

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

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

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

The above financial statements are prepared in conformity with accounting principles generally accepted in the Philippines and in compliance with the new SFAS and PFRS, which became effective in 2002 and 2005.

PFRS 9, Financial Instruments: Classification and Measurements

PFRS 9 as issued reflects the first phase of the work on replacing PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. 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 classification and measurements of financial liabilities.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 2nd Quarter of 2016 as compared with the most recent annual audited financial statements ending December 31, 2015.

The Company's management discloses the following:

- Interim operations are not cyclical and or seasonal;
- There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, amount, size, or incidents;
- There are no changes in the amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

- There has been no issuances, repurchases, and repayments of debt and equity securities;
- There has been no issuances nor payment of dividends for all shares;
- The Company maintains no business or geographical segment;
- There are no material events subsequent to the end of the interim period (January – June 2016) that have not been reflected in the interim reports;
- There has been no changes in the composition of the Company such as business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations;
- There are no contingent liabilities or contingent assets since the last annual balance sheet date ending December 31, 2015.
- There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

**FINANCIAL AND OPERATIONAL HIGHLIGHTS – (in thousand dollars)
(except exchange rates and number of employees)**

As of and for the period ended
June 30 (Unaudited)

	2016	2015	Change
Income Statement data			
Revenues from petroleum operations	4,776.81	4,231.11	12.90%
Petroleum production costs	2,596.18	3,226.29	(13.63%)
Other income (expense)	890.27	803.24	10.83%
Balance Sheet data			
Cash and cash equivalents	34,111.60	51,360.19	(33.58%)
Accounts receivable - net	1,211.69	2,090.79	(42.05%)
Crude oil inventory	1,634.79	651.78	150.82%
Long term investment	20,000.00	-	100.00%
Property and equipment	15,079.30	16,107.10	(6.38%)
Deferred exploration cost	662.24	602.15	9.98%
Other data			
Average peso dollar exchange rate	47.00	44.52	5.57%
Number of employees	14	13	7.69%

The Company's subsidiaries consolidated herewith are Oriental Mahogany Woodworks, Inc., Oriental Land Corporation and Linapacan Oil Gas and Power Corporation. Brief descriptions of the subsidiaries are as follows:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

OMWI (a wholly-owned subsidiary of Oriental Petroleum and Mineral Corporation - OPMC) was incorporated and started commercial operations on May 2, 1988 with principal objective of supplying overseas manufacturers, importers and designers with high quality furniture.

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

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

LOGPOCOR (a wholly-owned subsidiary of OPMC) was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transporting, marketing, utilization, conservation, stockpiling of any forms of energy products and resources. OPMC acquired LOGPOCOR through transfer of 12.6 working interest in Blocks A, B, and C of SC14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the 12.6 working interest, however, LOGPOCOR continues to share in the related capitalizable expenses. On the other hand, the depletion of such costs is charged to OPMC and accordingly deducted from the unamortized cost.

c) ORIENTAL LAND CORPORATION (OLC)

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

Results of Operations

June 30, 2016 vs. June 30, 2015

The Company recorded petroleum revenues at US\$4.78 million as of June 30, 2016; 13% higher than same period last year of US\$4.23 million. This is due to the higher volume of crude oil produced in 2016.

Petroleum production costs totaled US\$2.60 million, around 20% lower than same period last year of US\$3.23 million. These costs include among others, charges for FPSO, field / platform operations costs, management and technical fees.

Depletion, depreciation and amortization decreased by 1% mainly due to lower depletable cost as compared to the previous period.

Other incomes (expenses) consist mainly of dividend and interest incomes. Increase in this account of 11% was mainly due to income received from additional investments.

Financial Position

June 30, 2016

The Company's consolidated assets at the end of the period June 30, 2016, amounted to US\$89.41 million, 6% higher than same period last year of US\$84.70 million.

Cash and cash equivalents as of June 30, 2016 amounted to US\$34.11 million, as compared to US\$51.36 million as of June 30, 2015. The decrease of 34% from the same period last year was mainly due to reclassification of US\$20.00 million to long term investment.

Accounts Receivable – Net as of June 30, 2016 totaled US\$1.21 million, a decrease of around 42% from the same period last year mainly due to cutoff of revenue and the timing of delivery to customers.

