COVER SHEET

40058

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)

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

12	31	SEC FORM-17-A		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

Annual Report 2013

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

12,030		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2013**

2. SEC Identification number **40058**

3. BIR Tax Identification Code **000-483-747-000**

4. Exact name of registrant as specified in this charter **Oriental Petroleum and Minerals Corporation**

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

6. (SEC Use Only)
   Industry Classification Code

7. **34th Floor, Robinsons Equitable Tower, ADB Ave., Ortigas Center, Pasig City**:
   Address of principal office
   1605
   Postal Code

8. **(632) 633-7631 to 40**
   Registrant'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 (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱0.01 par value	**200 Billion**

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

Yes ___X____ No ________

If yes, state the name of such stock exchange and the classed of securities listed herein

<u>Philippine Stock Exchange</u> **<u>Common Stock</u>**

12. Check whether the registrant:

a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 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 90 days.

Yes ______ No ___**X**__

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date, within sixty - (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

The aggregate market value of stocks held by non-affiliates is ₱2,172.01 million.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

Production Data for 2013 and 2012

Area	Volume (in bbls.)		Average Selling Price (in US$/bbl.)	
	2013	2012	**2013**	2012
Nido / Matinloc	158,997	155,178	95.68	99.44
Galoc	1,723,063	1,445,229	109.46	113.89

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

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

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

Revenue from petroleum operations in 2013 totaled US$15.83 million, of which US$13.52 million came from Galoc operations. In 2012, the company recorded petroleum revenue of US$15.36 million; US$13.06 million came from its share in the Galoc operation.

As of December 31, 2013 OPMC has twelve (12) employees, ten (10) executives and two (2) rank and file personnel. The Company is not expecting any change in the number of employees it presently employs. The Company has not entered into any Collective Bargaining Agreements (CBA).

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

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

The Company organized three (3) wholly owned subsidiaries:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

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

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

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

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

c) ORIENTAL LAND CORPORATION (OLC)

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

Item 2. Properties

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

Listed below are OPMC's exploration undertakings through a consortium effort with the Department of Energy (DOE).

CONTRACT	LOCATION	Expiration Date	OPMC Share (%)
SC 6B (Bonita)	NW Palawan	February 28, 2024	14.063
SC 14A (Nido)	NW Palawan	December 17, 2025	42.94)
SC 14B (Matinloc)	NW Palawan	December 17, 2025	17.703
SC 14B1 (N. Matinloc)	NW Palawan	December 17, 2025	27.772
SC14C (West Linapacan)	NW Palawan	December 17, 2025	7.752
SC14C (Galoc)	NW Palawan	December 17, 2025	7.785
SC 14D	NW Palawan	December 17, 2025	20.829

Item 3. Legal Proceedings

None.

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

STOCK PRICES (in pesos)	CLASS A High	CLASS A Low	CLASS B High	CLASS B Low
2014				
First Quarter	.0180	.0160	.0250	.0200
2013				
First Quarter	.0240	.0200	.0250	.0200
Second Quarter	.0260	.0160	.0270	.0190
Third Quarter	.0200	.0170	.0210	.0190
Fourth Quarter	.0210	.0170	.0230	.0180
2012				
First Quarter	.0320	.0170	.0330	.0180
Second Quarter	.0250	.0160	.0250	.0170
Third Quarter	.0190	.0170	.0210	.0180
Fourth Quarter	.0200	.0180	.0210	.0190

VOLUME (in billion shares)	CLASS A	CLASS B
2014		
First Quarter	3.812	0.597
2013		
First Quarter	11.716	2.991
Second Quarter	17.256	7.576
Third Quarter	5.542	1.321
Fourth Quarter	4.764	0.795
2012		
First Quarter	51.193	14.210
Second Quarter	15.792	2.660
Third Quarter	4.501	1.152
Fourth Quarter	6.436	1.373

The Company has not declared any cash or stock dividends in the last two (2) years (2013 and 2012).

As of March 31, 2014, there are approximately **11,998** stockholders both for Class "A" and "B" shares. The top 20 stockholders are:

STOCKHOLDERS	Number of Shares Held	% to Total
1. PCD NOMINEE CORPORATION	79,296,226,234	39.648
2. CONSOLIDATED ROBINA CAPITAL CORP.	37,051,952,896	18.526
3. R. COYIUTO SECURITIES, INC.	21,632,283,088	10.816
4. PRUDENTIAL GUARANTEE & ASSURANCE, INC.	13,341,635,799	6.671
5. PCD NOMINEE CORPORATION (NON-FILIPINO)	5,174,273,569	2.587
6. J.G. SUMMIT HOLDINGS, INC.	1,756,248,841	0.878
7. F & J PRINCE HOLDINGS CORP.	1,260,888,642	0.630
8. PHIL. OVERSEAS TELECOMMUNICATIONS CORPORATION	1,129,545,907	0.565
9. PHIL. COMMUNICATIONS SATELLITE CORP.	1,111,496,010	0.556
10. F. YAP SEC., INC. - AT	1,040,400,000	0.520
11. F. YAP SEC., INC. - PH	995,500,000	0.498
12. PAULINO G. PE	935,000,000	0.468
13. GIBRALTAR INTERNATIONAL HOLDINGS, INC.	832,833,547	0.416
14. DAVID GO SECURITIES CORP.	698,258,201	0.349
15. MARGARET S. CHUA CHIACO	663,400,000	0.332
16. TIONG KENG CHING	622,512,998	0.311
17. VICTORIA DUCA	611,236,533	0.306
18. ROBERT COYIUTO, JR.	565,664,986	0.283
19. JAMES UY, INC.	471,843,600	0.236
20. ERNESSON S. CHUA CHIACO	441,600,000	0.221
	169,632,800,851	84.816
Others	30,367,199,149	15.184
Total	**200,000,000,000**	**100.000**

Description of Registrant's Securities

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

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

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

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

At the end of calendar year 2013, Nido and Matinloc Oilfields had a combined crude oil production of 158,997 barrels, slightly higher than last year's 155,178 barrels. Galoc Oil Field on the other hand, produced a total of 1,723,063 barrels, an increase of around 19% from last year's production.

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

Results of Operations

2013 vs. 2012

At the end of 2013, the Company posted Petroleum Revenues of US$15.83 million, slightly higher than last year's US$15.36 million.

The main source of the Company's revenue came from Galoc operations which contributed a total of US$13.52 million. Total production in Galoc reached 1.72 million barrels, 19% higher than 2012 production of 1.44 million barrels. However, average crude oil price dropped from US$113.89/bbl. in 2012 to US$109.46/bbl. in 2013.

Nido/Matinloc operations ended 2013 with a total production of 158,997 barrels at an average crude oil price of US$95.68/bbl. It contributed US$2.31 million in the Company's petroleum revenues.

Petroleum production costs amounted to US$6.81 million in 2013, 13% higher than last year's US$6.02 million. The increase can be attributed to the normal operations in Galoc oilfield as compared to last year when it was shut-in for the first three months due to the upgrade of FPSO.

Depletion and depreciation expense reached US$4.11 million in 2013, 28% higher than last year's US$3.21 million mainly due to the increase in crude oil production from petroleum operations.

Research and development expenses pertain to studies made by the Company as part of the Company's continuing search for new projects.

Other income (expenses)-net totaled US$1.45 million in 2013 as against US$2.63 million in 2012. The decrease of around 45% was mainly due to income from the sale of AFS securities recognized in 2012.

2012 vs. 2011

The Company posted Petroleum Revenues of US$15.36 million at the end of 2012; 36% lower than last year's US$24.00 million. The decrease was mainly due to non-production in Galoc in the first quarter of 2012 due to upgrading of the FPSO.

For 2012, the company's share in Galoc operations amounted to US$13.06 million, 40% lower than last year's US$21.74 million. Crude oil production in Galoc dropped from 2,143,622 barrels in 2011 to 1,445,229 barrels in 2012 due to the upgrade in FPSO which required shutting-in of production during the 1st quarter of 2012. Average crude oil price per barrel reached US$113.89/bbl in 2012 slightly higher than US$111.78/bbl in 2011.

Nido/Matinloc operations contributed US$ 2.30 million in petroleum revenues, slightly higher than last year's US$2.26 million.

Petroleum production costs amounted to US$6.02 million in 2012. This was 23% lower than last year's US$7.79 million due to the decrease in operating expenses particularly in Galoc operations due to the decrease in FPSO lease rates as it underwent upgrading during the first 3 months of the year.

Depletion and depreciation expense reached US$3.21 million for 2012, 61% lower than last year due to the decrease in crude oil production in the Galoc oilfield. Total production in Galoc for 2012 totaled 1,445,229 barrels, or a decrease of 33% from crude oil production in 2011.

Other income (expenses)-net totaled US$2.63 million in 2012 as against US$1.06 million in 2011. The increase of 148% was attributable to the increase in dividends income from investments and income from the sale of AFS securities.

2011 vs. 2010

For the year 2011, the Company recorded Petroleum Revenues at US$24.00 million, US$6.86 million higher than 2010's petroleum revenues of US$17.14 million.

The Company's petroleum revenues came mainly from its share in Galoc Operations amounting to US$21.74 million, 44% higher than last year's US$15.05 million. This increase was mainly due to the increase in average crude oil prices from US$82.06/bbl. in 2010 to US$111.78/bbl. in 2011.

