

COVER SHEET

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S.E.C. Registration Number

P H I N M A P E T R O L E U M A N D

G E O T H E R M A L I N C A N D S U B S I D I A R Y

(Company's Full Name)

L E V E L 1 1 P H I N M A P L A Z A 3 9 P L A Z A

D R I V E R O C K W E L L C E N T E R M A K A T I

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

ATTY. ALAN T. ASCALON

Contact Person

870-1000

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

1 7 - A

FORM TYPE

0 4

Month

1 2

Day

Annual Meeting

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

-

Amended Articles Number/Section

2,926

Total No. of Stockholders

Total Amount of Borrowings

-

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

CASHIER

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number ASO94-8811
File Number

PHINMA PETROLEUM AND GEOTHERMAL, INC.
(Company's Full Name)

Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City
(Company's Address)

870-0100
(Telephone Number)

2018 December 31
(Fiscal Year ending) (month & day)

17-A
(Form Type)

Amendment Designation (If Applicable)

December 2018
(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended **December 31, 2018**
2. SEC Identification Number **AS094-8811**
3. BIR Tax Identification No. **004-500-964-000**
4. Exact name of issuer as specified in its charter **PHINMA Petroleum and Geothermal, Inc.**
5. **Philippines** (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1233**
Address of principal office Postal Code
8. **(632) 8701000**
Issuer's telephone number, including area code
9. **Trans-Asia Petroleum Corporation**
Former name, former address, and former fiscal year, if changed since last report.

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

Number of Shares of Common Stock Outstanding	250,000,000 shares
Number of Shares of Amount of Debt Outstanding	NIL

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

Yes No

Stock Exchange	Philippine Stock Exchange
Classes of Securities Listed	Common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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

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

N/A

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

N/A

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1: BUSINESS

Trans-Asia Petroleum Corporation (“TA Petroleum”) is a Philippine corporation organized on 28 September 1994 as a wholly owned subsidiary of PHINMA Energy Corporation (“PHINMA Energy”), formerly Trans – Asia Oil and Energy Development Corporation (“TA Oil”). The Company’s Articles of incorporation and By-Laws were amended on 28 August 2012, to focus the primary purpose of the Company to the business of oil and gas exploration, development, and production both domestically and internationally, and to change its name from “Trans-Asia (Karang Besar) Petroleum Corporation” to TA Petroleum.

On 31 May 2017, the Securities and Exchange Commission has approved the Company’s Amendment of By- Laws to change the name from Trans-Asia Petroleum Corporation to **PHINMA Petroleum and Geothermal, Inc. (“PPG”)** to reflect the company’s entry into the exploration and development of geothermal resources as an additional business line and to further enhance the Company’s identity as part of the PHINMA Group of Companies.

Petroleum and geothermal resources exploration involves the search for commercially exploitable subsurface deposits of oil, gas and steam through geological, geophysical and drilling techniques. A discovery is made when significant amounts of oil and/or gas and steam are encountered in a well, and are flowed to the surface. Following a discovery, additional wells (appraisal or delineation wells) are drilled to determine whether the petroleum and steam accumulation could be economically extracted or not. If the results are positive, the oil, gas or steam field is developed by drilling production wells, and installing the necessary production facilities such as wellheads, platforms, separators, storage tanks, pipelines, and others.

Material dates

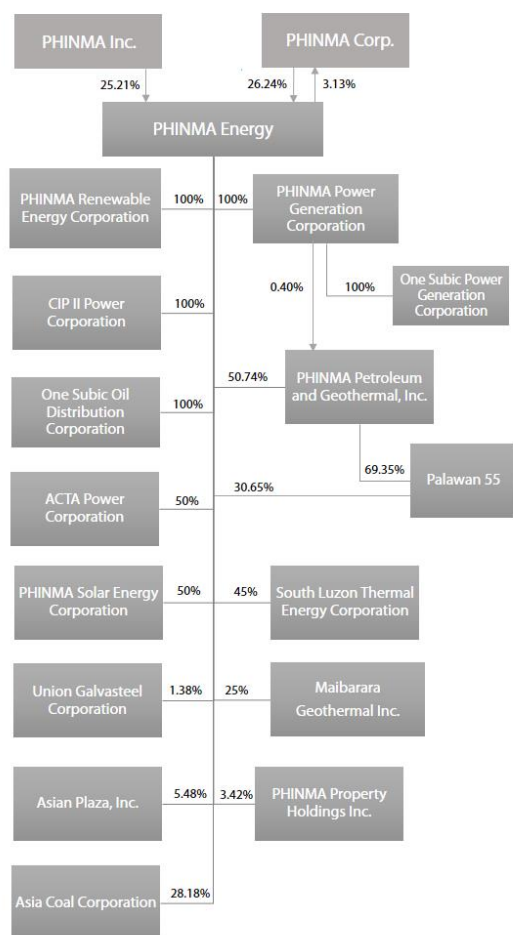
November 2012	SEC approves increase of capital and restructuring of PHINMA Petroleum and Geothermal, Inc. (“PPG”), formerly Trans-Asia Petroleum Corporation.
November 2012	PHINMA Energy subscribes to 24 Billion new shares at par value of ₱0.01. ¹
November 2012	Palawan55 Exploration and Production Corporation (“Palawan55”), a subsidiary of PHINMA Petroleum and Geothermal, Inc. and PHINMA Energy, is incorporated.
December 2012	PPG and PHINMA Energy sign a Memorandum of Agreement and Deeds of Assignment for the transfer of SC 6 (Block A and B), SC 51 and SC 69; Palawan 55 and PHINMA Energy sign a Memorandum of Agreement and Deed of Assignment for the transfer of SC 55.
February 2013	PHINMA Energy requests DOE approval of the assignment contracts.
April 23, 2013	The DOE approves the assignment of the entire participating interests of PHINMA Energy in: 1) SC 6 Block A, SC 6 Block B, SC 51 and SC 69 to PPG, and 2) in SC 55 to Palawan55.
May 31, 2013	SEC approves the increase in par value of PPG from ₱0.01 to ₱1.00 per share.

¹In 2013, the par value of TA Petroleum shares was increased to ₱1.00 per share.

- September 27, 2013 SEC approves the amendment to include the Lockup Requirements in accordance with the Philippine Stock Exchange's (PSE) Listing Rules for Small, Medium and Emerging (SME) Board and Main Board.
- July 3, 2015 SEC approves the amendment to change the principal office of the corporation to be located at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines.
- May 31, 2017 SEC approves the amendment of the Company's Articles of Incorporation and By-Laws to change its name from Trans-Asia Petroleum Corporation to **PHINMA Petroleum and Geothermal, Inc.** to reflect the Company's entry into the exploration and development of geothermal resources business line and to further enhance the Company's identity as part of the PHINMA Group of Companies.

Petroleum Exploration and Production

PHINMA Energy's Corporate Structure



The Company's primary business is the exploration and production of crude oil and natural gas through interests in petroleum contracts and through holdings in resource development companies with interests in petroleum contracts. Crude oil, natural gas and coal are fossil fuels that are derived from organic material deposited and buried in the earth's crust Millions of years ago. Fossil fuels currently account for more than half of primary energy mix in the Philippines. Coal and natural gas are used to fuel nearly two thirds of power generation in the country. It is likely that fossil fuels will continue to be major energy sources over the next decades, even with the aggressive development of alternative sources of energy.

A petroleum discovery is made when significant amounts of oil and/or gas are encountered in a well and are flowed to the surface. Following a discovery, additional wells (called appraisal or delineation wells) are drilled to determine whether the petroleum accumulation could be economically extracted or not. If the results are positive, the oil or gas field is developed by drilling production wells, and installing the necessary production facilities such as wellheads, platforms, separators, storage tanks, pipelines and others.

Crude oil is usually sold at market price in its natural state at the wellhead after removal of water and sediments, if any. Depending on the location of the oil field, the oil produced may be transported via offshore tankers and/or pipeline to the refinery. On the other hand, natural gas may be flared, reinjected to the reservoir for pressure maintenance, or sold, depending on the volume of reserves and other considerations. Natural gas is commonly transported by pipeline. However, if the deposit is very large and the market is overseas, the gas may be transformed into liquefied natural gas and transported using specialized tankers.

Domestic Petroleum Exploration and Production

Petroleum exploration in the Philippines dates back to 1896 with the drilling of Toledo¹ in Cebu Island by Smith & Bell. Exploration activities increased from the 1950s to 1970s, under *Republic Act No. 387*, known as the "Petroleum Act of 1949" which ushered in the era of the concession system.

The current Service Contract system was introduced in 1973 with the enactment of *Presidential Decree No. 87*, known as the "Oil Exploration and Development Act of 1972". Under the Service Contract system, the service contractor undertakes to perform all petroleum operations in the contract area and provide all necessary services, technology and financing for such operations at its sole cost and risk. In consideration for its performance of its obligations as a service contractor, the contractor is entitled to a share in petroleum revenues in the event of commercial production.

The extensive exploration program in the 1970s resulted in several oil and gas discoveries in the West Palawan basins. Nido¹ well, drilled by Philippine Cities Service in 1976, was the first oil discovery in the Northwest Palawan basin. Several small fields, all located in offshore Northwest Palawan, were subsequently developed and produced.

In 1989, relatively large deposits were discovered in the deep waters off Palawan. Occidental Petroleum discovered the Camago gas field. In 1990, Shell discovered the extension of the Camago deposit and the combined accumulation became known as the Malampaya gas field, the largest natural gas find in the country to date. The Malampaya gas field commenced production in late 2002, providing fuel for 2,700 MW of gas fired power generation facilities in the Luzon grid.

At the end of 2005, the estimated petroleum resources of the Philippines amounted to 456 Million Barrels of Fuel Oil Equivalent (BFOE). This consists of 25 Million barrels of oil, 2,135 Billion cubic feet of gas and 54 Million barrels of condensate. These petroleum resource estimates cover the sixteen sedimentary basins situated from the Cagayan Valley Basin in the north down to the Agusan Davao Basin in the south as well as the Northwest Palawan Basin and the Sulu Sea Basin along the western flank of the archipelago. These basins are located in both offshore and onshore areas.

Under *Presidential Decree No. 87*, petroleum service contractors are entitled to the following incentives:

- Service fee of up to 40% of net production
- Cost reimbursement of up to 70% gross production with carry forward of unrecovered costs
- Filipino Participation Incentive Allowance of up to 7.5% of the gross proceeds for SC with minimum Filipino participation of 15%
- Exemption from all taxes except income tax
- Income tax obligation paid out of government's share
- Exemption from all taxes and duties for importation of materials and equipment for petroleum operations
- Easy repatriation of investments and profits
- Free market determination of crude oil prices, i.e., prices realized in a transaction between independent persons dealing at arm's length
- Special income tax of 8% of gross Philippine income for subcontractors
- Special income tax of 15% of Philippine income for foreign employees of service contractors and subcontractors

There are presently 23* active petroleum SCs in the Philippines:

No.	PSC NO.	Operator	Location/Area (hectares)
1	6A	The Philodrill Corporation	NW Palawan / 108,146.587
2	6B	The Philodrill Corporation	NW Palawan / 53,293.945
3	14	The Philodrill Corporation / Galoc Production Company WLL	NW Palawan / 70,887.52

4	37	PNOC – Exploration Corporation	Cagayan / 36,000.00
5	38	Shell Philippines Exploration B. V.	NW Palawan / 83,000
6	40	Forum Exploration, Inc.	North Cebu / 458,000.00
7	44	Gas2Grid Ltd.	Central Cebu / 75,000
8	49	China International Mining Petroleum Corp.	South Cebu / 197,000
9	51	Otto Energy Investments Ltd.	East Visayan Basin / 332,000
10	53	Pitkin Petroleum Ltd.	Onshore Mindoro / 724,000
11	54	Nido Petroleum Philippines Pty. Ltd	NW Palawan (Area A / B = 87,616 / 314,000
12	55	Otto Energy Investments Ltd.	West Palawan Ultra Deepwater / 988,000
13	56	Total E&P Ltd	Sulu Sea / 622,000
14	57	PNOC – Exploration Corporation	Calamian Block, NW Palawan / 720,000
15	58	Nido Petroleum Philippines Pty. Ltd	West Calamian Block, NW Palawan / 1,344,000
16	59	PNOC – Exploration Corporation	West Balabac, SW Palawan/ 1,476,000
17	63	PNOC – Exploration Corporation	SW Palawan / 528,000
18	69	PHINMA Petroleum and Geothermal, Inc.	Visayan Basin / 528,000
19	70	Polyard Petroleum International Company Ltd	Central Luzon Basin / 684,000
20	72	Forum (GSEC101) Ltd.	Reed Bank / 888,000
21	74	PXP Energy Corporation	Northwest Palawan/426,800
22	75	PXP Energy Corporation	Northwest Palawan/616,000
23	76	Ratio Petroleum Limited	East Palawan/416

**As of 31 December 2018 per DOE Data*

Competition

While competition for market of petroleum does not have a significant bearing in the operations of the Company, competition occurs on two fronts, namely: 1) petroleum acreage and 2) investment capital.

