North Matinloc)	**27.772**	27.772
Block C (West Linapacan)	**30.288**	30.288
Block C (Galoc)	**7.785**	7.785
Block D	**20.829**	20.829
SC 6 (Bonita)	**4.909**	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, 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 unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2019.

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The accompanying unaudited interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30 of each year. The subsidiaries are all incorporated in the Philippines.

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activity**	**2020**	2019
LOGPOCOR	Oil exploration and development	**100%**	100%
OMWI	Furniture manufacturing and distribution	**100**	100
OLC	Real estate	**100**	100

As at September 30, 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:

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

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

4. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 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 September 30, 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 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 September 30, 2020 and 2019, the Group does not have financial assets at FVPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets

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

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

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

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

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments under PAS 39 and PFRS 9

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

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by 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, depreciation and amortization 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 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 an asset 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 comprehensive 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.

Subscription Receivable

Subscription receivable represents the amount corresponding to shares subscribed but not fully paid.

Retained Earnings

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

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Group's OCI in 2020 and 2019 pertains to reserve for fluctuation in value of available-for-sale investments which can be reclassified to profit or loss in subsequent period and remeasurement gains (losses) on pension liability and changes in cumulative translation adjustment which cannot be recycled to profit or loss in the subsequent period.

Revenue Recognition

Accounting policy effective January 1, 2018

Revenue from Petroleum Operation

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.

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.

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.

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.

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 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 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 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. Diluted earnings per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of dilutive potential common shares.

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, 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 unaudited interim consolidated financial statements.

Determination and Classification of a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangement 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:
    - The legal form of the separate vehicle;
    - Thee terms of the contractual arrangement; and
    - Other facts and circumstances (when relevant).

This assessment often requires a 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 September 30, 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 statement of comprehensive income and consolidated statement 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 has no outstanding provision for plug and abandonment costs amounting to \$0.41 million and \$0.33 million as at September 30, 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.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Petty cash fund	**$206**	$196
Cash in banks	**1,529,404**	1,547,377
Short-term deposits	**15,888,729**	21,278,203
	$17,418,339	$22,825,776

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 0.15% p.a. to 1.00% p.a. in 2020 and 1.54% p.a. to 2.75% p.a. in 2019.

There are no cash restrictions on the Group's cash balance as at September 30, 2020 and 2019.

7. Receivables

This account consists of:

	2020	2019
Trade receivables	**$368,475**	$617,337
Interest receivable	**303,975**	352,724
Dividend receivable	**–**	–
	$672,450	$970,061

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

Trade receivables are noninterest-bearing and are generally on one (1) to thirty (30) days' terms. There are no past due nor impaired receivables as of September 30, 2020 and 2019.

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

8. Investments

Short-term investments

In 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 follows:

	2020	2019
Balance at January 1	**($136,181)**	($2,668,084)
Unrealized gain (loss) during the year	**2,052,443**	1,693,695
Balance at September 30	**$1,916,262**	($974,389)

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

	2020	2019
Balance at January 1	**$31,080,859**	$11,641,849
Additions	**311,769**	11,163,770
Reserve for fluctuation in value of equity instruments at FVOCI investments	**2,052,443**	1,693,695
Balance at September 30	**$33,445,071**	$24,499,314

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.

The carrying values of debt instruments at amortized cost are as follows:

	2020	2019
Balances at beginning of year	**$27,291,700**	$12,990,099
Additions	−	13,465,081
Unrealized foreign exchange gain (loss)	**1,283,354**	653,311
Balances at end of year	**$28,575,054**	$27,108,491

9. Property and Equipment

The roll-forward analysis of this account follows:

	2020			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
At January 1	**$89,317,353**	**$253,145**	**$25,969**	**$89,596,467**
Additions	**34,878**	**–**	**4,434**	**39,312**
At September 30	**89,352,231**	**253,145**	**30,403**	**89,635,779**
Accumulated Depletion, Depreciation and Amortization				
At January 1	**76,046,157**	**210,947**	**13,487**	**76,270,591**
Depletion, depreciation and amortization	**466,439**	**7,868**	**700**	**475,007**
At September 30	**76,512,596**	**218,815**	**14,187**	**76,745,598**
Net book value at September 30	**$12,839,635**	**$34,330**	**$16,216**	**$12,890,181**

	2019			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
At January 1	$88,225,470	$234,951	$45,294	$88,505,715
Additions	783,923	18,194	1,282	803,399
Retirement	–	–	(20,605)	(20,605)
At September 30	89,009,393	253,145	25,971	89,288,509
Accumulated Depletion, Depreciation and Amortization				
At January 1	74,551,458	202,769	33,689	74,787,916
Depletion, depreciation and amortization	1,283,912	5,556	270	1,289,738
Retirement	–	–	(20,605)	(20,605)
At September 30	75,835,370	208,325	13,354	76,057,049
Net book value at September 30	$13,174,023	$44,820	$11,617	$13,231,460

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.

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

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

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

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

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

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

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

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

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

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

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.

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

This account consists of:

	2020	2019
Accounts payable and accrued expenses	**$146,909**	$611,085
Subscriptions payable	**27,381**	27,381
	$174,290	$638,466

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

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

Provision for Plug and Abandonment

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 September 30, 2020 and 2019, there has no outstanding balance of the provision for the plug and abandonment.

12. **Paid up Capital**

This account consists of:

	2020	2019
Class A - $0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	**$49,361,387**	$49,361,387
Class B - $0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	**32,907,591**	32,907,591
Subscriptions receivable	**(277,711)**	(277,744)
Capital in excess of par value	**3,650,477**	3,650,477
	$85,641,744	$85,641,711

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 25, 2020, the Parent Company's BOD approved the declaration of cash dividends amounting to $2.00 million (PhP100.00 million) to the stockholders of record of common stocks as of July 24, 2020 coming from the Parent Company's unrestricted retained earnings.

On June 27, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to $1.94 million (PhP100.00 million) to the stockholders of record of common stocks as of July 26, 2019 coming from the Parent Company's unrestricted retained earnings.

13. **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 September 30, 2020 and 2019, the Group 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.

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 September 30, 2020, the SPA and farm-out agreement has not yet completed the relevant closing conditions, which include regulatory approval.