In addition, Nido/Matinloc operations contributed US$ 2.26 million in petroleum revenues, 8% higher than last year's US$2.09 million. This positive variance was due to higher crude oil prices, from an average price of US$73.48/bbl. in 2010 to US$97.38/bbl. in 2011.

Both operations were based on Dubai Crude Oil Price; however, Galoc prices were more flexible in terms of price premiums due to higher volume.

Petroleum production costs totaled US$7.79 million in 2011. This was 37% higher than last year's US$5.67 million due to the increase in operating expenses particularly in Galoc operations which includes FPSO lease, fuel costs, management fees, fixed wing expenses among others.

Depletion and depreciation expense amounted to US$8.32 million for 2011, 4% lower than last year due to slightly lower crude oil production this year.

Other income (expenses)-net totaled US$1.06 million in 2011 as against US$0.79 million in 2010. The increase of 34% was mainly due to the increase in interest income from money market placements.

Financial Position

<u>2013</u>

At the end of 2013, the Company has consolidated assets of US$79.55 million, around 7% higher than last year's US$74.61 million.

Cash and cash equivalents totaled US$35.04 million at the end of 2013, 5% lower than last year's US$37.09 million. This can be attributed mainly on the Company's share in the Galoc Phase - II project expenses.

Accounts Receivable amounted to US$4.33 million which represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortiums, respectively.

Crude oil inventory at year-end totaled US$2.83 million represents the Company's share in crude oil produced but not yet delivered as of year-end.

Available-for-sale equity Securities reached US$9.04 million at the end of 2013, 6% lower than last year's US$9.60 million due to the decrease in prices of the stocks held by the Company.

Property and Equipment at the end of 2013 increased from US$18.42 million to US$27.70 million. The increase was mainly due to the Company's share in Galoc Phase-II project.

Deferred exploration costs totaled US$0.59 million at the end of 2013, an increase of around 5% from last year's US$0.56 million, which was mainly due to the Company's share in exploration costs in other Service Contract Areas.

Accounts Payable and Accrued Expenses at the end of the year amounted to US$0.64 million.

<u>2012</u>

For the year ended December 31, 2012, the Company has consolidated assets of US$74.61 million, 15% higher than last year's US$65.07 million.

Cash and cash equivalents at the end of 2012 reached US$37.09 million, 12% higher than last year's US$33.04 million. An increase of around US$4.05 million was mainly due to dividends from the company's investments, mainly in preferred shares and the sale of AFS securities.

Accounts Receivable amounted to US$4.91 million which represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortiums, respectively.

Crude oil inventory at year-end totaled US$4.02 million represents the Company's share in crude oil produced but not yet delivered as of year-end.

Available-for-sale equity Securities reached US$9.60 million at the end of 2012, 40% higher than last year's US$6.84 million. The Company continued to increase its portfolio mainly in preferred shares during the year thus the increase in this account.

Property and Equipment at the end of 2012 amounted to US$18.42 million as against last year's US$19.57 million. The net decrease of US$1.15 million was a result from an additional Capex of around US$2.06 for the Company's share in Galoc Phase-II and a deduction of US$3.21 million representing depletion and depreciation for 2012.

Accounts Payable and Accrued Expenses at the end of the year amounted to US$0.61 million.

2011

As of December 31, 2011, the Company has consolidated assets amounting to US$65.07 million, 15% higher than last year's US$56.52 million.

Cash and cash equivalents as of December 31, 2011 reached US$33.04 million, US$14.58 million higher than last year's US$18.46 million. This increase of about 79% was attributable mainly to increased cash flows from Petroleum Operations as well as increased in interest income from money market placements

Accounts Receivable totaled US$5.06 million at the end of 2011 which represents the Company's share in the funds from crude oil sale held in trust by the operators, The Philodrill Corporation and Galoc Production Company for the SC 14A & B and SC 14C Consortiums, respectively. The Consortiums have a 30-day term with its buyers, thus this account consists mainly of December deliveries.

As of end 2011, there had been no Crude oil inventory recorded as deliveries were made towards the end of the year. Also, Galoc had commenced its Turret Project thus operations were discontinued.

Available-for-sale equity Securities totaled US$6.84 million at the end of 2011, 28% higher than last year's US$5.36 million. The Company had increased its investment in preferred shares thus explains the increase in this account.

Property and Equipment at the end of 2011 amounted to US$19.57 million as against 2010 balance of US$27.88 million. The decrease of US$8.31 million represents depletion and depreciation.

As at the end of 2011, the Company posted US$0.59 million in Accounts Payable and Accrued Expenses.

The causes for material changes (5% or more) of December 31, 2013 figures as compared to December 31, 2012 figures of the following accounts are:

Accounts	December 31, 2013	December 31, 2012	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	35,037,700	37,087,816	(2,050,116)	(6%)	Decrease refers to the Company's share in Galoc Phase-II project.
Accounts Receivable	4,328,859	4,910,828	(581,969)	(12%)	Decrease pertains to lower crude oil volume sold and delivered.
Crude Oil Inventory	2,831,426	4,015,810	(1,184,384)	(29%)	Decrease pertains to lower crude oil volume produced at the end of the reporting period.
Available – for Sale Securities	9,041,633	9,596,977	(555,344)	(6%)	Please refer to the discussion under Financial Position on page 11.
Property, plant and equipment	27,704,901	18,422,696	9,282,205	50%	Increase pertains to the Company's share in Galoc Phase – II project.
Deferred exploration cost	590,229	562,201	28,028	5%	Please refer to the discussion under Financial Position on page 11.
Income Statement					
Revenues from Petroleum Operations	15,825,328	15,355,795	469,533	3%	Please refer to the discussion under Results of Operations on page 9.
Petroleum Production Costs	6,809,862	6,016,007	793,855	13%	Increase refers to normal operations in Galoc oilfield as discussed under Results of Operations on page 9.
Depletion, depreciation and amortization	4,113,423	3,214,073	899,350	28%	Increase pertains to increased production from petroleum operations.
Research and development	667,840	–	667,840	100%	This pertains to studies made by the Company as part of its search for new projects.
Interest and Other Income (expenses) – net	1,449,848	2,634,257	(1,184,409)	(45%)	Please refer to the discussion under Results of Operations on page 9.

I. Key Performance Indicators

	2013	2012	2011
Current Ratio	**64.72:1**	72.15:1	64.62:1
Net Working Capital Ratio	**0.52:1**	0.61:1	0.58:1
Return on Assets	**4.79%**	8.15%	12.27%
Return on Equity	**6.78%**	14.48%	15.10%
Ratio of Debt-to-Equity	**0.04**	0.04	0.05

Figures are based on Audited Financial Statements

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

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

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

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

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

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

Item 7. Financial Statement

The Audited Consolidated Financial Statements are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

1. External Audit Fees and Services
    a. Audit and Audit-Related Fees

       Our external auditor, SGV & Co. has billed the Company a total audit fee of US$17,879.52 for the last two (2) fiscal years, 2013 and 2012, for the audit of the Company's annual financial statements in connection with statutory and regulatory filings for the last two (2) fiscal years.

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

b. Tax Fees

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

c. All Other Fees

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

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

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

2. Changes and Disagreements With Accountants On Accounting And Financial Disclosure

None.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors And Executive Officers Of The Registrant

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

Directors

Director, Chairman and Chief Executive Officer	James L. Go	Filipino	74
Director, President and Chief Operating Officer	Robert Coyiuto, Jr.	Filipino	62
Director	John Gokongwei, Jr.	Filipino	87
Director	Lance Y. Gokongwei	Filipino	47
Director	Antonio Go	Filipino	73
Director	Benedicto Coyiuto	Filipino	35

Director	Amparo V. Barcelon	Filipino	91
Director	James Coyiuto	Filipino	60
Director	Ricardo Balbido, Jr.	Filipino	63
Director,	Gabriel Singson	Filipino	84
Director, Assistant Corporate Secretary	Perry L. Pe	Filipino	53

Executive Officers

SVP- Operations and Administration	Apollo P. Madrid	Filipino	73
SVP – Legal and Corporate Secretary	Ethelwoldo E. Fernandez	Filipino	85
Chief Financial Officer/Treasurer	Jeanette U. Yu	Filipino	61

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

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

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

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

James L. Go, has been the Chairman and Chief Executive Officer of the Company since 2002. He is also the Chairman and Chief Executive Officer of Officer of JG Summit Holdings, Inc. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Deputy Chief Executive Officer of Robinsons Retail Holdings, Inc. and a director of Singapore Land Limited, Marina Center Holdings, Inc., UIC and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of Cebu Air, Inc. since May 2002 and of Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

Robert Coyiuto, Jr., has been a Director of the Company since 1982 and was previously both Chairman of the Board and President from 1991 to 1993. He has been President and Chief Operating Officer of the Company since 1994. He is also the Chairman and CEO of Prudential Guarantee & Assurance, Inc., PGA Sompo Japan Insurance Inc., Chairman of Hyundai North Edsa, PGA Automobile Inc., PGA Cars Inc., Pioneer Tours Corporation, Coyiuto Foundation and Chairman & President, Calaca High Power Corporation He also serves as Vice Chairman of First Life Financial Co., Inc. and Director of Petrogen Insurance Corporation, National Grid Corporation of the Philippines, Universal Robina Corporation; Canon Philippines, Inc., Nominee of R. Coyiuto Securities, Inc. and Trustee of San Beda College.