The Department of Energy (DOE) awards petroleum contracts to technically and financially capable companies through competitive bidding. Thus, the Company competes with foreign firms and local exploration companies, such as Philippine National Oil Company (PNOC) Exploration Corporation, The Philodrill Corporation, Oriental Petroleum and Minerals Corporation, and PetroEnergy Resources Corporation, for acquisition of prospective blocks. While there is competition in the acquisition of exploration rights, the huge financial commitments associated therewith also provide opportunities for partnership, especially between local and foreign companies. Under a Service Contract (SC), a substantial financial incentive is given to consortia with at least fifteen percent (15%) aggregate Filipino equity. As a result, foreign firms invite local exploration companies in joint ventures to take advantage of said benefit and vice versa.

PHINMA Petroleum and Geothermal, Inc. and other listed companies also compete for risk capital in the securities market. This may be in the form of initial public offerings, rights offerings, upward change in capitalization, and other vehicles. These domestic companies may also seek full or partial funding of projects from foreign companies through farm out of interest (dilution of equity in exchange for payment of certain financial obligations).

PHINMA Petroleum and Geothermal, Inc. is a recognized leader in the local petroleum industry. The Company is comparatively financially robust and has low level of debt. Its foreign partners and the DOE recognize its management and technical expertise in the field of energy exploration. Given these strengths, PPG remains a strong competitor in the local exploration and production industry.

Foreign Sales

The Company does not have any foreign sales.

Bankruptcy, Receivership or Similar Proceedings, Reclassification, Merger or Purchase or Sale of Assets

Neither the Company or its subsidiaries or affiliates are under any actual or potential bankruptcy, receivership or similar proceedings. Nor has the Company had any material reclassification, merger, consolidation, or purchase or sale of any significant amount of assets not in the ordinary course of business.

Suppliers and Customers

PHINMA Petroleum and Geothermal Inc.'s exploration business is not dependent on a single supplier nor on a single customer. Since the Company is not yet in operations, it does not have any Principal Suppliers and sources of raw materials.

Related Party Transactions

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Any transaction between the Company and a related party must be approved by the Corporate Governance and Related Party Transaction Committee, composed of the Independent Directors. The Committee uses acceptable valuation methods common in the industry or project involved, including but not limited to:

- 1) Joint Venture Method, a market-based approach which uses actual transactions on the asset;
- 2) Comparative Valuation Method which uses similar projects to estimate the value of an asset; and
- 3) Multiple Exploration Expenditure Method which uses historical cost as basis for estimating asset value.

In the last two (2) years, the Company has not been a party in any transaction in which a Director or Executive Officer of the Company, any nominees for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2018 and 2017, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates and other related parties on operating and reimbursement of expenses, management service agreements and advances.

As at and for the Year Ended December 31, 2018

Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Ultimate Parent Company						
PHINMA, Inc.						
Accounts payable and other current liabilities	₱262,645	Share in expenses	₱-	₱31,380	30–60 day terms; noninterest-bearing	Unsecured
Parent Company						
PHINMA Energy						
Others	140,724	Purchase of dollar	–	–	30–60 day terms; noninterest-bearing	Unsecured
Entity Under Common Control						
PHINMA Corporation						
Accounts payable and other current liabilities	54,038	Share in expenses	–	1,100	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.						
Accounts payable and other current liabilities	1,451	Insurance expense	–	–	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties			₱-	₱32,480		
Subsidiary						
Palawan55						
	₱1,950,000	Advances	₱1,950,000	₱-	30–60 day terms; noninterest-bearing	Unsecured
Due from related party			₱1,950,000	₱-		

As at and for the Year Ended December 31, 2017

Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Ultimate Parent Company						
PHINMA, Inc.						
Accounts payable and other current liabilities	₱165,787	Share in expenses	₱-	₱24,026	30–60 day terms; noninterest-bearing	Unsecured
Intermediate Parent Company						
PHINMA Energy						
Accounts payable and other current liabilities	663,643	Accommodation	–	–	30–60 day terms; noninterest-bearing	Unsecured
Others	543,879	Purchase of dollar	–	–	30–60 day terms; noninterest-bearing	Unsecured

(Forward)

As at and for the Year Ended December 31, 2017

Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Entity Under Common Control						
PHINMA Corporation						
Accounts payable and other current liabilities	P48,118	Share in expenses	P-	P3,036	30-60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.						
Accounts payable and other current liabilities	2,209	Insurance expense	-	-	30-60 day terms; noninterest-bearing	Unsecured
<hr/>						
Due to related parties (see Note 10)			P-	P27,062		

PHINMA, Inc.

The Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, and other business activities. Under the existing agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income. On February 23, 2016, the Company's BOD approved the suspension of the management contract for 2016, which remained effective as at March 21, 2019. PHINMA, Inc. bills the Company for its share in expenses.

PHINMA Energy

The Company purchased US dollars to pay various expenses through the PHINMA Energy's banking facilities and accommodation of expenses.

Palawan55

The Company's non-interest-bearing advances made to Palawan55 is for the latter's working capital requirements.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses.

T-O Insurance

T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance.

Research and Development

The Company incurs minimal expenses for research and development activities, which do not amount to a significant percentage of its exploration costs.

REGULATORY FRAMEWORK

The Company's petroleum business is subject to the following laws, rules and regulations:

Presidential Decree (P.D.) No. 87, as amended, or The Oil Exploration and Development Act of 1972

P.D. 87, as amended, or "The Oil Exploration and Development Act of 1972" declares that the State should accelerate the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, under arrangements calculated to yield maximum benefit to the Filipino people and revenues to the Philippine government, and to assure just returns to participating private enterprises, particularly those that will provide services, financing, and technology, and fully assume all exploration risks. The government may undertake petroleum exploration and production by itself or may indirectly undertake the same through Service Contracts. Under a service contract, service and technology are furnished by a contractor for which it would be entitled to a service fee of up to forty percent (40%) of net production proceeds. Where the Government is unable to finance petroleum exploration or in order to induce the contractor to exert maximum efforts to discover and produce petroleum, the service contract would stipulate that, if the contractor furnishes service, technology and financing, the proceeds of the sale of the petroleum produced under the service contract would be the source of payment of the service fee and the operating expenses due the contractor. Operating expenses are deductible up to seventy percent (70%) of gross production proceeds. If, in any year, the operating expenses exceed seventy percent (70%) of gross proceeds from production, the unrecovered expenses may be recovered from the operations of succeeding years. Intangible exploration costs may be reimbursed in full, while tangible exploration costs (such as capital expenditures and other recoverable capital assets) are to be depreciated for a period of five (5) or ten (10) years. Any interest or other consideration paid for any financing approved by the Government for petroleum development and production would be reimbursed to the extent of two-thirds (2/3) of the amount, except interest on loans or indebtedness incurred to finance petroleum exploration.

Aside from reimbursement of its operating expenses, a contractor with at least fifteen percent (15%) Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of seven and a half percent (7.5%) of the gross proceeds from the crude oil produced in the contract area. Incentives to service contractors include (i) exemption from all taxes except income tax which is paid out of Government's share, (ii) exemption from all taxes and duties on importation of machinery, equipment, spare parts, and materials for petroleum operations, (iii) repatriation of investments and profits, and (iv) free market determination of crude oil prices. Finally, a subcontractor is subject to special income tax rate of eight percent (8%) of gross Philippine income while foreign employees of the service contractor and the subcontractor are subject to a special tax rate of fifteen percent (15%) on their Philippine income.

A service contract has a maximum exploration period of ten (10) years and a maximum development and production period of forty (40) years. Signature bonus, discovery bonus, production bonus, development allowance and training allowance are payable to the Government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to deep water oil exploration; *DOE Circular No. 2009040004*, a circular that establishes the procedures for the Philippine Contracting Rounds; *DOE Circular No. 200305006*, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; *Executive Order (EO) No. 66* issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and *DOE Circular 200208005*, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

Under P.D. 87, as amended, every service contractor that produces petroleum is authorized to dispose of same either domestically or internationally, subject to supplying the domestic requirements of the country on a pro-rata basis. There is a ready market for oil produced locally inasmuch as imported oil which comprised about thirty-four percent (34%) of the Philippines' primary energy mix as of 2010. Heavy dependence on foreign oil supply is not expected to change significantly over the next ten (10) years. On a case by case basis, the Government has allowed the export of locally produced crude oil in the past. The domestic natural gas industry is at the nascent stage, with supply coming from a single

offshore field. Domestic gas production accounted for about seven percent (7%) of the country's primary energy mix in year 2010. The Government is actively promoting the use of natural gas for power, industry, commercial and transport applications, owing to environmental considerations and the need to diversify energy supply.

Republic Act (R.A.) No. 8371 or The Indigenous Peoples' Rights Act of 1997

R.A. 8371 or "The Indigenous Peoples' Rights Act of 1997" (IPRA) requires the free and prior informed consent (FPIC) of indigenous peoples (IP) who will be affected by resource exploration and extraction activities. Under the IPRA, IPs are granted certain preferential rights to their ancestral domains and all resources found therein. Ancestral domains are defined as areas generally belonging to IPs, subject to property rights within ancestral domains already existing or vested upon the effectivity of the IPRA, comprising lands, inland waters, coastal areas, and natural resources, held under a claim of ownership, occupied or possessed by IPs themselves or through their ancestors, communally or individually, since time immemorial, continuously to the present, except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects or any voluntary dealings entered into by the Government and private persons, and which are necessary to ensure their economic, social and cultural welfare.

Under the IPRA, no concession, license, lease or agreement shall be issued by any government agency without the certification precondition (CP) from the National Commission on Indigenous People (NCIP). The CP states that the FPIC has been obtained from the concerned IPs. For areas not occupied by IPs, a certificate of non-overlap is issued instead by the NCIP. For areas occupied by IPs, the applicant and representatives from the NCIP will conduct consultations and consensus building to obtain the consent of IPs. The FPIC is manifested through a memorandum of agreement with IPs, traditionally represented by their elders. The CP is then issued by the NCIP stating that the FPIC has been obtained from the IPs concerned.

R. A. 8749 or The Philippine Clean Air Act of 1999

R.A. 8749 or "The Philippine Clean Air Act of 1999" is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the Department of Energy and Natural Resources (DENR) is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To implement this law, the Government is promoting energy security through policies on energy independence, sustainability, and efficiency. These involve:

- (1) increasing oil and gas exploration;
- (2) strengthening of the PNOC to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;
- (3) pursuing the development of renewable energy such as geothermal, wind, solar, hydropower, and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;
- (4) expanding the use of natural gas; and
- (5) adopting energy efficiency promotion strategies.

In support of this legislation, PHINMA Petroleum and Geothermal, Inc. is participating in oil and gas exploration and development of renewable energy sources.

The Philippine Environmental Impact Statement System

Projects relating to resource exploration and extraction are required to comply with the Philippine Environmental Impact Statement (EIS) System. The EIS System was established by virtue of P.D. 1586 entitled "Establishing An Environmental Impact Statement System, Including Other Environmental Management Related Measures And For Other Purposes", issued by former President Ferdinand E. Marcos in 1978. The EIS System requires all government agencies; government owned or controlled

corporations and private companies to prepare an Environmental Impact Assessment (EIA) for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating and enhancement measures to protect the environment and the community's welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate (ECC), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

To strengthen the implementation of the EIS System, the Office of the President of the Philippines issued Administrative Order (AO) No. 42 in 2002, providing the streamlining of the ECC application processing and approval procedures. Pursuant to AO 42, the DENR promulgated DENR AO No. 200330, also known as the Implementing Rules and Regulations (IRR) for the Philippine EIS System, in 2003.

Under the IRR, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used to determine projects covered by the EIS System are as follows:

- a. Characteristics of the project or undertaking
 - i. size of the project;
 - ii. cumulative nature of impacts compared to other projects;
 - iii. use of natural resources;
 - iv. generation of wastes and environment related nuisance; and
 - v. environment related hazards and risk of accidents.
- b. Location of the project
 - i. vulnerability of the project area to disturbances due to its ecological importance endangered or protected status;
 - ii. conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and
 - iii. relative abundance, quality and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.
- c. Nature of the potential impact
 - i. geographic extent of the impact and size of affected population;
 - ii. magnitude and complexity of the impact; and
 - iii. likelihood, duration, frequency, and reversibility of the impact.

The ECC of a project not implemented within five (5) years from its date of issuance is deemed expired. The proponent must reapply for a new ECC if it intends to still pursue the project. The reckoning date of project implementation is the date of ground-breaking, as stated on the proponent's work plan submitted to the Environmental Management Bureau (EMB).

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. ECCs or certificates of no coverage, if applicable, are obtained from the EMB of the DENR, in coordination with the DOE.

The exploration, production and sale of oil are subject to extensive national and local laws and regulations. The Company and its subsidiaries may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of antipollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the Company's operations. Failure to comply with these laws may also result in the suspension or termination of the Company's operations

and subject it to administrative, civil and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations

Statement of Active Business Pursuit

The Company is at present a co-contractor in four (4) Service Contracts (SC) with the Philippine government. An SC grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. In the event of commercial production, the Government and the contractor share in the profit. SCs grant the contractor an exploration period of seven (7) years, which may be extended for a limited number of years. If the reserves found are deemed commercial, the SC allows a production period of twenty five (25) years, which may be extended

The Company applies for or acquires interest in selected petroleum SCs covering areas usually in the exploration phase. Due to the high risk and capital intensive nature of the business, the Company normally participates in several consortia and takes a minority interest, usually below a thirty percent (30%) stake. Subject to results of technical and risk economic studies prior to exploratory drilling, the Company may farm out or dilute its interest in exchange for financial consideration and/or non-payment of its pro-rata share of forward exploration drilling costs. If a petroleum discovery is made, the Company will fund its share of appraisal drilling and economic studies. Upon delineation of a commercial discovery, financing for up to seventy percent (70%) of field development costs is available in the international market.