Crude oil inventory totaled US\$1.63 million, an increase of about 151% from last year's US\$.065 million. The increase was mainly due to higher crude oil volume in tank and storage as of the reporting period. Delivery to customers was made on the 3rd quarter of 2016.

As of June 30, 2016, the Group's long term investment refers to a US\$20.00 million placement in a 3-year U.S. Dollar time deposit with a local bank.

Consolidated Property and Equipment at the end of 2nd quarter of 2016 amounted to US\$15.08 million. The decrease of about 6% from the same period last year was due to depletion and depreciation.

As of June 30, 2016, Deferred exploration cost amounted to US\$0.66 million. A 10% increase from last year's balance represents the Company's share in SC-6 Bonita expenses.

June 30, 2015

At the end of the first half of 2015, Consolidated Assets stood at US\$84.70 million, 3% higher than same period last year.

Cash and cash equivalents totaled US\$51.36 million, an increase of US\$7.58 million from last year's US\$43.78 million. This can be attributed to cash receipts from Galoc operations.

At the end of June 30, 2015, Accounts Receivable – Net amounted to US\$2.09 million, 3% lower than last year's US\$2.16 million.

Crude oil inventory totaled US\$0.65 million, a decrease of about 78% from last year's US\$2.97 million. The decrease was mainly due to the timing of delivery of crude oil.

Available-for-sale investments totaled US\$13.88 million at the end of June 30, 2015, higher by 28% from same period last year. This was mainly due to additional investments the Company made for the one-year period July 2014 up to June 2015.

As of June 30, 2015, Property and Equipment amounted to US\$16.11 million, 26% lower than same period last year of US\$21.84 million, mainly due to depletion and depreciation.

Deferred exploration costs at the end of six months amounted to US\$0.60 million, 2% higher than last year mainly due to the Company's share in expenses for SC-6 Bonita.

Accounts Payable and Accrued Expenses at the end of June 30, 2015 amounted to US\$0.68 million.

June 30, 2014

The Company has consolidated assets of US\$82.22 million as of June 30, 2014, 6% higher than same period last year of US\$77.29 million.

Cash and cash equivalents at the end of June 2014 totaled US\$43.78 million, an increase of around 15% or US\$5.81 million from US\$37.97 million last year.

Accounts Receivable – Net as of June 30, 2014 amounted to US\$2.16 million, 68% lower than last year's US\$6.78 million mainly due to the timing of delivery of crude oil.

Crude oil inventory totaled US\$2.97 million, 143% up from last year's US\$1.22 million. The increase was mainly due to increase in production.

Available-for-sale investments totaled US\$10.87 million at the end of June 30, 2014, higher by 12% from same period last year. This was mainly due to additional investment in preferred shares the Company made during the first half of 2014.

As of June 30, 2014, Property and Equipment amounted to US\$21.84 million, a slight increase from same period last year of US\$21.06 million due to the Company's share in capital expenditure for Galoc – Phase II project.

Deferred exploration costs at the end of six months amounted to US\$0.59 million, 5% higher than last year mainly due to the Company's share in expenses for SC-6 Bonita.

Consolidated Accounts Payable and Accrued Expenses at the end of the 1st half of 2014 amounted to US\$0.63 million.

June 30, 2016 versus December 31, 2015

Cash and Cash Equivalents consist of cash in bank and money market placements. At the end of June 2016, the Company's cash and cash equivalents totaled US\$34.11 million, a decrease of around 33% versus US\$51.36 million at the end of 2015. The decrease was mainly due to reclassification to long term investment.

Accounts Receivable – Net represents the Company's share in the funds held in trust by the operators (The Philodrill Corporation and Galoc Production Company) for the sale of crude oil.

As of June 30, 2016, the Group's long term investment refers to a US\$20.00 million placement in a 3-year U.S. Dollar time deposit with a local bank.

Investment in bonds at the end of June 2016 reached US\$3.40 million, 7% higher than year-end's US\$3.19 million balance mainly due to additional acquisition of bonds by the Company.