John L. Gokongwei, Jr., is a Director of the Company. He had been Chairman of the Board and CEO of the Company from 1994 to 2002. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited, and a director of Oriental Petroleum and Minerals Corporation and Cebu Air, Inc. He is also a non-executive director of A. Soriano Corporation. He was elected a director of Manila Electric Company on March 31, 2014. Mr. John L. Gokongwei, Jr. received a Master's degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

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

Antonio L. Go, was elected as an independent director of the company since 2007. He also currently serves as director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, United Industrial Corporation Limited, Pin-An Holdings, Inc., Equicom Information Technology, and ALGO Leasing and Finance, Inc. He is also a trustee of Go Kim Pah Foundation and Equitable Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

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

Amparo V. Barcelon, has been a Director of the Company since 1986. She had been Vice Chairperson of the Board since 1986 to 2002. She is also the President of J. M. Barcelon and Co., Joam Investments Corporation, Jaybee Real Estate Corporation, Amarese Realty Development Corporation, ONA Real Estate Corporation.

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

Ricardo Balbido, Jr., has been elected as an Independent Director of the Company in 2005. Currently, he is the President and CEO of Philippine Veterans Bank. He was formerly the President and COO of Dao Heng Bank, Inc., Senior Vice- President of Bank of the Philippine Islands and AVP of BPI Leasing Corporation. Mr. Balbido received his degree in Bachelor of Science in Business Administration Major in Accounting from Silliman University and earned his Master in Business Administration (full academics) from Ateneo de Manila University.

Gabriel Singson, has been elected as Director of the Company during the annual stockholders meeting held last July 14, 2005. He is a director of Multinational Finance Group Ltd., Summit Forex Brokers Corporation, Summit Point Corporation, and a trustee of the Gokongwei Brothers Foundation, Inc., Tan Yan Kee Foundation and the Ateneo de Manila University. He is also the Chairman of Grepalife Financial Corporation and Chairman of the Advisory Board of Rizal Commercial Banking Corporation. He was the former Governor of the Bangko Sentral ng Pilipinas (1993-1999) and President of the Philippine National Bank (1992-1993). He obtained his LLB degree, cum laude, from the Ateneo Law School and received his Master of Laws from the University of Michigan Law School as a Dewitt Fellow and a Fulbright scholar.

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

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

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

Jeanette U. Yu, has been Chief Financial Officer/Treasurer since 1994. She is also the Vice President of Universal Robina Corporation and Vice President – Treasurer of Cebu Air, Inc.

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

Significant Employees

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

Item 10. Executive Compensation

Summary of annual compensation of Executive Officers (in thousand US$)

	Projected	**A C T U A L**	
	2014	**2013**	**2012**
a) CEO & 4 most highly compensated James L. Go – Chairman/CEO Robert Coyiuto, Jr.– President/COO Apollo P. Madrid – SVP Operations Jeanette U. Yu – Treasurer / CFO Ethelwoldo Fernandez – Corp. Secretary	169.89	161.80	155.09
b) All officers as a group	234.45	223.33	195.88

c) Compensation of Directors

For 2013, the Company paid a total of US$37,590.52 to its Directors.

d) Standard Arrangements

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

e) Other Arrangements

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

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

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

Item 11. Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of March 31, 2014 were as follows:

Class	Name and Address Record/ Beneficial Owner	Amount and Nature of Ownership (Record and/or beneficial ownership)		Citizenship	% to Total
Common	PCD Nominee Corporation[a] Old Makati Stock Exchange Bldg. Ayala Avenue, Makati City	79,296,226,234	Record	Filipino	39.65%
Common	Consolidated Robina Capital Corp.[b] CFC Bldg., E. Rodriguez Avenue Bagong Ilog, Pasig City	37,051,952,896	Record	Filipino	18.53%
Common	R. Coyiuto Securities, Inc.[c] 5th. Flr., Corinthian Plaza Paseo de Roxas, Makati City	21,632,283,088	Record	Filipino	10.82%
Common	Prudential Guarantee & Assurance Inc. [d] 119C Palanca St. Legaspi Village, Makati City	13,341,635,799	Record	Filipino	6.67%

a. PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCDI"), is the registered owner of the shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCDI's participants, who hold the shares on their behalf, and their clients. PCDI is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.
b. Consolidated Robina Capital Corporation is a 100% subsidiary of JG Summit Holdings, Inc.
  - Any one of the following directors of the Company is authorized to vote: Messrs., John Gokongwei, Jr., James Go, Lance Gokongwei
c. R. Coyiuto Securities, Inc. is majority-owned by Mrs. Rosie Coyiuto
  - Any one of the following is authorized to vote: Ms. Rosie Coyiuto, Messrs. Philip K. Rico, Samuel Coyiuto, and James Coyiuto.
  - There are no participants in the above corporation who hold more than 5% of OPMC's outstanding capital stock.
d. Prudential Guarantee & Assurance, Inc. is majority-owned by Coyiuto Brothers.
  - The Indirect Beneficial Ownership of Coyiuto Brothers in PGA, Inc. is as follows:
    - Mr. Robert Coyiuto, Jr. – 1,216,729 shares
    - Mr. James Coyiuto – 413,012 shares

Security Ownership of Management as of December 31, 2013

Class	Name of Beneficial Owner	Position	Amount and Nature of Ownership (Record and/or beneficial ownership)		Citizenship	% to Total
A. Named Executive Officers[1]						
Common	JAMES L. GO*	Chairman and CEO	1	Beneficial	Filipino	Nil
Common	ROBERT R. COYIUTO, JR.*	Director, President and COO	565,664,986	Beneficial	Filipino	0.28%
Common	ETHELWOLDO E. FERNANDEZ*	SVP for Legal / Corporate Secretary	604,787	Beneficial	Filipino	Nil
Common	APOLLO P. MADRID*	SVP for Operations /Administration	1,812,766	Beneficial	Filipino	Nil
		Sub-total	568,082,540			
B. Other Directors and Executive Officers						
Common	JOHN L. GOKONGWEI, JR.	Director	107,001	Beneficial	Filipino	Nil
Common	AMPARO V. BARCELON	Director	1	Beneficial	Filipino	Nil
Common	ANTONIO GO	Director	1	Beneficial	Filipino	Nil
Common	BENEDICTO COYIUTO	Director	10,000	Beneficial	Filipino	Nil
Common	LANCE Y. GOKONGWEI	Director	1	Beneficial	Filipino	Nil

[1] Chief Executive Officer and three (3) among the five (5) most highly compensated executive officers as of December 31, 2013.
*Company's executive officers.

Common	PERRY L. PE*	Director and Asst. Corporate Secretary	513,621	Beneficial	Filipino	Nil
Common	RICARDO BALBIDO, JR.	Director	100,000	Beneficial	Filipino	Nil
Common	JAMES COYIUTO	Director	1	Beneficial	Filipino	Nil
Common	GABRIEL SINGSON	Director	1	Beneficial	Filipino	Nil
		Sub-total	730,627			
All directors and executive officers as a group unnamed			568,813,167		0.28%	

Voting Trust holders of 5% or More

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

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

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

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

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

At the end of 2013, the company had Cash and Cash equivalents maintained at various banks including an affiliated bank, Robinson's Bank. The company likewise, leases an office space from an affiliate that is renewable annually.

PART IV. CORPORATE GOVERNANCE

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

The Board of Directors has yet to approve the evaluation system to be established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. Among the measures being undertaken by the Corporation in order to fully comply with the provision of the Corporate Governance Manual are periodic monitoring and evaluation of the internal control system for corporate governance. In order to improve the corporate governance of the Corporation, proposed amendments to the Corporate Governance Manual are under discussion to include new provisions required by the SEC and the Philippine Stock Exchange.

PART V. EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

None.

(b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six months period covering this report:

Item 9: Other Matters

1. Disclosure on the Result of Annual Stockholders' Meeting as of June 27, 2013 dated June 28, 2012.

SIGNATURES

Pursuant to the requirements of Section17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of ________________ on April __________, 2014.