Interests in Petroleum Contracts

The following describes the Company's interest in various petroleum contracts. This includes a discussion of the status of the exploration projects and estimated investment requirements for each participative interest.

PHINMA Petroleum and Geothermal, Inc. has the right to actively participate in the exploration for and/or extraction of natural resources within the Service Contract through adequate rights which give the Company sufficient influence in decisions over the said exploration for and/or extraction of natural resources. Under the SCs, the Company as the Contractor is the exclusive party to conduct petroleum operations in the covered Contract Area. The Company, as a Contractor, is solidarily liable with other Contractors to the Philippine government to perform the obligations under the SCs. The Philippine Government may require the performance of any or all obligations under the SCs by any or all of the Contractors. As a Contractor, the Company has the right and obligation to participate actively in the exploration, development, and production of petroleum resources within the contract area. The SCs provide for minimum work commitments and minimum exploration expenditures which must be complied with by any or all of the Contractors. PPG obligations under the Service Contracts include delineation and operation of Production Area, preparation of the annual Work Program and budget to carry out Petroleum Operations, including exploration, development and production, and, determination of commerciality of Crude Oil or Natural Gas discoveries. PPG rights under the SCs include, among others, the right to export and sell its share of petroleum production in the open market, subject to the obligation to supply a portion of domestic petroleum requirements.

A summary of the existing projects and the Service Contracts where PPG has participating interests, as of January 31, 2019 are as follows:

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2018
SC 51	Eastern Visayas	33.34%	8 July 2005	A	PHINMA Petroleum and Geothermal, Inc., Alcorn Petroleum and Minerals Corp., PetroEnergy Resources Corp. Operator: PHINMA Petroleum and Geothermal, Inc.	On 4 July 2018, the SC 51 Consortium, notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest. This is pending DOE's approval as of date.
SC 69	Camotes Sea, Eastern Visayas	50%	7 May 2008	A	Frontier Gasfields Pty. Ltd. Operator: PHINMA Petroleum and Geothermal, Inc.	The Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders. This is pending DOE's approval as of date.
SC 6 Block A	Northwest Palawan	7.78%	1 September 1973	A	Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, AngloPhilippine Holding, Alcorn Petroleum and Minerals Operator: Philodrill Corp	Completed seismic interpretation and mapping and integration of quantitative inversion results to resource evaluation.
SC 6 Block B	Northwest Palawan	2.475% Carried Interest; (14.063% Participating Interest relinquished Feb 20, 2017)	1 September 1973	A	Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum & Minerals Corp. Operator: Philodrill Corp.	On April 12, 2018, DOE approved the transfer of participating interest from PPG to SC 6B continuing parties.

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2018
SC50	North Palawan	10%			Frontier Gasfields Pty. Ltd. Operator: Frontier Gasfields Pty. Ltd.	Moratorium requested. Negotiation between DOE & Frontier for possible reinstatement of SC 50 continues.
SC 55 (through subsidiary Palawan 55)	Offshore West Palawan	6.82% (37.50% upon DOE approval of Otto withdrawal)	5 August 2005	A, B	Otto Energy Philippines, Otto Energy Investments Century Red Pte. Ltd. Pryce Gases, Inc. Operator: Otto Energy Investments	The DOE approved the Moratorium Period and transfer of participating interest from Otto Energy to continuing Partners. Committed work program under the Moratorium Period includes 3D seismic data reprocessing and Quantitative Interpretation Studies.

Note: A = Contractor provides all required services and technology funding. Contractor is entitled to a service fee out of production equivalent to 40% of net proceeds. Net proceeds would refer to the balance of gross income after deducting Filipino participation incentive allowance and operating expenses.

Note: B = The 37.50% interest in SC 55 is owned by Palawan55, a 69.35% owned subsidiary of PPG.

SC 51 (East Visayas)

SC 51 was awarded on July 8, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period is twenty-five (25) years. It covers an area of 444,000 hectares in the Eastern Visayas region, consisting of a 204,000 hectare block in Cebu Strait and a 240,000 hectare block mostly over the northwest peninsula of Leyte island and partly the adjoining offshore area. The block has three (3) primary prospects and several leads. PHINMA Energy initially had 33.34% participating interest. PHINMA Energy signed a Farm-In Agreement with Australasian Energy Ltd. and Ottoman Energy Ltd. on August 5, 2005, thereby diluting its participating interest to 6.67% in exchange for a carry in costs of certain work programs. Under said Farm-In Agreement, the farmees agreed to undertake and fund at their sole cost and risk the minimum work program for the first exploration sub-phase shown below. Further, should the farmees elect to drill an exploratory well in the contract area, they shall shoulder the farmors' or Farm-Ing our parties' share of the drilling costs associated with said well in exchange for 85% interest in SC 51. The farmees subsequently merged their interests in Otto Energy Investments Ltd. (Otto Energy, formerly NorAsian Energy Ltd.). The members of the consortium and their corresponding interests are Otto Energy (Australia), 80%; Cosco Resources Corporation, 9.32%; PHINMA Energy, 6.67% and PetroEnergy, 4.01%. Otto Energy is the Operator.

The consortium committed to undertake a new 250 km 2D seismic program over the Cebu Strait and an engineering study of the Villaba – 1 sub-commercial gas discovery in offshore Northwest Leyte, within the first eighteen (18) months of the contract term. The 2D seismic program was designed to pick

the drilling location for the Argao prospect and to upgrade a neighboring lead to drillable status. The Villaba engineering study aimed to determine whether the sub-commercial Villaba gas discovery could be developed on a standalone basis using minimalist options or whether additional reserves from neighboring prospects would be necessary or enough to ensure commerciality. The partners have successive options to drill exploratory wells during the balance of the seven (7) year exploration period.

The consortium requested the DOE to amend the schedule of work commitments in view of the difficulty of securing drilling rigs in the market. The approved amended exploration period is as follows:

1st Sub Phase	8 July '05 - 8 Apr '07	acquire, process and interpret 261 km. of 2D seismic data and conduct Villaba Engineering Study
2nd Sub Phase	8 Apr '07 - 8 Feb '08	acquire, process and interpret 146 sq. km. of 3D
3rd Sub Phase	8 Feb '08 - 8 Mar '09	drill one well (Argao)
4th Sub Phase	8 Mar '09 - 8 Jan '10	drill one well
5th Sub Phase	8 Jan '10 - 8 July '11	drill one well
6th Sub Phase	8 July '11 - 8 July '12	drill one well

The DOE approved the consortium's entry into the 3rd Sub Phase of the exploration period (from February 8, 2008 to March 7, 2009), which involves a commitment to drill one (1) exploratory well. The consortium completed a GeoMicrobial Survey. The governor of Cebu province issued Executive Order (EO) No. 10 on May 29, 2009 revoking EO No. 9 which ordered the DOE to cease and desist from conducting oil exploration surveys in the coastal waters of the municipalities of Argao and Sibonga.

Upon request of the consortium, the DOE agreed to amend the timetable of SC 51 as follows:

3rd Sub Phase	8 Feb '08 – 31 July '11	drill one well
4th Sub Phase	31 July '11 – 31 July '12	drill one well
5th Sub Phase	31 July '12 – 31 July '13	drill one well
6th sub phase	31 July '13 – 08 Mar '14	drill one well

Early 2011, the joint operating agreement was amended to accommodate the entry of Swan Oil and Gas Ltd. (Swan), and to split SC 51 into the North and South Blocks, after Otto Energy elected not to participate in the South Block. In 2012, Swan failed to perform its obligation and was forced to give up its interest in SC 51.

The remaining local partners of the South Block executed a Farm-In option agreement with Frontier Oil Corporation, giving the latter an option to acquire an eighty percent (80%) interest in the South Block, in exchange for drilling the offshore Argao1 exploratory well. Frontier did not exercise its option. The consortium completed the drilling of an onshore well in Leyte in May 2011 without reaching the target formation.

In 2012, Otto Energy acquired 100 km of new high quality 2D seismic data over the San Isidro anticline in the North Block. The results of the new seismic data confirmed a large target, which could be tested through the drilling of the Duhat2 well in mid-2013. The data acquisition phase of said seismic program commenced in May 2012 but was stopped by the unilateral one month suspension of work by the Chinese seismic contractor. Due to delays caused by this event and inclement weather in the field, the consortium requested the DOE a six-month extension of the 4th Sub Phase until January 31, 2013.

Upon request of the consortium, the DOE granted a further one year extension of the 4th Sub Phase to January 31, 2014.

Otto Energy spudded the Duhat2 well in onshore northwest Leyte on July 24, 2013, but on July 26, 2013 abandoned the well without reaching the reservoir objective due to unexpected drilling problems. Otto completed the demobilization for the Duhat2 well last August 30, 2013 and is conducting post well studies. On behalf of partners, Otto Energy requested and was granted by its coventurers an extension

of the current Sub Phase 5 to July 31, 2014, in order to undertake post well geological, geophysical and engineering studies.

The DOE notified Otto Energy on September 12, 2013 of its ruling that the drilling of Duhat2 well is not in compliance with work and financial obligations under Sub Phase 5.

On April 28, 2014, Otto Energy notified the DOE and its consortium partners of its withdrawal from SC 51.

On June 10, 2014, Otto Energy requested the DOE's reconsideration of its decision not to approve the drilling of Duhat2 well as compliant with the Sub Phase 5 commitment.

On June 28, 2014, the non-operating partners requested the DOE to suspend the running of Sub Phase 5 to allow the deferment of the election to enter Sub Phase 6, pending resolution of the request for DOE to favorably reconsider its decision regarding the compliance of the drilling of Duhat2 well. Specifically, the non-withdrawing parties requested that the suspension period start on the date Otto Energy submitted its notice of withdrawal from SC 51 and end on the date the DOE approves the transfer of Otto Energy's participating interest in SC 51 to the remaining partners.

On May 5, 2015, Otto Energy notified the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

On May 11, 2015, DOE approved the request for an extension of Sub-Phase 5 to July 8, 2016.

The DOE ruled that the outstanding training commitment funds must first be settled before the transfer of Otto Energy's interest could be given due course. Negotiations between the DOE, Otto Energy and the Filipino partners continue as at March 3, 2017.

On March 3, 2017 and December 20, 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC 51, following Otto Energy's withdrawal from the block and consequent resignation as Operator. They further signed and executed a Deed of Undertaking to pay the outstanding financial obligation of OEIL subject to the approval of transfer of interest from Otto Energy to the continuing parties, the extension of the term of the contract, and the revision of work program from drilling of a well to the conduct of pore pressure prediction study and gravity survey.

The above requests are still pending with the DOE as of date.

The partners in SC51 and their respective participating interests are as follows:

Otto Energy	80.00%	(Operator)
Alcorn	9.32%	
PPG	6.67%	
PetroEnergy	4.01%	

The Company's 6.67% participating interest in SC 51 would be adjusted to 33.34% upon DOE approval of the withdrawal of Otto Energy.

On June 01, 2018, the DOE approved the transfer of Otto Energy's participating interests in SC 51 to the Filipino Partners. PPG's participating interest was adjusted from **6.67% to 33.34%**.

On July 04, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e. SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with DOE in several occasions to craft the best way forward in SC 51. And on 17 December 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver of contingent liabilities in connection with the relinquishment of their participating interests in the block.

The matter is still being evaluated by the DOE and the aforementioned requests are pending with the Department as of date.

SC 69 (Camotes Sea)

SC 69 covers an area in the Camotes Sea, Eastern Visayas. The DOE awarded SC 69 (formerly, Area 8 of the 2006 Philippine Energy Contracting Round) on 7 May 2008 to a consortium composed of PHINMA Energy (with 30% interest) and Otto Energy Philippines Inc. ("Otto Philippines", formerly NorAsian Energy Philippines, Inc. with 70% interest). SC 69 has an exploration period of seven (7) years, divided into five (5) Sub Phases and extendible for three (3) years, and a production period of 25 years. While the area is underexplored, initial indications show that it has significant petroleum potential in view of gas discoveries in onshore Northern Cebu and offshore Northwest Leyte.

The consortium commenced a geological and geophysical review and reprocessing of some 3000 km of vintage 2D seismic data in fulfillment of work obligations under the 1st Sub Phase of the exploration period (from May 7, 2008 to May 6, 2009).

The consortium elected to enter the 2nd Sub Phase of the exploration period (from May 7, 2009 to November 6, 2010), which entails a commitment to conduct either a minimum of a 50 sq. km. 3D seismic survey or a minimum of 750-line kilometer 2D seismic survey, with expected expenditures of US\$2 Million for the 3D seismic survey or US\$1 Million for the 2D seismic survey. The DOE approved extension of the 2nd Sub Phase until February 7, 2011 to enable completion of interpretation of the newly acquired 900 km of 2D seismic data.

On June 3, 2010, PHINMA Energy signed a Farm-In Option Agreement with Frontier Gasfields Ltd. (Frontier) which granted the latter the option to acquire fifteen percent (15%) of PHINMA Energy's interest in SC 69. Frontier exercised its option on February 3, 2011 for a total consideration of US\$395,000. The consortium elected to enter the 3rd Sub Phase (February 7, 2011 to August 7, 2012) which entails a minimum commitment of either a 50 sq. km. of 3D seismic survey or one exploratory well and minimum expenditures of USD\$2 MM or USD\$3 MM, respectively.