The causes for material changes (5% or more) of June 30, 2016 figures as compared to December 31, 2015 figures of the following accounts are:

Accounts	June 30, 2016	December 31, 2015	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	34,111,603	51,005,539	(16,893,936)	(33%)	Decrease was mainly due to reclassification to long term investment.
Accounts Receivable – Net	1,211,689	1,681,078	(469,389)	(28%)	Decrease was due to the timing of delivery to customers and lower prices of crude oil.
Long term investment	20,000,000	–	20,000,000	100%	Long term investment refers to a US\$20.00 million placement in a 3-year U.S. Dollar time deposit with a local bank
Investment in bonds	3,404,149	3,190,403	213,746	7%	Increase was due to additional acquisition of bonds.

The causes for material changes (5% or more) of June 30, 2016 figures as compared to June 30, 2015 figures of the following accounts are:

Accounts	June 30, 2016	June 30, 2015	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents	34,111,603	51,360,186	(17,248,583)	(34%)	Decrease refers to the Company's reclassification to long term investment.
Accounts Receivable – net	1,211,689	2,090,171	(879,102)	(42%)	Decrease pertains to timing of delivery to customers.
Crude oil inventory	1,634,787	651,779	983,008	151%	Please refer to the discussion above under Financial Position 2016 (p. 5).
Long term investment	20,000,000	–	20,000,000	100%	Please refer to the discussion above under Financial Position 2016 (p. 5).
Available-for-sale investments	13,243,633	13,882,258	(638,625)	(5%)	Decrease pertains to lower share prices of stocks held by the Group.
Property, Plant and equipment	15,079,301	16,107,100	(1,027,799)	(6%)	Decrease was mainly due to depletion and depreciation.
Deferred exploration cost	662,235	602,153	60,082	10%	Increase of around 10% represents the Company's share in SC-6 Bonita expenses.

Income Statement					
Revenues from Petroleum Operations	4,776,812	4,231,109	545,703	13%	Increase pertains to higher crude oil volume produced.
Petroleum Production Costs	2,596,176	3,226,288	630,112	(20%)	This almost 20% decrease was due to lower platform expenses.
Other Income (expenses) – net	890,266	803,238	87,028	11%	Please refer to the discussion above under Results of Operations, page 4.

I. Key Performance Indicators

	June 30, 2016	June 30, 2015
Current Ratio	54.43	79.04
Net Working Capital Ratio	0.41	0.63
Return on Assets	0.02	0.01
Return on Equity	0.03	0.01
% of Debt-to-Equity	0.03	0.03

Figures are based on Unaudited Financial Statements

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from a related party, AFS investments, due to Operator, accounts payable and accrued expenses, dividends payable and subscriptions payable. 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 loans and receivables and other financial liabilities 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.

The main risks arising from the Group financial instruments are liquidity, credit, market, 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.

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 Group classifies credit risk as follows:

Low risk - credit can proceed with favorable credit terms; can offer term of up to thirty (30) days.

Average risk - credit can proceed normally; can offer term of up to forty five (45) days.

High risk - transaction should be under an advance payment or subject to review for possible upgrade to either low or average risk.

c) *Market risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument.

The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of securities and equities. The Board of Directors (BOD) approves significant investments which should provide a relatively stable rate of return. AFS investments exposed to market risk amounted to \$13.24 million and \$13.88 million as of June 30, 2016 and 2015, respectively.

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 USD.

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. The Group considers as capital the equity attributable to the equity holders, which amounted to \$86.88 million and \$82.27 million as of June 30, 2016 and 2015, respectively. No changes were made in the objectives, policies or processes during the periods ended June 30, 2016 and 2015.

As of June 30, 2016, OPMC's Capital stock consists of the following:

1. Common Stock – Class "A" with par value of ₱0.01 per share, 120 billion shares issued and outstanding out of the 120 billion authorized shares
2. Common Stock – Class "B" with par value of ₱0.01 per share, 80 billion shares issued and outstanding out of the 80 billion authorized shares

All OPMC shares of stock enjoy the same rights and privileges, except that Class "A" shares shall be issued solely to Filipino citizens, whereas Class "B" shares can be issued either to Filipino citizens or foreign nationals.