By:

James L. Go
Chairman of the Board
& Chief Executive Officer

Robert Coyiuto, Jr.
President &
Chief Operating Officer

Ethelwoldo E. Fernandez
Corporate Secretary

not available - out of the country
Jeanette U. Yu
Treasurer & Chief Finance Officer

14 APR 2014

Subscribed and sworn to before me this ________ day of April 2014, affiants executed to me their Community Tax Certificates (CTC) / Passport as follows:

Name	CTC / Passport No.	Date of Issue	Place of Issue
James L. Go	27977247	January 20, 2014	Pasig City
Robert Coyiuto, Jr.	05967333	January 20, 2014	Manila
Ethelwoldo E. Fernandez	EB6340675	September 14, 2012	Manila
Jeanette U. Yu	EB0786448	August 17, 2010	DFA, Manila

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BOOK NO. 238
SERIES OF 2014

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24655 / TIN NO. 144-519-086
MCLE III - 0013521
COMMISSION NO. 2013-023

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

FORM 17-A, ITEM 7

Consolidated Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION
34th. Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City
☎: 633-7631 to 40, 637-1670 to 79 Extensions 277, 278, 279, 280, 281 • 🖷: 395-2586

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Oriental Petroleum and Minerals Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the schedule of all effective standards and interpretations and schedule of retained earnings available for dividend declaration as at December 31, 2013, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders for the years December 31, 2013 and 2012, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

James L. Go
Chairman of the Board & Chief Executive Officer

Robert Coyiuto, Jr.
President & Chief Operating Officer

not available - out of the country
Jeanette U. Yu
Treasurer & Chief Financial Officer

14 APR 2014

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS __ DAY OF __ 20__ AT MANILA EXHIBITING HIS/HER RES CERT NO.___ ISSUED ON ______ AT ______

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BOOK NO. 328
SERIES OF 2014

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24665 / TIN NO. 144-519-066
MCLE III - 0013521
COMMISSION NO. 2013-023

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Oriental Petroleum and Minerals Corporation
40th Floor, Robinsons Equitable Tower
ADB Avenue, Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of Oriental Petroleum and Minerals Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Oriental Petroleum and Minerals Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which discusses the suspension of the production activities in the West Linapacan Oilfield. 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 that would result from the successful redevelopment activities thereon.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

April 10, 2014

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In U.S. Dollars)

	December 31		January 1,
	2013	2012 As restated (see Note 2)	2012 As restated (see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 20 and 21)	**$35,037,700**	$37,087,816	$33,036,104
Receivables (Notes 7, 8 and 21)	**4,328,859**	4,910,828	5,057,121
Crude oil inventory	**2,831,426**	4,015,810	–
Other current assets	**10,272**	10,331	10,042
Total Current Assets	**42,208,257**	46,024,785	$38,103,267
Noncurrent Assets			
Available-for-sale investments (Notes 9 and 21)	**9,041,633**	9,596,977	6,836,182
Property and equipment (Notes 8 and 10)	**27,704,901**	18,422,696	19,568,646
Deferred exploration costs (Notes 8 and 11)	**590,229**	562,201	559,332
Other noncurrent assets	**1,124**	1,217	1,140
Total Noncurrent Assets	**37,337,887**	28,583,091	26,965,300
	$79,546,144	$74,607,876	$65,068,567
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 12 and 21)	**$639,218**	$611,030	$587,829
Income tax payable	**12,987**	26,861	1,840
Total Current Liabilities	**652,205**	637,891	589,669
Noncurrent Liabilities			
Pension liabilities (Notes 3 and 17)	**56,386**	49,440	257,569
Deferred tax liabilities (Note 18)	**2,100,142**	2,085,145	2,538,583
Total Noncurrent Liabilities	**2,156,528**	2,134,585	2,796,152
	2,808,733	2,772,476	3,385,821
Equity			
Capital stock (Note 13)	**82,268,978**	82,268,978	82,268,978
Subscriptions receivable (Note 13)	**(374,252)**	(374,252)	(374,252)
Capital in excess of par value (Note 13)	**3,650,477**	3,650,477	3,650,477
Deficit	**(9,758,103)**	(14,796,146)	(24,462,367)
Reserve for fluctuation in value of available-for-sale investments (Note 9)	**764,299**	931,803	612,149
Cumulative translation adjustment	**20,873**	(13,725)	(12,239)
Remeasurement gains (losses) on pension liability (Notes 3 and 17)	**165,139**	168,265	–
Total Equity	**76,737,411**	71,835,400	61,682,746
	$79,546,144	$74,607,876	$65,068,567

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2013	2012 As restated (see Note 2)	2011 As restated (see Note 2)
REVENUE FROM PETROLEUM OPERATIONS (Note 8)	**$15,825,328**	$15,355,795	$24,003,972
PETROLEUM PRODUCTION COSTS (Note 8)	**6,809,862**	6,016,007	7,794,239
GROSS PROFIT	**9,015,466**	9,339,788	16,209,733
EXPENSES (OTHER INCOME)			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**4,113,423**	3,214,073	8,316,902
General and administrative expenses (Note 14)	**543,966**	422,285	434,876
Research and development costs (Note 16)	**667,840**	–	–
Unrealized foreign exchange losses (gains)	**7,456**	(931,729)	38,886
Interest income (Notes 6 and 20)	**(750,908)**	(782,681)	(626,415)
Other income (Note 15)	**(698,940)**	(1,851,576)	(435,707)
	3,882,837	70,372	7,728,542
INCOME BEFORE INCOME TAX	**5,132,629**	9,269,416	8,481,191
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	**78,249**	128,747	90,458
Deferred	**16,337**	(525,552)	(261,228)
	94,586	(396,805)	(170,770)
NET INCOME	**$5,038,043**	$9,666,221	$8,651,961
Basic/Diluted Earnings Per Share (Note 19)	**$0.000025**	$0.000048	$0.000043

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In U.S. Dollars)

	Years Ended December 31		
	2013	2012 As restated (see Note 2)	2011 As restated (see Note 2)
NET INCOME	**$5,038,043**	$9,666,221	$8,651,961
OTHER COMPREHENSIVE INCOME (LOSS)			
Items reclassified to profit or loss in subsequent periods			
Movement in reserve for fluctuation in value of available-for-sale investments (Note 9)	**(167,504)**	319,654	109,432
Items reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension liability - net of tax (Notes 3 and 17)	**(3,126)**	168,265	
Changes in cumulative translation adjustment	**34,598**	(1,486)	–
	(136,032)	486,433	109,432
TOTAL COMPREHENSIVE INCOME	**$4,902,011**	$10,152,654	$8,761,393

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Deficit	Reserve for Fluctuation in value of Available-for-Sale Investments (Note 9)	Remeasurement Gains (Losses) on Pension Liability (Note 2)	Cumulative Translation Adjustment	Total
			For the Year Ended December 31, 2013					
Balances as of January 1, 2013, as previously stated	**$82,268,978**	**($374,252)**	**$3,650,477**	**($14,804,731)**	**$931,803**	**$–**	**($13,725)**	**$71,658,550**
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	**8,585**	–	**168,265**	–	**176,850**
Balances as of January 1, 2013, as restated	**82,268,978**	**(374,252)**	**3,650,477**	**(14,796,146)**	**931,803**	**168,265**	**(13,725)**	**71,835,400**
Comprehensive income								
Net income	–	–	–	**5,038,043**	–	–	–	**5,038,043**
Other comprehensive income (loss)	–	–	–	–	**(167,504)**	**(3,126)**	**34,598**	**(136,032)**
Total comprehensive income (loss)	–	–	–	**5,038,043**	**(167,504)**	**(3,126)**	**34,598**	**4,902,011**
Balances as of December 31, 2013	**$82,268,978**	**($374,252)**	**$3,650,477**	**(9,758,103)**	**$764,299**	**$165,139**	**$20,873**	**$76,737,411**

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Deficit	Reserve for Fluctuation in value of Available-for-Sale Investments (Note 9)	Remeasurement Gains (Losses) on Pension Liability (Note 2)	Cumulative Translation Adjustment	Total
	For the Year Ended December 31, 2012							
Balances as of January 1, 2012, as previously stated	$82,268,978	($374,252)	$3,650,477	($24,462,367)	$612,149	$–	($12,239)	$61,682,746
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	–	–	–	–	–
Balances as of January 1, 2012, as restated	82,268,978	(374,252)	3,650,477	(24,462,367)	612,149	–	(12,239)	61,682,746
Comprehensive income								
Net income, as previously restated	–	–	–	9,657,636	–	–	–	9,657,636
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	8,585	–	–	–	8,585
Net income, as restated	–	–	–	9,666,221	–	–	–	9,666,221
Other comprehensive income, as previously stated	–	–	–	–	319,654	–	(1,486)	318,168
Effect of the adoption of the Revised PAS 19 (Note 2)	–	–	–	–	–	168,265	–	168,265
Other comprehensive income, as restated	–	–		–	319,654	168,265	(1,486)	486,433
Total comprehensive income, as restated	–	–	–	9,666,221	319,654	168,265	(1,486)	10,152,654
Balances as of December 31, 2012, as restated	$82,268,978	($374,252)	$3,650,477	($14,796,146)	$931,803	$168,265	($13,725)	$71,835,400

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In U.S. Dollars)

	Capital Stock (Note 13)	Subscriptions Receivable (Note 13)	Capital in Excess of Par Value (Note 13)	Deficit	Reserve for Fluctuation in value of Available-for-Sale Investments (Note 9)	Remeasurement Gains (Losses) on Pension Liability (Note 2)	Cumulative Translation Adjustment	Total
			For the Year Ended December 31, 2011					
Balances as of January 1, 2011	$82,268,978	($374,252)	$3,650,477	($33,114,328)	$502,717	$–	($12,239)	$52,921,353
Comprehensive income								
Net income	–	–	–	8,651,961	–	–	–	8,651,961
Other comprehensive income	–	–	–	–	109,432	–	–	109,432
Total comprehensive income	–	–	–	8,651,961	109,432	–	–	8,761,393
Balances as of December 31, 2011	$82,268,978	($374,252)	$3,650,477	($24,462,367)	$612,149	$–	($12,239)	$61,682,746