On February 3, 2011, PHINMA Energy signed an Agreement with Otto Philippines assigning an additional nine percent (9%) of PHINMA Energy's participating interest to the latter in exchange for reimbursement of certain past costs, a partial carry in the cost of the 3D seismic program and a full a carry in the costs of the first well in the block, should Otto Philippines elect to participate in said well. The total consideration for the reimbursement of past costs and partial carry in the cost of the 3D seismic program amounts to US\$313,000.00.

Otto Philippines completed a 229 sq. km. 3D seismic survey in June 2011. Processing of the seismic data was completed in April 2012. Seismic interpretation confirmed the presence of two sizeable reef structures: Lampos and Lampos South; and a third smaller prospect, Managau East.

On April 4, 2013 the DOE granted the consortium's request for a 9-month extension of the 3rd Sub Phase to May 7, 2013, and a subsequent extension to November 6, 2013, to enable completion of seismic interpretation work and predrill studies. On August 23, 2013, Otto confirmed that it did not intend to enter Sub Phase 4 of SC 69.

Otto Philippines notified the Company and Frontier of its withdrawal in SC 69 last October 4, 2013. The Company and Frontier subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration Sub Phase, which starts on November 7, 2013. Due to the length of time needed for the transfer of the participating interest of Otto Energy Philippines, PHINMA Petroleum and Geothermal, Inc. and Frontier requested a further extension of the current Sub Phase to December 31, 2014.

On March 17, 2014, the Parent Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC 69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2015 to enable the remaining parties to proceed with planned exploration activities.

As at April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

On June 30, 2016, the Company signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated 18 August 2016 informed the Company that it could not proceed with the Company's leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure.

As at December 29, 2017, the DOE approved the request for extension due to Force Majeure, effective until November 7, 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

The partners in SC 69 and their respective participating interests are as follows:

Frontier	50.00%
PPG	50.00% (Operator)

On June 04, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units (LGUs) and Non- Government Organizations (NGOs), making the conduct of petroleum exploration business in the area very challenging, if not impossible.

The aforementioned request is still pending with the DOE as of date.

SC 6: Cadlao, Block A and B (Northwest Palawan)

SC 6 covers three blocks located in Offshore Northwest Palawan, namely: Block A with 108,000 hectares, and Block B with 53,300 hectares and the Cadlao production area.

SC 6 grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. The contractor assumes all exploration risks. In the event of commercial production, the Government and the contractor share in the profit on a 60:40 basis. The exploration period is seven (7) years, extendible by three (3) years. The production period is twenty-five (25) years, extendible by fifteen (15) years. SC 6 was awarded on 1 September 1973 and is valid until 28 February 2024 subject to certain conditions.

The DOE granted a 15-year extension of the term of SC 6 over the Cadlao Production Area, Block A and Block B effective 1 March 2009. Under SC 6, once a production area is delineated, the contractor is allowed to retain an additional twelve and a half percent (12.5%) of the original contract area. The production area was termed as Cadlao Production Area, whereas the retention areas, namely: Block A and Block B were delineated in 1988. The Cadlao oil field produced some 11 Million barrels of oil from 1981 until 1990 when production was suspended due to economic reasons. At an average crude oil price of US \$20 per barrel, PHINMA Energy earned an estimated US \$3.6 Million from its royalty interest in the Cadlao Production Area. (Note: It is difficult to convert the US \$ earnings to its Philippine Peso equivalent because the exchange rate changed considerably during the production period)

In 2010, PHINMA Energy assigned its 1.65% royalty interest in the Cadlao Production Area under SC 6 to Peak Royalties Limited (BVI) and recognized US\$1.325 Million income equivalent to Philippine Pesos ₱58.50 Million using the exchange rate on the date of the assignment from such transaction. Cadlao oil field commenced production in 1981. The field has been shut-in since 1990 when production was suspended to allow transfer of its dedicated floating production facility to another field.

Block A and Block B were retained from the original contract area in 1988, subject to performance of meaningful exploration work in either of the blocks in each contract year. Block A and Block B consortia have complied with this conditionality by drilling exploratory and appraisal wells, and conducting various geological and geophysical studies. An economically marginal field discovery (Octon Discovery) was made in Block A, but such field has not been developed to this date.

SC 6 A

On May 9, 1988, an Operating Agreement was entered into by and among Balabac, Oriental, PHINMA Energy and Philodrigill in respect of SC 6 Block A where Philodrigill was appointed operator. This agreement is in full force and effect during the term of SC 6.

On March 7, 2007, SC 6 Block A consortium entered into a Farm-In Agreement with Vitol GPC Investments S.A. of Switzerland. Under this agreement, Vitol shall undertake, at its sole cost and risk, geological, geophysical and engineering studies over a one (1) year period. At the end of the study period, Vitol shall decide whether to acquire seventy percent (70%) participating interest in Block A. Vitol completed the first phase of its technical due diligence over Block A and concluded that development of the Octon discovery hinges on tieback to Galoc production facilities. Following several extensions of the Farm-In Agreement, Vitol informed the consortium in November 2010 that it is not exercising its option to acquire interest in the block.

Pitkin Petroleum Plc. (U.K.) and the SC Block A consortium signed on July 11, 2011 a Farm-In Agreement and a Deed of Assignment assigning seventy percent (70%) interest in the block to the former. In exchange for the assignment of interest, Pitkin shall carry the consortium members in a 500 sq. km. 3D seismic program and the drilling of two wells. On September 2, 2013, the Palawan Council for Sustainable Development issued a Strategic Environmental Plan clearance for the programmed 500 sq. km. 3D seismic survey.

Pitkin, the Operator, completed on November 7, 2013, a 500 sq. km. 3D seismic survey pursuant to the Farm-In Agreement.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block. By December 31, 2015, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.

The Company's interest reverted to 7.78% from 2.334% following the withdrawal of Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

On August 28, 2015, the consortium completed its work program consisting of geological and geophysical evaluation.

On November 3, 2015, the DOE approved the 2016 work program consisting of specialized geophysical studies. The pertinent geophysical program commenced in November 2015 and was completed by December 31, 2016.

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE. The work program of advanced seismic data reprocessing and quantitative seismic inversion study was completed in December 2017. The studies yielded significant improvement in the imaging of complex and deeper geological structures.

On January 08, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its CY 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the Joint Venture approved and the Operator, Philodrill Corporation submitted to the DOE the 2019 SC 6A Work Program and Budget composed of geological and geophysical evaluation and engineering projects in the amount of US 300,000. The document was approved by the DOE on January 23, 2019.

SC 6 B

The SC 6 Block B consortium members, excluding Nido Petroleum, signed on 4 February 2011 a Farm-In Agreement with Peak Oil and Gas Philippines Limited (Australia), Blade Petroleum Philippines Limited (Australia) and Venturoil Philippines Inc. Under said Agreement, the Farm-Inees (Peak, Blade and Venturoil) have the option to acquire seventy percent (70%) of the farmers' participating interests, upon their completion of an agreed technical work program. In the event the Farm-Inees exercise their option, they will shoulder all the forward costs of the farmers up to the production of first oil in the block. Following the exercise of the option by the Farm-Inees, the Parties signed on December 2, 2011, an Amended Deed of Assignment transferring 64.5316% participating interest of the farmers to Peak, Blade and Venturoil. However, the DOE disapproved in July 22, 2013 the Deed of Assignment due to the failure of the Farm-Inees to demonstrate the required financial capacity.

On September 13, 2013, DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. Geological and geophysical program commenced in October 2013 and was completed in February 2014.

The consortium formulated a work program for the next five (5) years of the extension period which started on March 1, 2015. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US\$724,000. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

The partners in SC6 Block A and B and their respective participating interests are as follows:

SC 6 Block A

PetroEnergy	16.670%	
Philodrill	51.650%	(Operator)
Anglo	11.110%	
PPG	7.780%	
Forum	5.560%	
Philex Petroleum	5.560%	
Alcorn	1.670%	

The Company's interest reverted to 7.78% from 2.334% following the withdrawal of farminee, Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

SC 6 Block B

Nido Petroleum Phils. Pty. Ltd.	7.812%	
Phoenix	28.125%	
PPG	14.063%	
Philodrill Corp.	21.875%	(Operator)
Oriental A	14.063%	
Basic Petroleum & Minerals Inc.	7.0310%	
Cosco (exAlcorn)	7.0310%	

Note: 14.063% is the original interest of PPG in SC 6 Block B. The farm-out to Peak, Blade and Venturoil which would have reduced PPG's interest by seventy percent (70%) did not materialize because the proposed Farm-In of the three (3) companies were disapproved by the DOE.

On February 20, 2017, the Company gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle the Company for a share in the gross proceeds from any production in the block, once all exploration costs have been recovered.

On April 12, 2018, DOE approved the transfer of interest from the Company to SC6B continuing parties.

SC 50 Offshore Northwest Palawan

SC 50 was awarded on March 11, 2005 to the predecessor's interest of Frontier Energy Ltd. (FEL) and a royalty interest holder, RGA Resources, Inc., covering a 1.280 sq. km. block in the Northwest Palawan petroleum province.

The block hosts two (2) undeveloped oil discoveries made in 1991 and 1992, respectively, by Petro Corp Ltd./Fletcher Challenge, Ltd, namely: the Calait and Calait South finds. PNO Exploration Corporation re-entered the Calait1B discovery well in 1997 and conducted extended tests, flowing up to 9,500 barrels of oil per day (bopd), but with significant amounts of water. Calait South1 flowed 3,286 bopd when tested in 1992. The oil reservoir in both fields is the fractured Nido Limestone, which is the main producing reservoir in other nearby fields.

FEL is planning to develop the Calait oilfield using recent technical innovations. This will involve the drilling of two (2) horizontal wells which will be produced via a Mobile Offshore Production Unit (MOPU) and Floating Storage and Offtake (FSO). Total project cost is estimated at around US\$50 Million. This excludes the US\$7.5 Million that have already been spent by FEL under SC 50. Drilling operations are expected to commence in the first half of 2015.

PHINMA Petroleum and Geothermal, Inc. has agreed to acquire ten percent (10%) participating interest in SC 50 from FEL.

On August 22, 2014, PPG signed a Memorandum of Agreement with FEL and Frontier Oil Corporation ("Frontier Oil") regarding PPG's acquisition of ten percent (10%) participating interest. While the Farm In Agreement had been signed, approval of the assignment of interest is still pending with the DOE.

On 29 January 2015, Frontier Oil requested the DOE to place SC 50 on Force Majeure status. In a letter dated 16 February 2015, the DOE denied Frontier Oil's request and gave the consortium until 11 March 2015 to comply with the Sub Phase 3 work commitments. Frontier Oil filed a motion for consideration of the DOE's ruling on 5 March 2015.

On 5 October 2015, the DOE denied the Operator's request and, consequently, ruled that the contract effectively expired in March 2015. As at 20 October 2015, Frontier Oil contested DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. A subsequent letter was sent to the DOE, dated December 14, 2016, requesting for reconsideration of the termination of SC 50. Negotiations between the DOE and Frontier oil for possible reinstatement of SC 50 continues.

Approval of the assignment of 10% interest in SC 50 of PHINMA Petroleum and Geothermal, Inc. likewise remains pending with the DOE.

SC 55 (West Palawan)

SC 55 was awarded by the DOE on August 5, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period is valid for 25 years. The members of the consortium and their corresponding interests are Otto Energy (Operator) with eighty-five percent (85%)

and PHINMA Energy with fifteen percent (15%). PHINMA Energy has a Participation Agreement with the predecessor's interest of Otto Energy which provides that the latter will shoulder PHINMA Energy's share of costs up to the drilling of the first exploratory well. In addition, PHINMA Energy has the option to acquire five percent (5%) interest from Otto Energy after the drilling of the first well under the SC.

SC 55 covers 900,000 hectares in offshore West Palawan. It is a deep water block in the middle of a proven regional oil and gas fairway that extends from the productive Borneo offshore region in the southwest, to the offshore Philippine production assets northwest of Palawan. At that time, the block was deemed to have one (1) giant prospect (with at least 500 Million barrels mean resource potential) and a number of leads. The consortium committed to undertake a work program consisting of a new 400 km 2D seismic survey, processing and interpretation of 200 km of vintage 2D seismic data and 358 km of gravity and magnetic data, within the first eighteen (18) months of the contract term. The partners have successive options to drill up to four (4) wells during the balance of the 7-year exploration period.

The DOE approved the consortium's entry into the 2nd Sub Phase of the exploration period, which entails a commitment to drill one (1) ultra deep water well. Processing and interpretation of 954 km of 2D seismic data acquired in June 2007 were already completed, but due to no availability of a suitable rig, the DOE approved the consortium's request to swap work commitments for the 2nd and 3rd Sub Phases of the exploration period to allow the drilling of the first commitment well by August 4, 2010 instead of August 4, 2009.

The consortium requested and the DOE agreed to the substitution of a 2D 3D seismic program for one (1) ultra deep water well commitment under the 3rd Sub Phase of the exploration period (from August 5, 2009 to August 5, 2010), and deferment of the mandatory partial relinquishment of the contract area until completion of the proposed substitute 2D 3D seismic program. The consortium further requested and the DOE approved a one year extension of the 3rd Sub Phase to August 5, 2011 following execution by Otto Energy of a Farm-In Option Agreement with BHP Billiton Petroleum (Philippines) Corporation of Canada (BHP Billiton) which provided for BHP Billiton's funding of a new 3D seismic survey over the area.