The Company's management discloses the following information:

- There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- There are no material commitments for capital expenditures.
- There are no known trends or uncertainties, that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- There are no significant elements of income or loss that did not arise from continuing operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Other matters:

The owners of more than 5% of the Company's securities as of July 31, 2016 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	80,965,083,131	40.48%
Common	Consolidated Robina Capital Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	21,623,756,999	10.81%
Common	Prudential Guarantee & Assurance, Inc.	13,341,635,799	6.67%

As of July 31, 2016, OPMC has approximately 11,840 stockholders both for Class "A" and "B" shares.

Board of Directors and Executive Officers

The Company's Board of Directors and executive officers as of June 30, 2016 are as follows:

Board of Directors

Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	John Gokongwei, Jr.
Director	Lance Y. Gokongwei
Director	Antonio Go
Director	Benedicto Coyiuto
Director	Josephine Barcelon

Director
Director
Director

Perry L. Pe
James Coyiuto
Ricardo Balbido

Executive Officers

Chief Executive Officer
President and Chief Operating Officer
Assistant Corporate Secretary
SVP - Operations and Administration
SVP – Legal and Corporate Secretary
Financial Adviser
Chief Financial Officer
Treasurer

James L. Go*
Robert Coyiuto, Jr.*
Perry L. Pe*
Apollo P. Madrid
Ethelwoldo E. Fernandez
Aldrich T. Javellana
Ma. Riana C. Infante
Teresita H. Vasay

**Member of the Board of Directors*

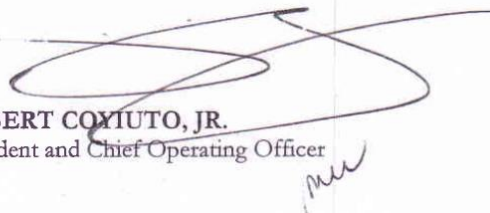
PART II – OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ORIENTAL PETROLEUM AND MINERALS CORPORATION



ROBERT COYIUTO, JR.
President and Chief Operating Officer

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Six Months Ended June 30		Year ended
	(UNAUDITED)		December 31
	2016	2015	2015 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 34,111,603	\$ 51,360,186	51,005,539
Accounts receivable - net	1,211,689	2,090,791	1,681,078
Crude oil inventory	1,634,787	651,779	1,594,795
Other current assets	58,067	9,554	58,307
Total current assets	37,016,146	54,112,310	54,339,719
Noncurrent Assets			
Long term investment	20,000,000	-	-
Available-for-sale investments	13,243,633	13,882,258	13,156,393
Investment in bonds	3,404,149	-	3,190,403
Property and equipment - net	15,079,301	16,107,100	15,686,319
Deferred exploration costs	662,235	602,153	662,235
Total Noncurrent assets	52,389,318	30,591,511	32,695,350
	\$ 89,405,464	\$ 84,703,821	\$ 87,035,069
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	\$ 680,014	\$ 684,638	672,179
Income taxes payable	61,584	37,427	-
Pension liability	97,222	146,978	97,222
Deferred tax liability	1,684,367	1,565,453	1,684,367
Total Liabilities	2,523,187	2,434,496	2,453,768
Stockholders' Equity			
Paid-up capital	85,546,039	85,546,039	85,546,039
Other comprehensive income (loss)	372,501	1,004,106	285,261
Remeasurement gains (losses)	141,734	152,770	141,734
Retained earnings (deficit)	822,003	(4,433,589)	(1,391,733)
Total Equity	86,882,277	82,269,326	84,581,301
	\$ 89,405,464	\$ 84,703,821	\$ 87,035,069

See attached notes to Unaudited Financial Statements

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended		Three Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
INCOME				
Revenues from petroleum operations	\$ 4,776,812	\$ 4,231,109	\$ 2,157,890	\$ 3,088,099
COSTS AND EXPENSES				
Depletion, depreciation and amortization	579,060	582,243	250,470	392,227
Petroleum production costs	2,596,176	3,226,288	1,236,896	1,652,531
General and administrative	216,522	220,220	129,922	91,382
	3,391,758	4,028,751	1,617,288	2,136,140
OPERATING INCOME (LOSS)	1,385,054	202,358	540,602	951,959
OTHER INCOME (EXPENSES) - Net	890,266	803,238	424,381	358,382
INCOME (LOSS) BEFORE INCOME TAX	2,275,320	1,005,596	964,983	1,310,341
PROVISION FOR INCOME TAX	61,584	39,308	61,584	39,308
NET INCOME (LOSS)	\$ 2,213,736	\$ 966,288	\$ 1,026,567	\$ 1,271,033
Weighted Average Number of Common Stock				
Outstanding	200,000,000,000	200,000,000,000	200,000,000,000	200,000,000,000
Income (Loss) per share	\$ 0.000011	\$ 0.000005	\$ 0.000005	\$ 0.000006