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$5,132,629**	$9,269,416	$8,481,191
Adjustments for:			
Depletion, depreciation and amortization expenses (Notes 8 and 10)	**4,113,423**	3,214,073	8,316,902
Movement in pension liability (Note 17)	**59,537**	21,087	26,792
Loss (gain) on disposal of available-for-sale investments (Notes 9 and 15)	**11,240**	(1,251,587)	–
Unrealized foreign exchange loss (gain)	**(45,391)**	(931,729)	38,886
Dividend income (Note 15)	**(710,180)**	(599,989)	(435,707)
Interest income (Notes 6 and 20)	**(750,908)**	(782,681)	(626,415)
Operating income before working capital changes	**7,810,350**	8,938,590	15,801,649
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**580,382**	174,426	(3,489,525)
Crude oil inventory	**1,184,384**	(4,015,810)	2,683,659
Other current assets	**59**	(289)	(36)
Other noncurrent assets	**93**	–	–
Increase (decrease) in accounts and other payables	**28,188**	(5,309)	(1,516)
Net cash flows generated from operations	**9,603,456**	5,091,608	14,994,231
Income tax paid	**(26,861)**	(103,726)	(88,618)
Net cash flows provided by operating activities	**9,576,595**	4,987,882	14,905,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 10)	**(13,395,628)**	(2,068,123)	(4,585)
Additions to deferred exploration costs (Note 11)	**(28,028)**	(2,869)	(1,600)
Proceeds from sale of available-for-sale investments (Note 9)	**4,849,803**	1,915,282	–
Interest received	**687,233**	754,548	626,415
Dividends received (Note 15)	**710,180**	599,989	435,707
Acquisitions of available-for-sale investments (Note 9)	**(4,473,203)**	(2,585,659)	(1,393,349)
Net cash flows used in investing activities	**(11,649,643)**	(1,386,832)	(337,412)
EFFECTS OF CUMULATIVE TRANSLATION ADJUSTMENT	**34,598**	(1,486)	–
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(11,666)**	452,148	8,163
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,050,116)**	4,051,712	14,576,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,087,816**	33,036,104	18,459,740
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$35,037,700**	$37,087,816	$33,036,104

See accompanying Notes to Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

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

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

The Parent Company’s principal office is located at 40th 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.

Service Contract (SC) 14

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

The contract areas (i.e., Blocks A, B, C and D) covered by SC 14 are situated offshore Northwest of Palawan Island, Philippines. Crude oil production in the West Linapacan Oilfield in Block C of SC 14 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion. However, the Parent Company participates in the production of other fields, including Nido, Galoc and Matinloc. Total production from these fields is modest but enough to cover operating and overhead expenses of SC 14.

In 2013 and 2012, production activities continued in Blocks A, B, B1 and C of SC 14. The Galloc oilfield located in Block C was declared commercial on June 22, 2009 with effectivity on June 19, 2009. Block D remains a retained area.

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

SC 14 - Galoc

Farm-in Agreement (FA)

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

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 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:

    1) $1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and

    2) $1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

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

As of December 31, 2013 and 2012, the Consortium consists of the Parent Company (5.105%), GPC (59.845%), Nido Petroleum (22.880%), Philodrill Corporation (Philodrill) (7.215%), Forum Energy Philippines Corporation (2.276%), and Linapacan Oil Gas and Power Corporation (LOGPOCOR) (2.680%).

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

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

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

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

The EPT period ended on June 18, 2009.

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

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

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

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

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

As of December 31, 2013, the Group has funded \$0.49 million of its share in the decommissioning liability.

The DA shall terminate when SC 14 terminates.

SC 14C - West Linapacan
A farm-in agreement was signed in July 2008 with Pitkin Petroleum Plc. The agreement requires the farm-in party /farminee to carry out, at its own cost, technical studies, drill a well or wells, and redevelop the West Linapacan-A oilfield. In return, Pitkin Petroleum Plc. will earn 75% interest out of the share of the farming-out parties/farmors. The farming-out parties / Farmors are carried free up to commercial "first oil" production.

In a later development, Pitkin Petroleum Plc. transferred and assigned a portion of their interest to RMA (HK) Ltd. Technical studies will continue after which a decision will be made to proceed or not to a front end engineering and design (FEED).

Participating Interests
As of December 31, 2013 and 2012, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	2013	2012
	(In Percentage)	
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)	**7.572**	7.572
Block C (Galoc)	**7.785**	7.785
Block D	**20.829**	20.829
SC 6 (Bonita)	**14.063**	14.063

Among the other operations of the Group, the suspension of the production activities in the West Linapacan Oilfield raises uncertainties as to the profitability of the petroleum operations for the said oilfield. The profitability of petroleum operations related to the said oilfield is dependent upon discoveries of oil in commercial quantities as a result of the success of redevelopment activities thereof.

On June 30, 2009, the Group acquired additional interest in SC 14-Galoc from Petroenergy and AGRC. Participating interest increased by 0.213%, resulting to increase in wells, platforms and other facilities amounting $0.16 million (Note 10).

2. Basis of Preparation

The accompanying consolidated financial statements of the Parent Company and its wholly-owned subsidiaries, LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the "Group", which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the consolidated financial statements, have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and crude oil inventory that have been measured at fair value.

The consolidated financial statements are presented in U.S. Dollars, the Parent Company's functional currency. Amounts are adjusted to the nearest dollar unless otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. The subsidiaries are all incorporated in the Philippines.

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date such control ceases.

3. Summary of Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the application, for the first time, of certain standards and amendments that require restatement of previous consolidated financial statements. These include PAS 19 and amendments to PAS 1, *Presentation of Financial Statements*. The Company also applied, for the first time, PFRS 13, *Fair Value Measurement* which is applied prospectively.

Several other amendments apply for the first time in 2013. Unless otherwise indicated the adoption of these standards and amendments did not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendments are described below:

- PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single

control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

The adoption of the standard does not have impact on the Group's consolidated financial position or performance.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

  The adoption of PFRS 11 affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities.

  The adoption of PFRS 11 affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 21.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.
  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's consolidated financial position and financial performance.

	As at December 31, 2013	As at December 31, 2012 (As restated)	As at January 1, 2012 (As restated)
Statements of financial position			
Increase (decrease) in:			
Net defined benefit liability	($243,996)	($252,643)	$–
Deferred tax liability	73,199	75,793	–
Other comprehensive income	163,799	168,265	–
Retained earnings	6,998	8,585	–

	2013	2012 (As restated)
Statements of comprehensive income		
Increase (decrease) in:		
Net pension cost	$2,267	$12,264
Income tax expense	(680)	(3,679)
Net income	(1,587)	(8,585)
Other comprehensive income - net of tax	(4,466)	168,265
Total comprehensive income	($6,053)	$159,680

  The adoption did not have an impact on statement of cash flows.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

<u>Annual Improvements to PFRSs (2009-2011 cycle)</u>
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of consolidated financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. During

the year the Group adopted Revised PAS 19, *Employee Benefits* which requires retrospective application. Presentation of additional comparative period was made to comply with the requirement of the standard.

- PAS 16*, Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's consolidated financial position or performance.

- PAS 32*, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its consolidated financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's consolidated financial position or performance.

Standards Issued but not yet Effective
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2013. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has no derivative during the year.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that the amendments will have material consolidated financial impact in the future financial statements.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's consolidated financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the

compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's consolidated financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules- based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

  In compliance with SEC Memorandum Circular No.3, series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After a careful consideration

of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2013 annual evaluation; the Group has decided not to early adopt PFRS 9 for its 2013 annual financial reporting. Therefore, these financial statements do not reflect the impact of the said standard.
PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

4. Summary of Significant Accounting Policies

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

Revenue from petroleum operation
Revenue from producing oil wells is recognized as income at the time of production.

Interest income
Interest income is recognized as it accrues using the effective interest 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 payment is established.

Cost 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 oil revenue.

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 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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs.

Financial instruments within the scope of PAS 39 are classified as either financial assets or liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of December 31, 2013 and 2012, the Group has no financial assets and liabilities at FVPL and HTM investments.

Day 1 difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

The Group's loans and receivables include cash and cash equivalents and receivables.

AFS investments
AFS investments are those non derivative financial assets that are designated as such or do not qualify as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government securities, equity investments and other debt instruments.

After initial measurement, AFS investments are measured at fair value with unrealized gains or losses being recognized directly in the consolidated statement of comprehensive income as "Reserve for fluctuation in value of AFS investments". When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been established.

As of December 31, 2013 and 2012, the Group has available-for-sale investments amounting to $9.04 million and $9.60 million, respectively.

Other financial liabilities
Issued financial instruments or their components, which are not designated as FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount of premium on the issue and fees that are an integral part of the effective interest rate (EIR). Any effects on restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in consolidated statement of income during the period in which it arises.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed the amortized cost at the reversal date.

AFS investments carried at cost
If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments carried at fair value
In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from other comprehensive income and recognized in consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Other income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents

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

Crude Oil Inventory

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

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

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

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

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

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

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

	Years
Transportation equipment	6
Office furniture and equipment	5-10

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

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

Interest in Jointly Controlled Assets
Interests in jointly controlled assets are accounted for by recognizing in the consolidated financial statements the Group's share in the jointly controlled assets and are included principally in the "Property and equipment" and "Deferred exploration costs" accounts in the consolidated statement of financial position and any liabilities incurred jointly with the other venturers as well as the related revenues and expenses of the joint venture. The Group also recognized the expenses which it has incurred in respect of its interest in the joint venture and the related liabilities.