On June 3, 2010, PHINMA Energy signed an Option Agreement with Frontier Gasfields Pty. Ltd. of Australia which granted the latter the option to acquire the five percent (5%) interest that PHINMA Energy has the option to acquire from Otto Energy after the drilling of the first well in the area.

On February 3, 2011, PHINMA Energy signed an Agreement with Otto Energy assigning PHINMA Energy's 8.18% participating interest to the latter in exchange for a carry in the costs of a second well in the block, should Otto Energy elect to participate in said well. Estimated budget for drilling the second well is US \$ 65 Million or P2.86 Billion at an exchange rate of US\$1 = P44.

In December 2011, BHP Billiton acquired sixty percent (60%) participating interest in SC 55 from Otto Energy and committed to drill one deep water well at its sole cost within the 4th Sub Phase.

The consortium elected to enter the 4th Sub Phase which entails a commitment to drill one deep water well by August 5, 2012.

The revised work schedule is shown below:

Sub Phase	Date	Work program
4	August 2011 - August 2013	1 deepwater well
5	August 2013 - August 2014	1 deepwater well

The DOE granted a one year extension of the 4th Sub Phase until August 5, 2013 to enable BHP Billiton to procure a suitable drilling rig that could drill an identified deepwater prospect. On May 3, 2013, BHP Billiton filed a Force Majeure notice with the DOE due to significant delays in obtaining a clearance from the Palawan Council for Sustainable Development for the drilling of the Cinco1 well.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco1 drilling to the Palawan Council for Sustainable Development (PCSD). The PCSD approved the issuance of the Strategic Environmental Plan Clearance (SEP) clearance for the drilling of Cinco1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. As at

October 30, 2013, BHP Billiton received the amended SEP clearance and requested the DOE a 14-month extension of the current Sub Phase considering the length of the Force Majeure period.

In the first week of November 2013, BHP Billiton verbally informed the partners that it has decided not to participate in the drilling of the Cinco1 well. In March 2014, the DOE approved the transfer of BHP Billiton's interest to Otto Energy Philippines, Inc. Otto Energy submitted a revised work program focusing on the drilling of the Hawkeye prospect. The DOE approved the new work program in April 2014 and revised the schedule of the remaining Sub Phases as follows:

Sub Phase	Work Program and Budget	Revised Work Schedule
4	Drill 1 deepwater well @ US\$3 MM	6 August 2011 – 23 December 2014
5	Drill 1 deepwater well @ US\$3 MM	23 December 2014 – 23 December 2016

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. The DOE approved the transfer of the sixty percent (60%) participating interest of BHP Billiton to Otto Energy Philippines, Inc. and the transfer of Operatorship to Otto Energy. The approval formalized the exit of BHP Billiton in SC 55.

On October 15, 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to December 23, 2015. The requested extension was approved by the DOE on November 7, 2014.

On July 31, 2015, Otto Energy commenced drilling of the Hawkeye-1 exploratory well and on August 17, 2015 completed the drilling to a total depth of 2,920 meters. The well discovered gas which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

On December 22, 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospectively of the area. On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55. As at March 3, 2017, the transfer of interest from Otto Energy to the continuing parties was under processing by the DOE.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rated, post-adjustment share (37.50%) of Otto Energy's outstanding training fund obligation in conjunction with the DOE's approval of the assignment of interests and favourable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

PPG's stake in SC 55 is held through Palawan55 Exploration & Production Corporation, an upstream oil and gas company. PPG owns 69.35% of Palawan55, while the remaining 30.65% is owned by PHINMA Energy.

On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to the continuing partners, Palawan 55, Century Red Pte. Ltd. and Pryce Gases, Inc. As a result of the transfer, the Company's 6.82% participating interest in SC 55 have been adjusted to 37.50%. The timeline of the Moratorium Period, with a commitment to conduct Quantitative Inversion Study, was also revised to reflect the transfer of interest. Further, the DOE formally confirmed Palawan55 as Operator of the block.

On August 23, 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Inversion Services Contract to DownUnder Geosolutions (Asia) Sdn Bhd. The project commenced on September 10, 2018 and is still ongoing as of 28 February 2019.

The partners in SC55 and their respective participating interests are as follows:

Palawan 55	37.50%	Operator
Century Red	37.50%	
Pryce Gases	25.00%	

Other Material Agreements

The material agreements are mentioned in a preceding section entitled “Interests in Petroleum Contracts.”

In addition, PPG is a party to Joint Operating Agreements under SC 6 Block A, SC 6 Block B, SC 51, SC 55 (through Palawan55) and SC 69. Joint Operating Agreements govern the relationship of the parties and the conduct of joint operations under the SC.

Memorandum of Agreement between PHINMA Petroleum and Geothermal, Inc. and PHINMA Energy

Under this Memorandum of Agreement, PHINMA Energy agreed to assign to PHINMA Petroleum and Geothermal, Inc., a Subsidiary of PHINMA Energy, and the SC Participating Interests of PHINMA Energy as follows:

1. Participating interest under SC 51;
2. Participating interest under SC 69;
3. Participating interest under SC 6 with respect to SC6 Block A; and
4. Participating interest under SC 6 with respect to SC6 Block B.

Memorandum of Agreement between PHINMA Energy and Palawan55

Under this Memorandum of Agreement, PHINMA Energy agreed to assign to Palawan55, a Subsidiary of PHINMA Energy, and the SC Participating Interests of TA Oil under SC 55.

Deed of Assignment between PHINMA Petroleum and Geothermal, Inc. and PHINMA Energy

Under this Deed of Assignment, PHINMA Energy assigned to PHINMA Petroleum and Geothermal, Inc., a Subsidiary of PHINMA Energy, and the SC Participating Interests of PHINMA Energy as follows:

1. Participating interest under SC 51;
2. Participating interest under SC 69;
3. Participating interest under SC 6 with respect to SC6 Block A; and
4. Participating interest under SC 6 with respect to SC6 Block B.

Deed of Assignment between PHINMA Energy and Palawan55

Under this Deed of Assignment, PHINMA Energy assigned to Palawan55, a Subsidiary of PHINMA Energy, and the SC Participating Interests of PHINMA Energy under SC 55.

MANPOWER

PHINMA Petroleum and Geothermal, Inc.'s total regular employees as of December 31, 2018 are two (2).

RISK FACTORS

RISKS RELATING TO THE COMPANY'S BUSINESS

There are uncertainties inherent in the business of petroleum exploration and development. It is vulnerable to contingencies such as:

- **Failure to discover oil and gas resources that can be developed for commercial production**

The Company's ability to sustain itself depends on the discovery of oil and gas resources that can be developed for commercial production. There is no assurance that exploration activities of the Company and the corporations in which it has invested (collectively with the Company, the "Group") will result in the discovery of oil or gas deposits because of the uncertainties in locating and estimating the size of subsurface deposits of oil or gas despite advances in exploration technology. Even if a substantial oil or gas deposit is discovered, there are other factors that may prevent or delay its commercial development, such as drilling and production hazards; political, social and/or environmental issues; and insufficient market demand and/or infrastructure, particularly for a natural gas development. If exploration and development activities of the Group are not successful, the Company's ability to generate future cash flow and obtain additional financing to continue operations may be adversely affected.

The Company mitigates exploration and development risks mainly by investing in a portfolio of exploration assets, working with partners and contractors with proven track records, and undertaking phased exploration with exit options.

- **Failure to fund expenditures and investments for exploration and development activities**

The exploration and development of oil and gas resources are capital intensive. The Company's ability to fund such expenditures and investments depends on numerous factors, including the ability to generate cash flow from the Group's production, availability and terms of external financing, and the extent to which work commitments can be adjusted under the relevant SCs and similar agreements. If the Group is unable to obtain the required funding, the Group will have to adjust its business plans and strategies, which may adversely affect the Company's future prospects, market value and results of operations.

The Company mitigates the foregoing risks by sharing the costs and risks of exploration and development with suitable joint venture partners and undertaking phased exploration with exit options. Where funding is insufficient, the Company may adjust its business plans and strategies.

- **Operating risks resulting in losses**

Exploration and production of oil and gas are subject to various operating risks such as fires, explosion, spills, gas leaks, collisions, mechanical failures, and natural disasters that may result in injuries, loss of lives, suspension of operations, and damage to property and the environment. As a result, losses and liabilities arising from the occurrence of any of these risks may have a material adverse effect on the Company's business and results of operations.

The Company addresses operating risks by ensuring that the consortium where it has participation employs good oil field practices consistent with the international oil and gas industry standards.

The foregoing risk is also mitigated by insurance coverage; however, please note that insurance coverage applies against some, but not all, potential losses and liabilities. The Company will assess the acceptability of residual risks not covered by insurance policies, and if the Company deems that such risks are not within the levels that the Company is willing to accept, the Company may decide to avoid the risk by either terminating or forgoing the activity, project or investment.

Laws, regulations and contingencies adding to the cost and effort of doing business

The petroleum industry is highly regulated. In addition to complying with the laws and regulations for doing business in the Philippines and in the other jurisdictions where the Group operates, the nature of

the Group's business also subjects the Group to laws and regulations regulating the industry, as well as those on environment, occupational health and safety standards. Despite efforts to comply with all such laws and regulations, the Company's business may be exposed to significant liabilities and restrictions due to accidents and unforeseen circumstances. Furthermore, such laws and regulations are subject to changes which may result in delays or restrictions on exploration, development or production activities as well as increased cost of compliance. There is no assurance that these costs will not have a material adverse effect on the Company's business and results of operations.

The foregoing risk is mitigated by the Group's respective policies, which are geared towards compliance with laws and regulations, as well as with good industry practice relating to health, safety and environment. Some of the risks and potential losses and liabilities arising there from may not be covered by insurance. The Company will assess the acceptability of residual risks not covered by insurance policies, and if the Company deems that such risks are not within the levels that the Company is willing to accept, the Company may decide to avoid the risk by either terminating or forgoing the activity, project or investment.

- **Price fluctuations and substantial or extended decline in prices**

Prices of oil and gas have demonstrated significant volatility in the past. Historically, prices of oil and gas are influenced by a number of factors, including global and regional supply and demand, geopolitical uncertainty, market speculation, domestic and foreign governmental regulations and actions, global and regional economic conditions, weather conditions and natural disasters. It is not possible to accurately forecast future oil and gas price movements and trends. Declines in crude oil and gas prices will adversely affect the Company's business, prospects, and results of operations.

The Company mitigates price risks by evaluating the economic sensitivity of investment opportunities to low product prices and taking this into consideration when making investment decisions.

- **Estimates used in the business may be unreliable or incorrect**

Estimates of reserves and resources may change as additional technical and commercial information becomes available. Not only are such estimates based on information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. The quantities that might actually be recovered should they be discovered and developed may differ significantly from the initial estimates.

As estimates of reserves and resources change over time, the Company will have to adjust its business plans and strategies. Any significant downward revision in the estimates of reserves and resources may adversely affect the Company's financial condition, future prospects and market value.

- **Compliance with laws, regulations and contracts, failing which the Company may lose its contracts, licenses and approvals from the Government or otherwise be penalized**

Substantially all of the Company's revenues are or will be derived from SCs, which give the Group and their respective joint venture partners' exclusive rights to conduct exploration and development operations over certain blocks covered by SCs. The Group and their joint venture partners are also expected to secure business licenses and permits in relation to their operations. The Group and their joint venture partners' operations may be restricted, suspended or terminated if the Group, their joint venture partners or any of their respective contractors and assignees fail to satisfy its contractual obligations under the contracts, and the laws, rules and regulations governing such contracts, or to secure and maintain required licenses and permits. This may prevent the Group and their joint venture partners from further exploration and development activity within the relevant concession areas which in turn could materially and adversely affect the Company's business, financial condition, results of operations and prospects.

The foregoing risk is mitigated by the Group's respective policies, which include compliance with laws, regulations and contracts, and exerting all reasonable efforts to secure and maintain licenses and permits required for its business and undertakings. The Group also adopts provisions in their agreements with their joint venture partners to address defaults and noncompliance with laws, regulations and contracts.

- **Competition in securing exclusive rights may hamper the company's growth and expansion**

The Government has been taking steps to attract investments in the exploration and development of oil and gas in the Philippines, particularly with respect to the application and award of petroleum SCs, which is done through competitive public bidding. The Company's competitors may have greater financial, technical, and organizational capabilities than the Company, particularly international oil and gas companies. Significant competitive pressure could result in the failure or increased costs to acquire additional exploration and production assets, thereby causing a material adverse effect on the Company's business and results of operations.

The Company intends to remain competitive by leveraging the strengths discussed in "Description of Business."

RISKS RELATING TO THE PHILIPPINES

- **Any political instability in the Philippines may adversely affect the Company's business, results of operations and financial condition**

The Philippines has from time to time experienced political instability. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the former administration. No assurance can be given that the political environment in the Philippines will remain stable and any political or social instability in the future could result in inconsistent or sudden changes in regulations and policies that affect the Group or any member of the Group, which could have an adverse effect on the Company's business, results of operations and financial condition.

- **Terrorist activities in the Philippines could destabilize the country, adversely affecting the Company's business environment**

The Philippines has been subject to sporadic terrorist attacks in the past several years. The Philippine military has been in conflict with the Abu Sayyaf organization, which has been identified as being responsible for kidnapping and terrorist activities in the country, and is also alleged to have ties to the Al-Qaeda and Islamic State terrorist networks. There can be no assurance that the Philippines will not be subject to further acts of terrorism in the future, and violent acts arising from, and leading to, instability and unrest may have a material adverse effect on the Company's business, results of operations and financial condition.