See attached notes to Unaudited Financial Statements

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended		Three Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
NET INCOME (LOSS)	\$ 2,213,736	\$ 966,289	\$ 1,026,567	\$ 1,271,033
OTHER COMPREHENSIVE INCOME (LOSS)				
Reserve for fluctuation in value of available-for-sale investment	87,240	530,425	97,172	295,593
Cumulative translation adjustment	-	-	-	-
	87,240	530,425	97,172	295,593
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 2,300,976	\$ 1,496,714	\$ 1,123,739	\$ 1,566,626

See attached notes to Unaudited Financial Statements

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY**

	Paid up capital				Other comprehensive income (loss)					
	Capital Stock	Subscription receivables	Capital in excess of par value	Total paid up capital	Deficit	Reserve for fluctuation in value of AFS	Remeasurement Gains (Losses) on Pension Liability	Cumulative translation adjustment	Total other comprehensive income (loss)	Total
At January 1, 2016	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (1,391,733)	\$ 321,654	\$ 141,734	\$ (36,393)	\$ 426,995	\$ 84,581,301
Net income for the period	-	-	-	-	2,213,736	-	-	-	-	2,213,736
Other comprehensive income (loss)	-	-	-	-	-	87,240	-	-	87,240	87,240
Total comprehensive income	-	-	-	-	2,213,736	87,240	-	-	87,240	2,300,976
At June 30, 2016	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ 822,003	\$ 408,894	\$ 141,734	\$ (36,393)	\$ 514,235	\$ 86,882,277
At January 1, 2015	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (5,399,878)	\$ 517,094	\$ 152,770	\$ (43,413)	\$ 626,451	\$ 80,772,612
Net income for the period	-	-	-	-	966,289	-	-	-	-	966,289
Other comprehensive income (loss)	-	-	-	-	-	530,425	-	-	530,425	530,425
Total comprehensive income	-	-	-	-	966,289	530,425	-	-	530,425	1,496,714
At June 30, 2015	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (4,433,589)	\$ 1,047,519	\$ 152,770	\$ (43,413)	\$ 1,156,876	\$ 82,269,326
At April 1, 2016	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (81,396)	\$ 311,722	\$ 141,734	\$ (36,393)	\$ 417,063	\$ 85,881,706
Net income for the quarter	-	-	-	-	903,399	-	-	-	-	903,399
Other comprehensive income (loss)	-	-	-	-	-	97,172	-	-	97,172	97,172
Total comprehensive income	-	-	-	-	903,399	97,172	-	-	97,172	1,000,571
At June 30, 2016	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ 822,003	\$ 408,894	\$ 141,734	\$ (36,393)	\$ 514,235	\$ 86,882,277
At April 1, 2015	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (5,704,622)	\$ 751,926	\$ 152,770	\$ (43,413)	\$ 861,283	\$ 80,702,699
Net income for the quarter	-	-	-	-	1,271,033	-	-	-	-	1,271,033
Other comprehensive income (loss)	-	-	-	-	-	295,593	-	-	295,593	295,593
Total comprehensive income	-	-	-	-	1,271,033	295,593	-	-	295,593	1,566,626
At June 30, 2015	\$ 82,268,979	\$ (373,417)	\$ 3,650,477	\$ 85,546,039	\$ (4,433,589)	\$ 1,047,519	\$ 152,770	\$ (43,413)	\$ 1,156,876	\$ 82,269,326