Deferred Exploration Costs
The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC/Geophysical Survey and Exploration Contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. The exploration costs

relating to the SC/GSEC area where oil and gas in commercial quantities are discovered are subsequently capitalized as “Wells, platforms and other facilities” shown under the “Property and equipment” account in the consolidated statement of financial position upon commercial production. When the SC/GSEC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred oil exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that the Group’s property and equipment and deferred exploration costs may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. Recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Capital in Excess of Par Value
Capital stock is measured at par value for all 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.

Subscriptions Receivable
Subscriptions receivable represents shares subscribed but not fully paid.

Deficit
Deficit represents accumulated losses of the Group and with consideration of any changes in accounting policies and errors applied retrospectively.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is

dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specific asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (b), or (d) and at the date of renewal or extension period for the scenario (c).

Operating Lease
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 tax
Current 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.

Deferred tax
Deferred tax is provided, on all temporary differences, with certain exceptions, at the financial 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. 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 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. 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. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction in a transaction that is not a business combination and at the time of transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is 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. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income in the period.

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

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on pension liabilities" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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.

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.

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.

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

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

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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

5. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Determination 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 Parent Company's functional currency is the US Dollar. The functional currency of OMWI and OLC is Philippine Peso.

As of December 31, 2013 and 2012, the Group's cumulative translation adjustment amounted to $0.02 million and ($0.01) milion, respectively.

Classification of financial instruments

The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position. The classification of financial assets and financial liabilities of the Group are presented in Note 21.

Operating leases - Group as lessee

The Group has entered into property leases for its operations (Note 20). The Group has determined that the lessor retains all the significant risks and rewards of ownership of these properties that are leased out on operating leases.

Estimates and Assumptions

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

Fair values of financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgments. While components of fair value measurements were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect the consolidated statements of comprehensive income and consolidated statements of changes in equity, as appropriate (see Note 21).

Impairment of loans and receivables

The Group assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original EIR. The Group uses individual impairment assessment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

As of December 31, 2013 and 2012, the total carrying value of the Group's receivables amounted to $4.33 million and $4.91 million, respectively (see Note 7). No allowance for impairment was provided in 2013 and 2012.

Impairment of AFS investments
Quoted shares - at fair value
An impairment loss arises with respect of AFS investments when there is objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect recoverability of the Group's investments.

Unquoted shares - at cost
Management believes that while the range of fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of equity investments. As a result, the Group carries unquoted AFS investments at cost, less any impairment in value.

A net increase (decrease) in market value of AFS investments amounting to ($0.17) million, $0.32 million and $0.11 million was recognized in 2013, 2012 and 2011, respectively. AFS investments amounted to $9.04 million and $9.60 million as of December 31, 2013 and 2012, respectively (see Note 9).

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

Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of 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.

Estimated proven oil reserves totaled 15.25 million barrels and 10.90 million barrels for Galoc oil field and 1.37 million barrels for Nido oil field as of December 31, 2013 and 2012, respectively.

Estimation of useful lives of property and equipment
The Group reviews annually the EUL of transportation equipment and office furniture and equipment based on expected asset utilization. It is possible that future results of operations could be affected by changes in these estimates brought about by changes in the factors mentioned. A

reduction in the EUL of these assets would increase the recorded depreciation expense and decrease noncurrent assets.

As of December 31, 2013 and 2012, the Group's property and equipment amounted to $27.70 million and $18.42 million, respectively. Depletion, depreciation and amortization expense amounted to $4.11 million, $3.21 million and $8.32 million in 2013, 2012 and 2011, respectively (see Note 10).

Impairment of nonfinancial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

As of December 31, 2013 and 2012, management has determined that there are no indications that nonfinancial assets may be impaired.

The related balances follow:

	2013	2012
Property and equipment (Note 10)	**$27,704,901**	$18,422,696
Deferred exploration costs (Note 11)	**590,229**	562,201

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

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

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The carrying value of deferred exploration costs amounted to $0.59 million and $0.56 million as of December 31, 2013 and 2012, respectively (see Note 11). No provision for impairment loss was recognized in 2013, 2012 and 2011.

In 2013 and 2012, the Group incurred additional $28,028 and $2,869, respectively for the training assistance that DOE has required for the 15 year period extension of SC 6. The amounts were included in the "deferred explorations costs".

Pension expense
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 17).

Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

Pension liability amounted to $0.06 million and $0.05 million as of December 31, 2013 and 2012, respectively (see Note 17).

Recognition of deferred tax assets
Deferred tax assets are recognized for all temporary deductible differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Management has determined based on business forecasts of succeeding years that there is not enough taxable income against which the deferred tax assets will be recognized.

As of December 31, 2013 and 2012, the Group has unrecognized deferred tax assets on temporary differences amounting to $0.27 million and $0.90 million, respectively (see Note 18).

Asset retirement obligation
Plug and abandonment costs are based on estimates made by the service contract operator. These costs are not clearly provided for in the SCs. Management believes that there are no legal and constructive obligations for plug and abandonment costs. As of December 31, 2013 and 2012, the Group has not recognized any asset retirement obligation.

6. Cash and Cash Equivalents

	2013	2012
Petty cash fund	**$216**	$216
Cash in banks	**36,552**	64,206
Short-term deposits (Note 20)	**35,000,932**	37,023,394
	$35,037,700	$37,087,816

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates ranging from 1.13% to 2.00% in 2013 and 1.38% to 3.88% in 2012.

Interest income earned from cash in banks and short-term deposits amounted to $0.69 million, $0.78 million and $0.63 million in 2013, 2012 and 2011, respectively (see Note 20).

There are no cash restrictions on the Group's cash balance as of December 31, 2013 and 2012.

7. Receivables

	2013	2012
Due from operators (Note 8)	**$3,853,823**	$4,533,581
Trade receivables	**398,330**	265,229
Interest receivable	**76,706**	78,293
Dividend receivable	–	33,725
	$4,328,859	$4,910,828

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

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

Trade receivables and due from operators are noninterest-bearing and are generally on 1-30 day terms.

There are no past due nor impaired receivables as of December 31, 2013 and 2012.

8. Interest in Jointly Controlled Assets

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

	2013	2012
Current assets:		
Receivables		
Due from operators (Note 7)	**$3,853,823**	$4,533,581
Noncurrent assets:		
Property and equipment (Note 10)		
Wells, platforms and other facilities	**84,741,910**	71,347,034
Less accumulated depletion, depreciation and amortization	**57,065,286**	52,961,194
Deferred exploration costs (Note 11)	**590,229**	562,201
	28,266,853	18,948,041
	$32,120,676	$23,481,622

	2013	2012	2011
Revenue from petroleum operations	**$15,825,328**	$15,355,795	$24,003,972
Cost of petroleum operations:			
Petroleum production costs	**6,809,862**	6,016,007	7,794,239
Depletion, depreciation and amortization expenses (Note 10)	**4,113,423**	3,214,073	8,316,902
	10,923,285	9,230,080	16,111,141
	$4,902,043	$6,125,715	$7,892,831

Details of the petroleum production costs are as follow:

	2013	2012	
Floating, production, storage and offloading	**$3,577,742**	$2,747,295	$3,610,
Helicopter services	**659,625**	411,213	4
Repairs and maintenance	**620,630**	609,597	7
General and administrative - consortium	**507,051**	524,292	5
Operations management	**396,189**	77,540	1
Supply vessel	**392,683**	525,771	6
Freight costs	**232,233**	141,813	3
Insurance expenses	**142,015**	173,679	1
Marketing fees and offtake costs	**109,778**	42,390	1
Logistics base	**18,831**	12,092	
Turret	–	611,418	5
Static tow vessel	–	104,994	3
Others *	**153,085**	33,913	
	$6,809,862	$6,016,007	$7,794,

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

9. **Available-for-Sale Investments**

	2013	2012
Quoted shares - at fair value	**$9,003,318**	$9,558,662
Unquoted shares - at cost	**38,315**	38,315
	$9,041,633	$9,596,977

Movement in the reserve for flunctuation in value of AFS financial assets are as follow:

	2013	2012
Balance at the beginning of year	**$931,803**	$612,149
Unrealized gain (loss) during the year	**(156,264)**	669,014
Realized gain transferred to statements of income	**(11,240)**	(349,360)
Balance at end of year	**$764,299**	$931,803

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

	2013	2012
Balances at beginning of year	**$9,558,662**	$6,800,305
Additions	**4,473,203**	2,585,659
Disposals	**(4,861,043)**	(1,013,054)
Reserve for fluctuation in value of AFS investments	**(167,504)**	669,014
Unrealized foreign exchange gains	–	516,738
Balances at end of year	**$9,003,318**	$9,558,662

In November 2013, the Group purchased 391,280 Series "B" preferred shares amounting to $4.47 million from a publicly listed entity.

In December 2013, the Company's investment of 400,000 preferred shares were redeemed by the issuer.

In May 2012, the Group purchased 1.00 million Series "G" preferred shares amounting to $2.32 million from a publicly listed entity. Also, the Group purchased additional 0.10 million preferred shares from another publicly listed entity amounting to $0.26 million in June 2012.

In October 2012, the Group sold its 984.12 million shares with an original cost of $0.66 million for $1.92 million, realizing a gain on sale of $1.25 million (see Note 15). As of December 31, 2011, the fair value of the shares disposed amounted to $1.01 million.