- **Risk of any downgrade in the sovereign credit rating of the Philippines may adversely affect the Company's business**

In March 2013, Fitch Ratings raised the Philippines' sovereign credit rating to BBB, the first time that the country has received an investment grade rating from a major credit rating agency. An investment grade rating could lower the country's cost of borrowing and widen its base of potential investors, as some funds have restrictions on holding sub investment grade debt. Other major credit rating agencies such as Moody's Investors Service and Standard & Poor's have rated the Philippines as one notch below investment grade with a positive outlook. The sovereign credit ratings of the Government directly affect companies residing in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Moody's, Standard & Poor's or any other international credit rating agency will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing will be made available.

- **The occurrence of natural catastrophes may materially disrupt the Company's operations**

The Philippines has experienced a number of major natural catastrophes in recent years, including typhoons, volcanic eruptions, earthquakes, mudslides, droughts, floods and other weather related

events. Natural catastrophes may disrupt the Company's business operations, lead to disruptions in the electrical supply to the Company's project sites and impair the economic conditions in the affected areas, as well as the Philippine economy. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes, including possible business interruptions.

RISKS RELATED TO THE SHARES

- **The market price of securities can and does fluctuate. The Shares have not been publicly traded and the relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Shares at a suitable price or at a time they desire.**

The market prices of securities can and do fluctuate, and it is impossible to predict whether the price of the Shares will rise or fall. Securities may experience upward or downward movements, and may even lose all value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There may be a substantial difference between the buying price and the selling price of such securities. Trading prices of the Shares will be influenced by, among other things:

- variations in the Company's operating results;
- success or failure of the Company's management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions or estimates of the Company's financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- differences between the Company's actual financial operating results and those expected by investors and analysts;
- additions or departures of key personnel;
- changes in general market conditions and broad market fluctuations; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of the Shares is low.

Prior to the listing of the Shares at the Philippine Stock Exchange (PSE), there has been no public market for the Shares in the Philippines. There can be no assurance that even after the Shares have been approved for listing on the PSE, an active trading market for the Shares will develop or be sustained after the listing, or that the Initial Listing Price will correspond to the price at which the Shares will trade in the Philippine public market subsequent to the listing. There is no assurance that investors may sell the Shares at prices or at times deemed appropriate.

- **Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.**

In order to finance the Company's business and operations, and any expansion thereof, the Board will consider funding options available to the Company, which may include the issuance of new Shares. The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or the Company's ability to raise capital in the future at a time and at a price that the Company deems appropriate.

In addition, if additional funds are raised through the issuance of new equity or equity linked securities by the Company other than on a *pro rata* basis to existing shareholders, the percentage ownership of existing shareholders may be diluted. Such securities may also have rights, preferences and privileges senior to those of the Shares.

- **The Company's investment structure may impede the Company's ability to pay dividends.**

The Company may hold interests in petroleum and gas contracts through corporations that it has invested in. Thus, the availability of funds to pay dividends to its shareholders and to service debt obligations depends in part upon dividends that may be received from the Company's subsidiary and affiliates. If the Company's subsidiary and affiliates incur debt or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends and to service the Company's indebtedness may be restricted.

The Company's ability to declare dividends in relation to the Company's Shares will also depend on the Company's future financial performance, which, in turn, depends on successfully implementing the Company's strategy, and on financial, competitive, regulatory, and other factors, general economic conditions, demand and prices for the Company's petroleum and other future products, costs of raw materials and other factors specific to the Company's industry or specific projects, many of which are beyond the Company's control. The receipt of dividends from the Company's subsidiary and affiliates may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events outside the Company's control. Philippine law requires that dividends be paid only out of unrestricted retained earnings calculated according to Philippine accounting principles. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or its subsidiary may enter into in the future may also restrict the ability of the Company's subsidiary to make contributions to the Company and the Company's ability to receive distributions or distribute dividends.

Finally, there is no assurance that the Company will maintain and increase its holdings in its subsidiary and various affiliates. The Company evaluates each additional investment in its subsidiary, and may choose to waive its right to invest in these entities, which could result in the dilution of its interest therein.

SUBSIDIARY

Palawan 55 Exploration & Production Corporation ("Palawan55")

Palawan55 is a subsidiary with 69.35% of its shares owned by the Company. This corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 16, 2012. Palawan55 is engaged in the exploration, development and production of crude oil, natural gas, natural gas liquids and other forms of petroleum. It holds a 37.50% interest in Service Contract No. 55. The corporation has not started its commercial operation.

ITEM 2: PROPERTIES

SERVICE CONTRACTS

The summary of the existing projects and the Service Contracts where PPG has participating interests were earlier discussed.

All of PPG's contract blocks that are situated in the West Philippine Sea are some 40 to 50 km off the west coast of Palawan and are not included in the areas under dispute between the Philippines and China, such as Recto Bank (international name: Reed Bank) and the Kalayaan Group (international name: Spratly Islands), which are 250 to 300 km off the west coast of Palawan.

FIXED ASSETS

PHINMA Petroleum and Geothermal, Inc. also owns the following fixed assets:

Properties	Location	Amount
Office Equipment	Makati City	P245,000
Miscellaneous Assets	Makati City	124,215
Total		P369,215
Less: Accumulated Depreciation		345,703
Net Book Value		P23,512

Source: Audited consolidated financial statements as at December 31, 2018

Office equipment and miscellaneous assets pertain to acquired computer and software used by the Company in the technical evaluation of its petroleum contracts.

There are no mortgages, liens and/or encumbrances over the foregoing property, plant and equipment which are under the full use and control of the Company.

The Company has not entered into any leases of property.

There is no intention to acquire additional property, plant and equipment other than those that may be required for the continuing activities.

ITEM 3: LEGAL PROCEEDINGS

There are no pending legal proceedings involving claims for damages the aggregate amount of which exceeds 10% of the current assets of the registrant or any of its subsidiaries. Likewise, no legal proceedings of such nature were terminated during the fourth quarter of the calendar year covered by this report.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

As of March 31, 2019, 250,000 shares of PHINMA Petroleum common stock are outstanding and entitled to vote at the Annual Shareholders Meeting. Of the said outstanding voting shares, 249,218,419 are owned by Filipinos and 781,581 are owned by foreign nationals.

Only holders of the Company's stock of record at the close of business on July 30, 2019 acting in person or by proxy on the day of the meeting are entitled to notice and to vote thereat.

Cumulative voting is allowed for election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5: MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE

PHINMA Petroleum and Geothermal Inc. common shares (symbol: PPG) were listed with the Philippine Stock Exchange on August 28, 2014. Below are the high and low sales prices as of First quarter of 2019 and for the calendar years 2018, 2017 and 2016:

Period	High	Low
Calendar 2019		
First Quarter	4.10	3.02
Calendar 2018		
Fourth Quarter	4.41	3.02
Third Quarter	4.83	2.54
Second Quarter	3.05	1.97
First Quarter	2.98	2.00
Calendar 2017		
Fourth Quarter	2.70	1.88
Third Quarter	2.80	2.31
Second Quarter	3.30	2.55
First Quarter	3.00	2.51
Calendar 2016		
Fourth Quarter	3.48	2.86
Third Quarter	4.30	3.00
Second Quarter	5.00	2.36
First Quarter	2.94	1.68

STOCKHOLDERS

The Company had 2,926 registered shareholders as of December 31, 2018. The following table sets forth the top 20 shareholders of the Company, their nationality, the number of shares held, and the percentage of ownership as of December 31, 2018.

No.	Name of Stockholders	Citizenship	No. of Shares Held	% of Ownership
1	Philippine Depository and Trust Corporation	Filipino	245,767,094	98.31%
	(PCD Nominee Corp.) – Filipino			
2	Emar Corporation	Filipino	950,740	0.38%
3	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	Foreign	698,931	0.28%
4	Francisco Genaro Ozamiz Lon	Filipino	423,300	0.17%
5	Albert Mendoza &/OR Jeannie Mendoza	Filipino	76,193	0.03%
6	Phil. Remnants Co., Inc.	Filipino	71,431	0.03%
7	Peter Mar or Annabelle C. Mar	Filipino	52,020	0.02%
8	Ramon R. Del Rosario Jr.	Filipino	45,467	0.02%
9	Victor Juan Del Rosario	Filipino	41,453	0.02%
10	Renato O. Labasan	Filipino	38,760	0.02%
11	Teresita A. Dela Cruz	Filipino	38,306	0.02%
12	Belek, Inc.	Filipino	37,842	0.02%
13	Joseph D. Ong	Filipino	35,640	0.01%
14	William How &/OR Benito How	Chinese	34,003	0.01%
15	Alexander J. Tanchan &/OR Dolores U. Tanchan	Filipino	27,358	0.01%
16	Benjamin S. Austria	Filipino	26,086	0.01%
17	Victor J. Del Rosario or Ma. Rita S. Del Rosario	Filipino	24,342	0.01%
18	Dr. Anita Ty	Filipino	23,816	0.01%
19	Alberto Mendoza &/OR Maritess Mendoza	Filipino	21,886	0.01%
20	Lim Tay	Chinese	20,815	0.01%

DIVIDENDS

The Company has not declared any cash or other dividends from the time of its incorporation.

Apart from legal restrictions governing the declaration of dividends there are no restrictions that limit the Company's ability to pay dividends whether currently or in the future.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES (INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION)

On 28 August 2012, the Board and stockholders representing at least two-thirds of the Company's outstanding capital stock approved the increase of the Corporation's authorized capital stock from Forty Million Pesos (P40,000,000.00), divided into Four Billion (4,000,000,000) shares at P0.01 per share, to One Billion Pesos (P1,000,000,000.00) divided into One Hundred Billion (100,000,000,000) shares at the same par value. Out of the increase, PHINMA Energy subscribed to an additional P240,000,000.00 divided into 24,000,000,000 Shares at P0.01 per share, which subscription was fully paid for in cash on 21 December 2012. The increase in capital stock was approved by the SEC on 28 November 2012.

Subscription for shares of the capital stock of a corporation in pursuance of an increase in its authorized capital stock, when no expense is incurred, no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the required minimum 25% subscribed capital stock, is exempt from registration under the SRC. No notice or confirmation of exemption is required to be filed for the issuance of shares pursuant to an increase in authorized capital stock.

On 22 April 2013, the Board and stockholders representing at least two thirds of the Company's outstanding capital stock approved the increase in the par value of the shares of the Corporation from P0.01 per share to P1.00 per share, resulting to an authorized capital stock of P1,000,000,000.00, divided into 1,000,000,000 shares at the par value of P1.00 per share. The change in par value was approved by the SEC on 31 May 2013.

On 22 July 2013, the Board of Directors of Trans-Asia Oil and Energy Development Corporation (the parent company of the Company) approved a property dividend declaration which resulted in the distribution to TA Oil's shareholders of 2.55 shares of the Company for every 100 TA Oil shares as of 5 August 2013, subject to SEC approval, and cash in the amount of P0.013 per share to said stockholders of record, while US bases stockholders received cash in the amount of P0.0385 per TA Oil Shares plus the P0.013 cash dividend per share. A registration statement covering 250,000,000 shares was filed by the Company on 22 November 2013. The SEC approved the application for approval of property dividend on 17 September 2013 and the application for listing by way of introduction was approved by the PSE on 11 June 2014. The SEC declared the Registration Statement effective on August 14, 2014. The shares were listed by introduction on August 28, 2014 at a listing price of P4.60 per share. Maybank ATR Kim Eng Capital Partners, Inc, acted as Financial Advisor to the transaction.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OPERATION

PLAN OF OPERATION

PHINMA Petroleum and Geothermal, Inc. ("PPG") is currently a participant in four (4) petroleum Service Contracts with the Government of the Republic of the Philippines, namely: SC 6, SC 51, SC 69, and SC 55 (through its subsidiary, Palawan55 Exploration & Production Corporation). All these contracts are in the exploratory stage, i.e. without any commercial production.

PPG intends to maintain its participation in the aforementioned service contracts over the next twelve (12) months and to defray regular business expenses using available cash and investments held for trading. In the event that these contracts are successful, the Company will reap revenues that will more than offset losses incurred.

PLAN OF OPERATION

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PPG intends to maintain its participation in the aforementioned service contracts over the next twelve (12) months and to defray regular business expenses using available cash and investments held for trading. In the event that these contracts are successful, the Company will reap revenues that will more than offset losses incurred.

CALENDAR 2018

SC 6 Block A (Offshore Northwest Palawan) (7.78%)

The Consortium completed its CY2018 work program consisting of more advanced geological and geophysical activity (seismic attribute mapping and interpretation) using the output from Quantitative Inversion Study. Said technical undertaking have improved the resource evaluation of the identified leads and prospects in the area.

On 18 December 2018, the Joint Venture Partners approved and the Operator submitted to the Department of Energy the proposed 2019 SC 6A Work Program and Budget amounting to US\$ 314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on 23 January 2019.

SC 6 Block B (Offshore Northwest Palawan) (14.063%)

PPG relinquished its 14.063% participating interests in SC 6B in favor of the Consortium. The assignment of PPG's participating interests, however does not include the transfer of its 2.475% Carried Interest in the block.

The transfer of interest from PPG to SC6B continuing parties was approved by the DOE on 12 April 2018.