See attached notes to Unaudited Financial Statements

**ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES**

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		Three Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax	\$ 2,213,736	\$ 966,289	\$ 903,399	\$ 1,271,033
Adjustments for:				
Depletion, depreciation and amortization	579,060	582,243	250,470	392,227
Interest income	(451,884)	(420,883)	(241,887)	(208,159)
Dividend income	(438,382)	(382,355)	(182,494)	(150,223)
Operating income before working capital changes	1,902,530	745,294	729,488	1,304,878
Decrease (increase) in:				
Short-term investments	-	4,965,913	-	7,763,115
Accounts receivable	501,266	150,145	(17,905)	(258,309)
Crude oil inventory	(39,992)	1,153,951	(710,293)	460,233
Other current assets	240	55	203	(55)
Increase (decrease) in accounts payable and accrued expenses	7,835	4,127	(59,835)	339
Increase in income tax payable	61,584	37,427	61,584	37,427
Cash generated from operations	2,433,463	7,056,912	3,242	9,307,628
Income taxes paid	-	-	-	-
Net cash provided by operating activities	2,433,463	7,056,912	3,242	9,307,628
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	420,007	448,437	215,606	220,923
Dividends received	438,382	382,355	182,494	150,223
Investment in bonds	(213,746)	-	-	-
Acquisitions of available for sale investment	-	(40,713)	-	(40,713)
Long term investment	(20,000,000)	-	(20,000,000)	-
Reversal of property and equipment	27,958	(50,249)	(11,685)	(43,095)
Additions to deferred exploration cost	-	(2,852)	-	(1)
Net cash provided by (used in) investing activities	(19,327,399)	736,978	(19,613,585)	287,337
CASH FLOWS FROM FINANCING ACTIVITIES				
EFFECTS OF CUMULATIVE TRANSLATION ADJUSTMENT				
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,893,936)	7,793,890	(19,610,343)	9,594,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	51,005,539	43,566,296	53,721,946	41,765,221
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 34,111,603	51,360,186	\$ 34,111,603	\$ 51,360,186

See attached notes to Unaudited Financial Statements

ORIENTAL PETROLEUM AND MINERALS CORPORATION

Aging of Accounts Receivable

As of June 30, 2016 (In US Dollar)

Type of Accounts Receivable	Total Amount	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	360 days and above
Accounts receivable - trade	\$ 1,088,537	1,088,537					
Interest receivable	123,152	123,152					
Grand Total	\$ 1,211,689	1,211,689					

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Service Contract (SC) 14

On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972, the Parent Company, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in Northwest offshore Palawan, Philippines, which was amended from time to time. This contract area includes the 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 2016 and 2015, production activities continued in Blocks A, B, B1 and C of SC 14. The Galoc oilfield located in Block C was declared commercial on June 22, 2009 with effectivity on June 19, 2009. Block D remains a retained area.

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

SC 14 - Galoc

Farm-in Agreement (FA)

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

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

- 1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.
- 2) That GPC will be assigned its pro-rata share of the \$68 million historical cost recovery of the Galoc block equivalent to \$33 million to be recovered pursuant to the terms of the Block C agreement below.

- 3) That GPC will reimburse the joint venture partners (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:
 - a) \$1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and
 - b) \$1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

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

As of June 30, 2016 and 2015, 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%).

Extended Production Test (EPT) Agreement

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

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

The duration of the EPT is a minimum of ninety (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 one hundred eighty two (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.

The DA shall terminate when SC 14 terminates.

SC 14 – West Linapacan

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

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

independent third party assessment was also commissioned to determine the range of recoverable reserves from the structure.

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

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

A letter from the DOE dated August 18, 2015 officially approved the reassignment of the participating interests from Pitkin to the SC-14C2 joint venture partners. A new work Program & Budget for 2016 will be submitted to the DOE in early 2016.

Participating Interests

As of June 30, 2016 and 2015, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	2016	2015
SC 14 (Northwest Palawan)	(in Percentage)	
Block A (Nido)	42.940	42.940
Block B (Matinloc)	17.703	17.703
Block B-1 (North Matinloc)	27.772	27.772
Block C (West Linapacan)	30.288	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.

2. **Basis of Preparation**

The accompanying unaudited interim 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 unaudited interim consolidated financial statements, have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value.

The unaudited interim 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.

The unaudited interim consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2015.

Statement of Compliance

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

Basis of Consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30 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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls a subsidiary if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

3. Changes in Accounting Policies and Disclosures

The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the adoption of these new accounting standards and amendments have no material impact on the Group's consolidated financial statements.