The carrying values of unquoted shares - at cost have been determined as follows:

	2013	2012
Balances at beginning of year	**$38,315**	$35,877
Unrealized foreign exchange gains	–	2,438
Balances at end of year	**$38,315**	$38,315

10. **Property and Equipment**

	2013			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
Balances at beginning of year	**$71,347,034**	**$193,841**	**$43,158**	**$71,584,033**
Additions	**13,394,876**	**–**	**752**	**13,395,628**
Balances at end of year	**84,741,910**	**193,841**	**43,910**	**84,979,661**
Accumulated Depletion, Depreciation and Amortization				
Balance at beginning of year	**52,961,194**	**168,762**	**31,381**	**53,161,337**
Depletion, depreciation and amortization (Note 8)	**4,104,092**	**8,409**	**922**	**4,113,423**
Balance at end of year	**57,065,286**	**177,171**	**32,303**	**57,274,760**
Net Book Values	**$27,676,624**	**$16,670**	**$11,607**	**$27,704,901**

	2012			
	Wells, Platforms and Other Facilities (Notes 1 and 8)	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
Balances at beginning of year	$69,305,379	$167,373	$43,158	$69,515,910
Additions	2,041,655	26,468	–	2,068,123
Balances at end of year	71,347,034	193,841	43,158	71,584,033
Accumulated Depletion, Depreciation and Amortization				
Balance at beginning of year	49,749,526	167,373	30,365	49,947,264
Depletion, depreciation and amortization (Note 8)	3,211,668	1,389	1,016	3,214,073
Balance at end of year	52,961,194	168,762	31,381	53,161,337
Net Book Values	$18,385,840	$25,079	$11,777	$18,422,696

11. **Deferred Exploration Costs**

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

	2013	2012
SC 6	**$580,015**	$552,444
Others	**10,214**	9,757
	$590,229	$562,201

<u>SC 6</u>
The Bonita Block is part of the retained area of the original SC 6.

A 15-year extension period for the block was requested from and subsequently granted by the DOE in March 2009.

The conditions for the grant of the 15-year extension period require 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.

12. Accounts and Other Payables

	2013	2012
Accounts payable	**$498,173**	$475,785
Dividends payable	**99,384**	99,384
Subscriptions payable	**26,488**	26,488
Taxes payable	**15,173**	9,373
	$639,218	$611,030

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

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

13. Paid up Capital

Under the existing laws of the Republic of the Philippines, at least 60% of the Company's issued capital stock should be owned by citizens of the Philippines for the Company to own and hold any mining, petroleum or renewable energy contract area. As of December 31, 2013, the total issued and subscribed capital stock of the Parent Company is 96.90% Filipino and 3.10% non-Filipino, as compared to 97.99% Filipino and 2.01% non-Filipino as of December 31, 2012 and 98.61% Filipino and 1.39% non-Filipino as of December 31, 2011.

As of December 31, 2013 and 2012, this account consists of:

Class A - $0.0004 (₱0.01) par value	
Authorized - 120 billion shares	
Issued and outstanding - 120 billion shares	$49,361,387
Class B - $0.0004 (₱0.01) par value	
Authorized - 80 billion shares	
Issued and outstanding - 80 billion shares	32,907,591
Subscriptions receivable	(374,252)
Capital in excess of par value	3,650,477
	$85,545,203

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. There were no issuances of additional common shares in 2013 and 2012.

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

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of yearend
Listing by way of introduction	10,000,000,000	₱0.01	Mar. 24, 1970	
Additions:				
	2,500,000,000	0.01	Mar. 23, 1981	
	37,500,000,000	0.01	Aug. 5, 1988	
	50,000,000,000	0.01	Nov. 14, 1989	
	100,000,000,000	0.01	May 31, 1995	
December 31, 2011	200,000,000,000			12,279
Deduct: Movement	–			(157)
December 31, 2012	200,000,000,000			12,122
Add: Movement	–			(92)
December 31, 2013	200,000,000,000			12,030

14. General and Administrative Expenses

	2013	2012	2011
Staff costs (Notes 17 and 20)	**$460,676**	$355,078	$320,200
Professional fees	**29,443**	19,443	27,135
Rent (Note 20)	**12,249**	5,349	27,303
Registration and filing fees	**10,627**	9,141	7,033
Printing	**7,460**	14,353	14,781
Transportation and communication	**5,157**	5,033	5,544
Messengerial services	**4,346**	4,477	19,444
Entertainment, amusement and recreation	**2,693**	3,772	2,921
Utilities	**1,702**	2,772	3,764
Insurance	**729**	466	181
Repairs and maintenance	**481**	–	–
Advertising and publication	**251**	246	246
Taxes and licenses	**81**	72	11
Miscellaneous	**8,071**	2,083	6,313
	$543,966	$422,285	$434,876

15. Other Income

	2013	2012	2011
Dividend income	**$710,180**	$599,989	$435,707
Gain (loss) on sale of AFS investments	**(11,240)**	1,251,587	–
	$698,940	$1,851,576	$435,707

The dividend income is derived primarily by the Group from its investment in preferred shares.

16. Research and Development Costs

During the year, the Group conducted a research for potential ventures on energy projects. The entire cost incurred for research amounting to $0.67 million was expensed out in 2013.

17. **Retirement Plan**

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

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

	2013	2012 (As restated)	2011 (As restated)
Current service cost	**$3,683**	$3,496	$8,005
Interest cost on defined benefit obligation	**2,794**	17,591	18,787
Total pension expense	**$6,477**	$21,087	$26,792

Movements in net pension liability follow:

	2013	2012 (As restated)
Balances at beginning of year	**$49,440**	$257,569
Pension expense	**6,477**	21,087
Foreign currency translation adjustment	**(3,997)**	11,163
Remeasurement losses (gains)		
Financial	**2,979**	5,662
Experience	**1,487**	(246,041)
Balances at end of year	**$56,386**	$49,440

Changes in the present value of defined benefit obligation follow:

	2013	2012 (As restated)
Balances at beginning of year	**$49,440**	$257,569
Current service cost	**3,683**	3,496
Interest cost on defined benefit obligation	**2,794**	17,591
Foreign currency translation adjustment	**(3,997)**	11,163
Remeasurement losses (gains)		
Financial	**2,979**	5,662
Experience	**1,487**	(246,041)
Balances at end of year	**$56,386**	$49,440

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

	2013	2012
Rate of salary increase	**5.50%**	5.50%
Discount rate	**5.24%**	5.84%

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+100 basis points	($47,736)
	-100 basis points	66,454
Future salary increases	+1.00 %	66,175
	-1.00 %	(47,786)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013
Less than 1 year	$105
More than 1 year to 5 years	934
More than 5 years to 10 years	3,256
More than 10 years to 15 years	146,110
More than 15 years to 20 years	3,664
More than 20 years	296,322

As of December 31, 2013, the Group has yet to set-up the retirement fund. In case of retirement prior to set-up of fund, the Group will tap its existing operating funds to pay the obligation.

18. **Income Tax**

	2013	2012	2011
Current			
Final	**$65,262**	$101,886	$88,618
MCIT	**12,987**	26,861	1,840
	78,249	128,747	90,458
Deferred	**16,337**	(525,552)	(261,228)
	$94,586	($396,805)	($170,770)

The Group's deferred tax liability represents the deferred income tax effects of the excess of book base over tax base of property and equipment amounting to $2.12 million and $2.09 million, net of recognized deferred tax asset on pension liability amounting to $0.36 million and $0.01 million as of December 31, 2013 and 2012, respectively.

As of December 31, unrecognized deferred tax assets are as follow:

	2013	2012
NOLCO	**$221,754**	$865,376
MCIT	**46,476**	33,489
	$268,230	$898,865

The MCIT and NOLCO that are available for offset against future income tax due and future taxable income follow:

Inception Year	MCIT	NOLCO	Tax Effect of NOLCO	Expiry Year
2011	$1,840	$305,206	$91,562	2014
2012	31,649	–	–	2015
2013	12,987	433,973	130,192	2016
	$46,476	$739,179	$221,754	

The following are the movements in NOLCO and MCIT:

NOLCO	**2013**	2012
Balances at beginning of year	**$2,884,587**	$3,975,905
Addition	**433,973**	–
Applied/Expired	**(2,579,381)**	(1,091,318)
Balances at end of year	**$739,179**	$2,884,587

MCIT	**2013**	2012
Balances at beginning of year	**$33,489**	$12,428
Addition	**12,987**	31,649
Applied/Expired	–	(10,588)
Balances at end of year	**$46,476**	$33,489

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

	2013	2012	2011
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expense	**40.85**	18.74	27.57
Changes in unrecognized deferred tax assets on deductible temporary differences	**3.05**	(3.20)	1.08
Interest income subjected to final tax	**(4.06)**	(2.44)	(2.21)
Dividend income	**(4.14)**	(1.87)	(1.54)
Movements in deferred tax liabilities	**5.94**	(4.16)	(3.08)
Income exempt from tax	**(70.56)**	(40.69)	(67.67)
Others	**(0.50)**	(0.66)	13.84
Effective income tax rate	**0.58%**	(4.28%)	(2.01%)

19. **Basic/Diluted Earnings Per Share**

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

	2013	2012	2011
Net income	**$5,075,036**	$9,666,221	$8,651,961
Divided by weighted average number of common shares outstanding	**200,000,000,000**	200,000,000,000	200,000,000,000
	$0.000025	$0.000048	$0.000043

For the years ended December 31, 2013, 2012 and 2011, there were no outstanding dilutive potential common shares.

20. 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.