SC 51 (East Visayas) (6.67%)

On 04 July 2018, the SC 51 Consortium filed to the DOE its Notice of Relinquishment of the block. Following several meetings with the DOE regarding technical and contractual issues in SC 51, the Consortium submitted a supplemental letter to the DOE providing further justification in connection with the relinquishment of their participating interests in the block.

The matter has been endorsed to Central Review and Evaluation Committee of the DOE and is currently being evaluated.

SC 55 (Ultra Deepwater – West Palawan) (Palawan 55, 37.50%)

On 26 March 2018, the DOE approved the transfer of participating interests from Otto Energy to its Partners, Palawan55, Century Red and Pryce Gases, Inc. The Moratorium Period was also approved with a budget of US\$478,750 for 3D seismic reprocessing and Quantitative Inversion Study.

On 23 August 2018, Palawan 55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Services Contract to a third party. The Notice to Proceed was issued on 10 September 2018. Said work program is currently ongoing.

SC 69 (Central Visayas) (50%)

On 04 June 2018, the SC 69 Consortium filed to the DOE its Notice of Relinquishment of the block in consideration of strong opposition from various stakeholders, including several NGOs and LGUs, making the conduct of petroleum exploration business in the area very difficult.

The matter had been endorsed to Central Review and Evaluation Committee of the DOE and is currently being evaluated.

FINANCIAL PERFORMANCE

2018 compared with 2017

Consolidated Statements of Income

	For the year ended December 31		Increase (Decrease)	
	2018	2017	Amount	%
Expenses	₱69,922,618	₱14,900,495	₱55,022,123	369%
Other income	1,578,680	1,261,652	371,028	25%
Loss before income tax	68,343,938	13,638,843	54,705,095	401%
Provision for (benefit from) income tax	176,082	(128,325)	304,407	(237%)
Net loss	₱68,520,020	₱13,510,518	₱55,009,502	(407%)

For the year ended December 31, 2018, the consolidated net loss is higher as compared to previous year. The following are the material changes in the Consolidated Statements of Income for the year ended December 31, 2018 and 2017:

- Expenses grew mainly due to a P48.3 million provision for probable losses pertaining to deferred exploration costs of SC 51 and SC 69 as against P4.9 million recognized last year. During the year, the Company also incurred project development costs on the LNG-to-Power project and recognized training fund obligations related to SC 6B and SC55.
- Other income increased with higher fair value of investments held for trading.
- Provision for (benefit from) income tax is mainly from movement of unrealized gains from changes in fair value of investments held for trading.

Consolidated Statements of Financial Position

	2018	2017	Increase (Decrease)	
			Amount	%
Current Assets				
Cash and cash equivalents	₱9,863,588	₱3,271,882	₱6,591,706	201%
Investments held for trading	57,584,369	77,519,176	(19,934,807)	(26%)
Receivables	95,390	59,030	36,360	62%
Other current assets	37,079	24,399	12,680	52%
Noncurrent Assets				
Property and equipment	23,512	–	23,512	100%
Deferred exploration costs	29,384,114	76,105,395	(46,721,281)	(61%)
(Forward)				

	2018	2017	Increase (Decrease)	
			Amount	%
Current Liabilities				
Accounts payable and other current liabilities	9,888,737	1,536,629	8,352,108	544%
Noncurrent Liability				
Deferred tax liability	287,133	111,051	176,082	159%

The following are the material changes in the Consolidated Statements of Financial Position as at December 31, 2018 and 2017:

- Decrease in cash and cash equivalents were mainly due to expenditures related to the Company's activities.
- Investments held for trading declined due to redemption of short-term investments.
- Increase in receivables is due to receivable from third party.
- Other current assets increased due to prepayments of shared liability insurance of directors.
- Increase in property and equipment is from a newly acquired computer equipment.
- Deferred exploration costs dropped with the full provision for probable losses of SC 51 due to deemed expiration of the exploration period and SC 69 due to vigorous opposition of stakeholders and recent issuances of concerned LGUs declaring the Visayan Sea as a protected area and marine reserve.
- Increase in current liabilities was mainly due to accrual of training fund obligations and work program activities related to SC55.
- The Company's deferred tax liability increased due to movement of unrealized gain on changes in fair value of investments held for trading.

The key performance indicators of PPG and subsidiary, as consolidated, are the following:

Key Performance Indicator	Formula	2018	2017	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets	6.83	52.63	(45.80)	(87%)
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	6.83	52.62	(45.79)	(87%)
	Current liabilities				

Key Performance Indicator	Formula	2018	2017	Increase (Decrease)	
				Amount	%
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.12	0.01	0.11	1100%
	Total equity				
Asset-to-equity ratio	Total assets	1.12	1.01	0.11	11%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	0.00	(0.01)	0.01	(96%)
	Total equity				
Profitability Ratios Return on equity	Net income after tax	(56.64%)	(8.34%)	(48.30%)	58%
	Average stockholders' equity				
Return on assets	Net income after taxes	(70.65%)	(8.61%)	(62.04%)	-55%
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

Current ratio and Acid test ratio

Current ratio and acid test ratio declined due to redemption of investments held for trading and increase in accrued liabilities.

Debt to equity ratio

The Company has minimal liabilities and is funded primarily through equity.

Asset to equity ratio

Asset to equity ratio increased due to increase in accrued liabilities of the Company.

Interest coverage ratio and Net debt to equity ratio

These ratios are not applicable since the Company has no borrowings.

Return on equity and Return on assets

The Company showed negative returns because it has not started commercial operations and posted net losses on the periods covered.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations.

DURING THE CALENDAR YEAR 2018:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no events that will trigger direct or contingent financial obligation that was material to the company, including any default or acceleration of an obligation.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- 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.
- There were no operations subject to seasonality and cyclicity.

CALENDAR 2018

SC 6 Block A (Offshore Northwest Palawan) (7.78%)

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its CY 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the Joint Venture approved and the Operator, Philodrill Corporation submitted to the DOE the 2019 SC 6A Work Program and Budget composed of geological and geophysical evaluation and engineering projects in the amount of US 300,000. The document was approved by the DOE on January 23, 2019.

SC 6 Block B (Offshore Northwest Palawan) (14.063%)

PPG relinquished its 14.064% participating interest in SC 6B in favor of its partners. The assignment of participating interest, however, does not include PPG's 2.475% Carried Interest in the block, which is applicable to gross proceeds from any production in the block.

On April 12, 2018, DOE approved the transfer of interest from the Company to SC6B continuing parties

SC 51 (East Visayas) (6.67%)

The Filipino Partners submitted a Deed of Undertaking to assume the outstanding training fund obligation of the previous Operator, a condition of the DOE for approval of the transfer of interests from

the latter to the former. The Deed is subject to an extension of the term of the contract and conduct of gravity and pore pressure studies prior to exploratory drilling.

On June 01, 2018, the DOE approved the transfer of Otto Energy's participating interests in SC 51 to the Filipino Partners. PPG's participating interest was adjusted from 6.67% to 33.34%.

On July 04, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e. SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with DOE in several occasions to craft the best way forward in SC 51. And on 17 December 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver of contingent liabilities in connection with the relinquishment of their participating interests in the block.

The matter is still being evaluated by the DOE and the aforementioned requests are pending with the Department as of date.

SC 55 (Ultra Deepwater – West Palawan) (Palawan55, 6.82%)

Palawan55 notified the DOE of its willingness to assume its proportionate share in the outstanding training fund obligation of the former Operator upon DOE approval of the transfer of the latter's participating interest to the remaining partners.

The continuing partners committed to undertake specialized geophysical studies that would reassess the prospectivity of the block in light of the gas discovery in Hawkeye-1 well, once the request for transfer of interests and extension of the moratorium period is approved.

On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to the continuing partners, Palawan 55, Century Red Pte. Ltd. and Pryce Gases, Inc. As a result of the transfer, the Company's 6.82% participating interest in SC 55 have been adjusted to 37.50%. The timeline of the Moratorium Period, with a commitment to conduct Quantitative Inversion Study, was also revised to reflect the transfer of interest. Further, the DOE formally confirmed Palawan55 as Operator of the block.

On August 23, 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Inversion Services Contract to DownUnder Geosolutions (Asia) Sdn Bhd. The project commenced on September 10, 2018 and is still ongoing as of 28 February 2019.

SC 69 (Central Visayas) (50%)

The Consortium invoked a Force Majeure event under SC 69 brought about by the unforeseen cancellation of a programmed seismic survey due to challenges in securing local government permits and environmental clearances in the Visayan Sea in the area of interest.

The DOE approved the Force Majeure situation with an attendant work program of permitting and information and education campaigns to address the aforementioned impediments to the planned seismic survey.

On June 04, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units (LGUs) and Non-Government Organizations (NGOs), making the conduct of petroleum exploration business in the area very challenging, if not impossible.

The aforementioned request is still pending with the DOE as of 18 February 2019.

SC 50 (North Palawan)

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. Negotiations between the DOE and Frontier Oil for possible reinstatement of SC 50 continues. Also, approval of the assignment of 10% participating interest in SC 50 to the Company remains pending with the DOE.

FINANCIAL PERFORMANCE

2017 compared with 2016

Consolidated Statements of Income

	For the year ended December 31		Increase (Decrease)	
	2017	2016	Amount	%
Interest income	₱14,770	₱11,163	₱3,607	32%
Cost and expenses	14,900,495	41,568,866	(26,668,373)	-64%
Other income (charges)	1,246,882	1,488,290	(241,408)	-16%
Loss before income tax	13,638,842	40,069,413	26,430,572	66%
Provision for (benefit from) income tax	(128,325)	246,570	(374,895)	-152%
Net loss	₱13,510,518	₱40,315,983	₱26,805,465	66%

For the year ended December 31, 2017, the consolidated net loss is lower as compared to previous year of the same period. The following are the material changes in the Consolidated Statements of Income for the year ended December 31, 2017 and 2016:

- Consolidated interest income went up due to higher level of short-term deposits as compared to the same period last year.
- Consolidated cost and expenses decreased by ₱26.7 million year-on-year. This is mainly from the ₱20.0 million allowance for doubtful accounts provided in 2016. Also, the Company recognized ₱4.8 million provision for probable losses in SC 6B in 2017 compared to ₱11.7 million provision for probable losses in SC 50 in 2016.
- Other income (charges) decreased due to lower redemption of investments held for trading during the year compared to the same period of last year.
- Provision for (benefit from) income tax is mainly from movement of unrealized gains from changes in fair value of investments.

Consolidated Statements of Financial Position

	2017	2016	Increase (Decrease)	
			Amount	%
Current Assets				
Cash and cash equivalents	₱3,271,882	₱3,752,652	(₱480,770)	-13%
Investments held for trading	77,519,176	85,677,433	(8,158,257)	-10%
Receivables	59,030	203,428	(144,398)	-71%
Other current assets	24,399	82,843	(58,444)	-71%
Noncurrent Assets				
Property and equipment	-	103,740	(103,740)	-100%
Deferred exploration costs	76,105,395	80,034,927	(3,929,532)	-5%
Current Liabilities				
Accounts payable and other current liabilities	1,536,629	772,927	763,702	99%
Deferred tax liability	111,051	239,376	(128,324)	-54%

The following are the material changes in the Consolidated Statements of Financial Position as at December 31, 2017 and 2016:

- Decrease in cash and cash equivalents were mainly due to expenditures related to the Company's activities.
- In 2017, the Company redeemed portion of its investments held for trading.
- Receivables' decline is mainly attributable to the receipt of payment from the Parent company.
- Prepaid expenses decreased due to non-renewal of license used in technical review.
- Decrease in property and equipment is attributed to annual depreciation. As at December 31, 2017, property and equipment are fully depreciated.
- Deferred exploration costs dropped due to the provision for probable losses in SC 6B recognized during the year.
- The Company's deferred tax liability decreased due to movement of unrealized gain on changes in fair value of investments held for trading.

The key performance indicators of PPG and subsidiary, as consolidated, are the following:

Key Performance Indicator	Formula	2017	2016	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets	52.63	116.07	-63.44	-55%
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	52.62	115.97	-63.35	-21%
	Current liabilities				
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.01	0.01	0.00	0.0%
	Total equity				
Asset-to-equity ratio	Total assets	1.01	1.00	0.01	0%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
Profitability Ratios					
Return on equity	Net income after tax	-8.34%	-21.33%	-12.99%	-61%
	Average stockholders' equity				
Return on assets	Net income after taxes	-8.27%	-21.24%	-12.97%	-61%
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

Current ratio and Acid test ratio

Current ratio and acid test ratio declined due to decrease in current assets from redemption of a portion of its investments held for trading and increase of accrued liabilities.

Debt to equity ratio

The Company has minimal liabilities and is funded primarily through equity.

Asset to equity ratio

Asset to equity ratio increased due to increase of accrued liabilities of the Company.

Interest coverage ratio and Net debt to equity ratio

These ratios are not applicable since the Company has no borrowings.

Return on equity and Return on assets

The Company showed negative returns because it has not started commercial operations and posted net losses on the periods covered.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations.

DURING THE CALENDAR YEAR 2017:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no events that will trigger direct or contingent financial obligation that was material to the company, including any default or acceleration of an obligation.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- 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.
- There were no operations subject to seasonality and cyclicity.

CALENDAR 2016**SC 6 (Offshore Northwest Palawan)*****Block A***

CY 2016 work program pertinent geophysical program, which commenced in November 2015, was completed by December 31, 2016.

The consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies.