- *Amendments to Philippine Accounting Standards (PAS) 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs 2010-2012 Cycle*
 - *PFRS 2, Share-based Payment - Definition of Vesting Condition*
 - *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
 - *PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
 - *PAS 24, Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs 2011-2013 cycle*
 - *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

Future Changes in Accounting Policies

The standards and interpretations that are issued, but not yet effective, up to date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

No definite adoption date prescribed by the SEC and FRSC

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective in 2016

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* and PAS 28, *Investments in Associates and Joint Ventures - Investment in Entities: Applying the Consolidation Exception (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- *Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

Effective in 2018

- PFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have an no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been locally adopted by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers (effective January 1, 2018)*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

- IFRS 16, *Leases* (effective January 1, 2019)
On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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.

Costs and Expenses

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

- (a) on the basis of a direct association between the costs incurred and the earning of specific items of income;

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

Petroleum Production Cost

Petroleum production cost represents costs that are directly attributable in recognizing 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 June 30, 2016, the Group has no financial assets and liabilities at FVPL. As of June 30, 2015, 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, short-term investments and receivables.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included as finance income in the statement of income. The losses arising from impairment are recognized in the statement of income as finance costs.

The Group's HTM investment refers to a quoted debt instrument.

AFS investments

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

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

income when the right to receive has been established.

Other financial liabilities

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

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 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.

Financial assets carried at amortized cost

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

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents

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

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, depreciation and amortization and any impairment in value.

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

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

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

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

	Years
Transportation equipment	6
Office furniture and equipment	5-10

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

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

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

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

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

Equity

Capital stock 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.

Subscription Receivable

Subscription receivable represents shares subscribed but not fully paid.

Retained Earnings / Deficit

Retained Earnings / Deficit represents the cumulative balance of net income (loss), dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Group's OCI in 2016 and 2015 pertains to reserve for fluctuation in value of available-for-sale investments which can be reclassified to profit or loss in subsequent period and remeasurement gains (losses) on pension liability and changes in cumulative translation adjustment which cannot be recycled to profit or loss in the subsequent period.

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 Tax

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 are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (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 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 unaudited interim consolidated financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the amount reported in the unaudited interim consolidated financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the unaudited interim consolidated financial statements, as they become reasonably determinable.

Judgments 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 unaudited interim consolidated financial statements.

Going Concern Assessment

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group's financial statements continue to be prepared on a going concern basis.

Determination of functional currency

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

As of June 30, 2016 and 2015, the Group's cumulative translation adjustment amounted to (\$0.04) million.

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.

Operating leases - Group as lessee

The Group has entered into property leases for its operations. The Group has determined that the lessor retains all the significant risks and rewards of ownership of these properties which 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 statement of comprehensive income and consolidated statement of changes in equity, as appropriate.

Fair values of financial assets and financial liabilities amounted to \$71.97 million and \$0.56 million, respectively, as of June 30, 2016, and \$67.33 million and \$0.56 million, respectively, as of June 30, 2015.

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 statement of comprehensive income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

As of June 30, 2016 and 2015, the total carrying value of the Group's receivables amounted to \$1.21 million and \$2.09 million, respectively (see Note 7) while the HTM investment amounted to \$3.40 million as of June 30, 2016. No allowance for impairment was provided in 2016 and 2015.

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's 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.

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.

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 June 2016 and 2015, the Group's property and equipment amounted to \$15.08 million and \$16.11 million, respectively. Depletion, depreciation and amortization expense amounted \$0.58 million in 2016 and 2015.

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 June 30, 2016 and 2015, management has determined that there are no indications that nonfinancial assets may be impaired.

The related balances follow:

	2016	2015
Property and equipment	\$15,079,301	\$16,107,100
Deferred exploration costs	662,235	602,153

Impairment and write-off of deferred exploration costs

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

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

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

The carrying value of deferred exploration costs amounted to \$0.66 million and \$0.60 million as of June 30, 2016 and 2015, respectively (see Note 11). No provision for impairment loss was recognized in 2016, 2015 and 2014.

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.

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 \$0.10 million and \$0.15 million as of June 30, 2016 and 2015, respectively.

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.

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 obligation for plug and abandonment costs. As of June 30, 2016 and 2015, the Group has not recognized any asset retirement obligation.