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

	2013			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Entities under common control of the Parent Company				
a. Cash and cash equivalents	**$21,540,005**	**$21,540,005**	1.38% to 3.88% per annum	No impairment
• Interest income	**559,144**	**55,774**		
b. Rent	**12,249**	–	Non-interest bearing, payable on demand	Unsecured

	2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Entities under common control of the Parent Company				
a. Cash and cash equivalents	$24,049,028	$24,049,028	1.38% to 3.88% per annum	No impairment
• Interest income	269,048	–		
b. Rent	5,349	–	Non-interest bearing, payable on demand	Unsecured

a. The Group has money market placements with Robinson's Savings Bank, a subsidiary of a stockholder.

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

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

	2013	2012	2011
Short-term employee benefits	**$161,798**	$155,086	$136,312
Post employment benefits	**6,023**	6,023	6,024
	$167,821	$161,109	$142,336

21. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise loans and receivables, accounts payable and other payables. Exposure to liquidity, credit, market, foreign currency and interest rate risks arise in the normal course of the Group's business activities. 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.

Fair Values
Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, accounts and other payables approximate the fair value.

The fair value of the AFS investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date. Original costs have been used to determine the fair value of unlisted AFS investments for lack of suitable methods of arriving at reliable fair values.

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

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

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

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

As at December 31, 2013 and 2012, the fair value of AFS investments under level 1 hierarchy amounted to $9.00 million and $9.56 million, respectively (see Note 9).

The fair value of unquoted AFS financial assets is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable methods for arriving at the reliable fair value. Accordingly, these unquoted AFS financial assets are presented at cost.

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

The Group's risk management policies are summarized below:

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

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

As of December 31, 2013 and 2012, all financial liabilities are expected to mature within one year. All commitments up to a year are either due within the time frame or are payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as of December 31, 2013 and 2012 consist of loans and receivables and AFS investments, which are usually on demand or collectible within a term of 30 days.

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

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of cash and AFS investments expose the Group to credit risk of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets, if the counterparty is unwilling or unable to fulfill its obligation. Credit risk management involves entering into transactions with counterparties that have acceptable credit standing.

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

	2013	2012
Loans and receivables		
Cash in banks and cash equivalents	**$35,037,700**	$37,087,816
Due from operators	**3,853,823**	4,533,581
Trade receivables	**398,330**	265,229
Interest receivable	**76,706**	78,293
Dividend receivable	–	33,725
AFS investments	**9,041,633**	9,596,977
	$48,408,192	$51,595,621

Above financial assets have a credit quality of "low risk" and are neither past due nor impaired as of December 31, 2013 and 2012. The Group classifies credit quality as low risk when that credit can proceed with favorable credit terms and can offer term of up to thirty (30) days.

c) *Equity price risk*
Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated statement of financial position as AFS investments. As of December 31, 2013 and 2012, AFS investment exposed to equity price risk amounted to $9.04 million and $9.60 million, respectively (see Note 9).

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

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

The sensitivity analysis below is performed for a reasonably possible movement of the market indices with all other variables held constant, on the statement of comprehensive income.

Philippine Stock Exchange Market index	**Change in Market Index**	**AR**
2013	**20.00%**	**$1,926,631**
	-20.00%	**(1,926,631)**
2012	32.95%	$909,814
	-32.95%	(909,814)

d) *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 statement of income can be affected significantly by movements in the U.S. Dollars.

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

	2013		2012	
	In USD	**In PHP[1]**	In USD	In PHP[1]
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**$8,449,188**	**₱375,101,717**	$8,146,315	₱334,406,235
Interest receivable	**7,450**	**330,749**	9,157	375,914
Dividend receivable	**–**	**–**	33,725	1,384,391
AFS investments	**9,596,977**	**426,057,803**	9,041,633	371,159,019
	18,053,615	**801,490,269**	17,230,830	707,325,559
Other Financial Liabilities				
Accounts and other payables	**475,785**	**21,122,475**	600,039	24,631,601
Net foreign currency-denominated assets	**$17,577,830**	**₱780,367,794**	$16,630,791	₱682,693,958

[1] The exchange rates used as of December 31, 2013 and 2012 are $0.0225 to ₱1 to and $0.0244 to ₱1, respectively.

The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before income tax in 2013 and 2012. There is no other impact on the Group's equity other than those already affecting income.

	Currency	Increase (decrease) in PHP rate	Effect on income before income tax
2013	**PHP**	+2.0%	**$351,557**
		-2.0	**(351,557)**
2012	PHP	+2.0%	$332,616
		-2.0	(332,616)

e) *Interest rate risk*
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate exposure management policy centers on reducing its exposure to changes in interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the cash in bank with fixed interest rates.

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

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

The Group considers as capital the equity attributable to the equity holders, which amounted to $75.94 million and $71.84 million as of December 31, 2013 and 2012, respectively. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

22. Operating Segment

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

The Group derives its revenues only from the Parent Company, with segment assets and liabilities amounting to $79.55 million and $1.85 million, respectively, as of December 31, 2013 and $74.61 million and $0.69 million, respectively, as of December 31, 2012. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

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

23. Approval of Financial Statements

The accompanying consolidated financial statements were authorized for issue by the BOD on April 10, 2014.

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Oriental Petroleum and Minerals Corporation
40th Floor, Robinsons Equitable Tower
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Oriental Petroleum and Minerals Corporation and its subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 and have issued our report thereon dated April 10, 2014. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

April 10, 2014

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2013

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

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

Schedule A. Financial Assets

The Group’s financial assets includes investments in quoted and unquoted equity securities.

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2013:

Name of Issuing Entity and Association of Each Issue	Number of Shares	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
Available-for-Sale Investments				
Quoted:				
Ayala Corporation - Preferred Class “B”	391,280	$4,656,818	$4,656,818	$–
First Gen - Series G	1,000,000	2,558,480	2,558,480	185,113
First Gen Corporation - Series F	600,000	1,548,794	1,548,794	114,197
Cebu Property Ventures and Development	2,064,609	233,699	233,699	7,964
Philippine Long Distance Telephone Company	51	3,108	3,108	–
Philex Mining Corporation	5,425	982	982	–
Cosco Capital, Inc. (Cosco)	4,265	856	856	–
Robinsons Land Corporation	1,200	547	547	15
Lepanto Consolidated Mining Company	4,750	34	34	–
Ayala Corporation - Preferred Class “A”	–	–	–	381,478
First Philippine Holdings	–	–	–	20,283
		$9,003,318	$9,003,318	$709,050
Unquoted:				
Shell Philippines	68,862	38,315	38,315	1,130
		38,315	38,315	1,130
		$9,041,633	$9,041,633	$710,180

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

The Group has no receivable from directors, officers, employees, related parties and principal stockholders as of December 31, 2013.

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

Below is the schedule of receivables (payables) with related parties, which are eliminated in the consolidated financial statements as of December 31, 2013.

		Volume of Transactions	Receivable (Payable)	Terms
Oriental Land Corporation	Share in expenses	$–	($8,789)	Non-interest bearing; payable on demand
Linapacan Oil, Gas and Power Corporation	Depletion expense	1,919,900	(16,389,229)	Non-interest bearing; payable on demand
Oriental Mahogany Woodworks, Inc.	Share in expenses	–	104,273	Non-interest bearing; payable on demand
		$1,919,900	($16,293,745)	

Schedule D. Intangible Asset

The Group has no intangible asset as of December 31, 2013.

Schedule E. Long term debt

The Group has no long-term debt as of December 31, 2013.

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

The Group has no outstanding liabilities to related parties as of December 31, 2013.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2013.

Schedule H. Capital Stock

Title of issue	Number of shares author	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	200,000,000,000	200,000,000,000	–	70,806,672,785	569,868,974	128,623,458,241

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources	√		
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PFRS 7 (cont.)	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			√
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			√
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		√	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 10	Consolidated Financial Statements	√		
PFRS 11	Joint Arrangements	√		
PFRS 12	Disclosure of Interests in Other Entities			√
PFRS 13	Fair Value Measurement	√		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures			√
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			√
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		√	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation	√		
PAS 23 (Revised)	Borrowing Costs			√
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements	√		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			√
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		√	
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
PAS 36	Impairment of Assets	√		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			√
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets			√
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			√
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items		√	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 40	Investment Property			√
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	√		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease			√
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	Scope of PFRS 2			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	*Interim Financial Reporting and Impairment*			√
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies		√	
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			√
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

Standards tagged as “Not Applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2013.

Standards tagged as “Not Early Adopted” are standards issued but not yet effective as of December 31, 2013. The Group will adopt the Standards and Interpretations when these become effective.
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ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

This schedule is not applicable since the Group is at a deficit position amounting to $9.72 million and $14.80 million as of December 31, 2013 and 2012, respectively.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

FINACIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2013

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2013 and 2012:

Financial ratios		**2013**	2012
Current ratio	Current assets (CA) / Current liabilities (CL)	**64.72:1**	72.15:1
Net working capital ratio	CA - CL / Total assets	**52.24%**	60.83%
Return on assets	Operating income / Average assets	**11.33%**	12.52%
Return on equity	Net income / Average equity	**6.78%**	13.84%
Debt-to-equity ratio	Total liabilities / Total equity	**3.66%**	3.86%

ORIENTAL PETROLEUM AND MINERALS CORPORATION
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2013