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Petty cash fund	\$212	\$224
Cash in banks	63,597	58,977
Short-term deposits	34,047,794	51,300,985
	\$34,111,603	\$51,360,186

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates which ranges from 1.50% p.a. to 2.75% p.a. in 2016 and 1.00% p.a. to 2.00% p.a. in 2015.

7. Receivables

This account consists of:

	2016	2015
Trade receivables	\$1,088,537	\$2,007,055
Interest receivable	123,152	83,736
	\$1,211,689	\$2,090,791

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

Trade receivables are noninterest-bearing and are generally on one (1) to thirty (30) days' terms.

There are no past due nor impaired receivables as of June 30, 2016 and 2015.

8. Long Term Investment

As of June 30, 2016, the Group has invested US\$20.00 million in a 3-year U.S. Dollar time deposit with a local bank. Interest rate for this investment is 2.75% p.a.

9. Available-for-Sale Investments

This account consists of:

	2016	2015
Quoted shares - at fair value	\$13,169,427	\$13,806,216
Unquoted shares - at cost	74,206	76,042
	\$13,243,633	\$13,882,258

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

	2016	2015
At January 1	\$13,082,333	\$13,311,120
Reserve for fluctuation in value of AFS investments	87,240	530,425
Unrealized foreign exchange gains (loss)	(146)	145
At June 30	\$13,169,427	\$13,806,216

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

	2016	2015
At January 1	\$74,060	\$35,736
Additional shares	-	40,713
Unrealized foreign exchange gains (loss)	146	(407)
At June 30	\$74,206	\$76,042

10. Property and Equipment

The rollforward analysis of this account follows:

2016

	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
At January 1	86,368,549	213,834	44,550	86,626,933
Additions	11,685	-	-	11,685
Disposals / Reversal of Cost	(39,643)	-	-	(39,643)
At June 30	86,340,591	213,834	44,550	86,598,975
Accumulated depletion, depreciation and amortization				
At January 1	70,724,928	183,062	32,624	70,940,614
Additions	575,532	3,389	140	579,060
Disposals	-	-	-	-
At June 30	71,300,460	186,451	32,764	71,519,674
Net book value at June 30	15,040,131	27,383	11,786	15,079,301

2015

	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Total
Cost				
At January 1	86,211,123	193,841	43,910	86,448,874
Additions	50,249	-	-	50,249
Disposals	-	-	-	-
At June 30	86,261,372	193,841	43,910	86,499,123
Accumulated depletion, depreciation and amortization				
At January 1	69,597,376	179,951	32,453	69,809,780
Additions	580,778	1,389	75	582,243
Disposals	-	-	-	-
At June 30	70,178,154	181,340	32,528	70,392,023
Net book value at June 30	16,083,218	12,501	11,382	16,107,100

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.

This account consists of various SCs as follows:

	2016	2015
SC 6	\$652,021	\$581,488
Others	10,214	20,665
	\$662,235	\$602,153

SC 6

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

This account consists of:

	2016	2015
Accounts payable and accrued expenses	\$563,218	\$558,766
Dividends payable	86,981	99,384
Subscriptions payable	29,815	26,488
	\$680,014	\$684,638

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

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

13. Paid up Capital

As of June 30, 2016 and 2015, this account consists of:

Class A - \$0.0004 (₱0.01) par value	
Authorized - 120 billion shares	
Issued and outstanding - 120 billion shares	\$49,361,388
Class B - \$0.0004 (₱0.01) par value	
Authorized - 80 billion shares	
Issued and outstanding - 80 billion shares	32,907,591
Subscriptions receivable	(373,417)
Capital in excess of par value	3,650,477
	\$85,546,039

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.

14. Other Income

This account consists of:

	2016	2015
Dividend	\$438,382	\$382,355
Interest	451,884	420,883
	\$890,266	\$803,238

The dividend income is derived primarily by the Group from its investment in preferred shares. Interest income came from money market placements and deposits in banks.

15. Related Party Transactions

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

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

As of June 30, 2016 and 2015, the Company had Cash and Cash equivalents maintained at various banks including an affiliated bank. The Company likewise leases an office space from an affiliate that is renewable annually.

Terms and conditions of transactions with related parties

Outstanding balances at the end of the period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts due from related parties in 2016 and 2015. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.