Block B

The consortium formulated a work program for the next five years of the extension period which started on March 1, 2015. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US\$724,000. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

The Company holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

On February 20, 2017, the Company gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include the Company's 2.475% carried interest.

SC 51 (Northwest Leyte/Cebu Strait)

On 11 May 2015, DOE approved the request for an extension of Sub Phase 5 to July 8, 2016.

The DOE ruled that the outstanding training commitment funds must be settled before the transfer of Otto Energy's interest could be given due course. Negotiations between the DOE, Otto Energy and the Filipino partners continues.

The Company's 6.67% participating interest in SC 51 would be adjusted to 33.34% upon DOE approval of the withdrawal of Otto Energy.

SC 55 (Offshore West Palawan)

The DOE extended the term of SC 55 until December 23, 2017. The transfer of interest from Otto Energy to the continuing parties is under processing by the DOE.

The Company holds 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

On June 30, 2016, the Company signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated August 18, 2016 informed the Company that it could not proceed with the Company's leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure. The approval of the aforementioned extension remains pending with the DOE.

The Company's participating interest in SC 69 is 50%.

SC 50 (North Palawan)

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. Negotiations between the DOE and Frontier Oil for possible reinstatement of SC 50 continues. Also, approval of the assignment of 10% participating interest in SC 50 to the Company remains pending with the DOE.

FINANCIAL PERFORMANCE

2016 compared with 2015

Consolidated Statements of Income

	For the year ended December 31		Increase (Decrease)	
	2016	2015	Amount	%
Interest income	₱11,163	₱69,058	(₱57,895)	-84%
Cost and expenses	41,568,866	11,908,116	29,660,750	249%
Other income (charges)	1,488,290	1,209,877	278,413	23%
Loss before income tax	40,069,413	10,629,181	29,440,232	277%
Provision for (benefit from) income tax	246,570	65,433	181,137	277%
Net loss	₱40,315,983	₱10,694,614	₱29,621,369	277%

The Company posted a higher consolidated net loss for the year compared to previous year of the same period. The following are the material changes in the Consolidated Statements of Income for the year ended December 31, 2016 and 2015:

- Interest income decreased due to reduction of short-term deposits as compared to the same period last year.
- Cost and expenses increased mainly due to the ₱20 million allowance provided for receivables from a third party and ₱11.7 million provision for probable losses in SC 50 recognized in 2016. Decline in expenses were due to lower professional fees and insurance paid in 2016 and due to capitalized portion of salaries, depreciation and utilities to deferred exploration costs as a result of the Company's operatorship of SC 69.
- Other income increased due to higher gains on changes in fair value of investments held for trading and miscellaneous income.
- Higher provision for income tax resulted from recognizing the deferred tax liability from unrealized gain on fair value changes of investments held for trading.

	2016	2015	Increase (Decrease)	
			Amount	%
Current Assets				
Cash and cash equivalents	₱3,752,652	₱4,456,177	(₱703,525)	-16%
Investments held for trading	85,677,433	95,837,558	(10,160,125)	-11%
Receivables	203,428	20,056,945	(19,853,517)	-99%
Prepaid expense	82,843	55,732	27,111	49%
Noncurrent Assets				
Property and equipment	103,740	16,912	(113,172)	-52%
Deferred exploration costs	80,034,927	89,129,867	(9,094,940)	-10%
Deferred income tax asset	-	3,440	(3,440)	-
Current Liabilities				
Accounts payable and other current liabilities	772,927	597,928	174,999	29%
Deferred tax liability	239,376	-	239,376	-

The following are the material changes in the Consolidated Statements of Financial Position as at December 31, 2016 and 2015:

- Decrease in cash and cash equivalents were mainly due to expenditures related to the Company's activities.
- In 2016, the Company redeemed portion of its investments held for trading.
- Receivables' significant decline pertain to the provision for doubtful account.
- Prepaid expenses increased due to renewal of license used in technical review.
- Property and equipment decrease was attributable to depreciation.
- Deferred exploration costs dropped due to the provision for probable loss in SC 50.
- The Company's deferred tax assets was reversed and a liability was set up due to movement of unrealized foreign exchange loss to gain.
- Increase in accounts payable and current liabilities was mainly due to accrual of employee costs.
- Deferred tax liability includes taxable temporary difference from unrealized gain on changes in fair value of investments held for trading.

The key performance indicators of PHINMA Petroleum and Geothermal, Inc. and subsidiary, as consolidated, are the following:

Key Performance Indicator	Formula	Increase (Decrease)			
		2016	2015	Amount	%
Liquidity Ratios					
Current Ratio	Current assets	116.07	201.37	(85.30)	(42%)
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	115.97	201.28	(85.31)	(42%)
	Current liabilities				
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.00	0.00	0.00	0%
	Total equity				
Asset-to-equity ratio	Total assets	1.01	1.00	0.01	0%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
Profitability Ratios					
Return on equity	Net income after tax	-21.33%	-4.99%	-16.34%	-328%
	Average stockholders' equity				
Return on assets	Net income after taxes	(21.24%)	(4.97%)	(16.27%)	(327%)
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

Current ratio and Acid test ratio

Current ratio and acid test ratio declined due to decrease in current assets from the provision for doubtful accounts recognized in 2016.

Debt to equity ratio

The Company has minimal liabilities and is funded majority through equity.

Asset to equity ratio

Asset to equity ratio increased due to increase of deferred tax liability of the Company.

Interest coverage ratio and Net debt to equity ratio

These ratios are not applicable since the Company has no borrowings.

Return on equity and Return on assets

The Company showed negative returns because it has not started commercial operations and posted net losses on the periods covered.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations.

DURING THE CALENDAR YEAR 2016:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no events that will trigger direct or contingent financial obligation that was material to the company, including any default or acceleration of an obligation.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements other than those already disclosed in the Consolidated Financial Statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- 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.
- There were no operations subject to seasonality and cyclicity.

FUTURE PROSPECTS

The Company, through its subsidiary Palawan55 Exploration & Production Corporation, commenced advanced geophysical studies under Service Contract (SC) 55 as it remains optimistic of petroleum prospectivity of the area where subcommercial gas was discovered in 2015.

ITEM 7: FINANCIAL STATEMENTS

The consolidated financial statements of PHINMA Petroleum and a subsidiary included in the 2018 Annual Report to Stockholders are incorporated herein for reference.

The schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been the Company's Independent Public Accountant since 1994. Audit services of SGV for the calendar year ended December 31, 2018 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission.

In the past five (5) years, no event has occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company has complied with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2018 is Mr. Benjamin N. Villacorte, an SEC accredited auditing partner of SGV. This is Mr. Villacorte's first year as engagement partner for the Company.

The external auditors are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they desire to do so; and are expected to be available to respond to appropriate questions.

The Audit Committee, the Board of Directors and the Stockholders of the Company approved the Company's engagement of SGV as external auditor.

Audit and Audit-Related Fees

SyCip Gorres Velayo & Co. (SGV) was engaged to audit the annual financial statements of PHINMA Petroleum and perform related reviews that are normally provided by the external auditors in connection with statutory and regulatory filings or engagement. The following audit fees, exclusive of Value added Tax (VAT) were incurred.

a)

Financial statements audit	Amount in pesos	
	2018	2017
	150,000	150,000

b) Tax Fees

Not applicable

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit. It pre-approves audit fees, plans, scope and frequency one (1) month before the conduct of external audit. It evaluates and determines non-audit work by external auditor and keeps under review the non-audit fees paid to external auditor both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER EXECUTIVE COMPENSATION

Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly on a monthly basis, or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The officers are likewise elected annually by the Board of Directors and serve for one (1) year and until their respective successors have been elected and qualified.

None of the members of the Board of Directors directly owns more than 2% of PHINMA Petroleum shares.

Listed are the incumbent directors of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Directors	Age	Citizenship	Position
Ramon R. del Rosario, Jr.	74	Filipino	Chairman
Magdaleno B. Albarracin, Jr.	81	Filipino	Vice Chairman
Francisco L. Viray	69	Filipino	Director, President and CEO
Victor J. del Rosario	70	Filipino	Director
Roberto M. Laviña	68	Filipino	Director
Raymundo A. Reyes, Jr.	65	Filipino	Director, EVP & COO
Edward S. Go	80	Filipino	Independent Director
Raphael Perpetuo M. Lotilla	60	Filipino	Independent Director
Corazon dela Paz Bernardo	77	Filipino	Independent Director

Ramon R. del Rosario, Jr., 74, has been a Director of the Company since 2002, and was elected as Chairman of the Board of Directors and Chairman of the Executive Committee of the Company on April 10, 2017. He is the President and CEO of PHINMA Inc. and PHINMA Corp. He is also the Chairman of PHINMA Power Generation Corporation, PHINMA Renewable Energy Corporation, CIP II Power Corporation, PHINMA Petroleum and Geothermal, Inc., Palawan55 Exploration and Production Corporation, One Subic Power Generation Corp., PHINMA Solar Energy Corporation, One Subic Oil Distribution Corp., PHINMA Microtel Hotels, Inc, PHINMA Hospitality, Inc. and the Chairman of the Boards of Trustees of Southwestern University, University of Iloilo, University of Pangasinan, Araullo

University, Cagayan de Oro College and St. Jude College. He is a Director of several PHINMA-managed companies and currently serves as a member of the Board of Directors of Ayala Corp. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of the Philippine Business for Education (PBED). He formerly served as chairman of the National Museum of the Philippines, Makati Business Club, the Integrity Initiative and Ramon Magsaysay Award Foundation. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, MAP Management Man of the Year in 2010, and in 2018 was the first recipient of the global "Business as a Noble Vocation" Award by the Paris-based International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress in November 2018. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario obtained his Bachelor of Science in Accounting and Bachelor of Arts in Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from the Harvard Business School.

Magdaleno B. Albarracin, Jr., 82, was elected as the Vice-Chairman of the Company in April 12, 2018. He joined the PHINMA Group in 1971 as a consultant. He is currently the Vice-Chairman of PHINMA Inc. and is the Chairman of its Executive Committee. He is also Vice-Chairman of PHINMA Education Holdings, Inc. He is a member of the Boards of Directors of PHINMA INC., PHINMA Foundation, Inc., Phinma Corporation, Union Galvasteel Corporation, PHINMA Energy Corporation, PHINMA Power Generation Corporation, One Subic Power Generation Corp., PHINMA Renewable Energy Corporation, PHINMA Property Holdings Corp. He is the former Chairman of the Board of Trustees of the University of San Carlos in Cebu City, and was a member of the UP Board of Regents. He was formerly Chairman of UP Engineering Research and Development Foundation and President of Holcim Philippines, Inc. He was a director of Holcim from 1986 to 2014. Dr. Albarracin received his Bachelor of Science degree in Electrical Engineering from the University of the Philippines and Master of Science degree in Electrical Engineering from the University of Michigan. He received his Master's degree in Business Administration from the University of the Philippines and Doctorate degree in Business Administration from Harvard University.

Francisco L. Viray, 69, has been the President and Chief Executive Officer of the Company since April 2007. He has been a Director of the Company since 1998 and has served as the Company's Executive Vice-President from April 2004 to April 2007. He is concurrently the President & CEO of PHINMA Power Generation Corporation, PHINMA Renewable Energy Corporation, PHINMA Petroleum and Geothermal, Inc., One Subic Oil Distribution Corp. He is the Vice-Chairman & CEO of CIP II Power Corporation, One Subic Power Generation Corp. and Palawan55 Exploration & Production Corporation. At present, Dr. Viray is a member of the Boards of Trustees of Phinma Education Holdings, Inc., Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He also served on the Board of Directors of Meralco, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc. Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering from West Virginia University.

Victor J. del Rosario, 70, was elected as Director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and Philcement Corporation and is the Executive Vice-President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp, he is Executive Vice-President and Chief Finance Officer. He is also a member of the Boards of Directors of PHINMA Inc. and various PHINMA-managed companies. Mr. del Rosario is the brother of Mr. Ramon R. del Rosario, Jr. Mr. Victor del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University.

Roberto M. Laviña, 68, is the Senior Executive Vice-President and Chief Operating Officer of PHINMA Inc. & PHINMA Corp. and concurrently Vice Chairman of PHINMA Property Holdings Corp. He is also a member of the Board of all the companies in the PHINMA Group which include companies in power generation, education, hotels, construction materials, property development, oil exploration, strategic consulting and insurance brokerage. Mr. Laviña is the President of PHINMA Foundation. He has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management from Asian Institute of Management. He finished his Program for Management Development at Harvard University in 1988.

Raymundo A. Reyes, Jr., 65, has been a member of the Board of Directors since February 2013. He is the Executive Vice President & Chief Operating Officer of the Company. After a short teaching and graduate assistantship stint at the U.P. Department of Chemistry and Department of Geology and Geography, he started his career as a geologist with Petron Corporation (then a subsidiary of the Philippine National Oil Company) in 1976, and was subsequently seconded to the Department of Energy and its predecessor agencies. In 1987, he joined the Company as Exploration Manager and in 1994, became its Vice President for Exploration. He is currently PHINMA Energy's Senior Vice President. He is concurrently the President & COO of Palawan55 Exploration and Production Corporation, and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of PHINMA Energy. He is also a Director of Palawan55 Exploration and Production Corporation since February 2013, and Maibarara Geothermal, Inc. since April 2016. Mr. Reyes holds a Bachelor of Science in Chemistry and Master of Science in Geology degrees from the University of the Philippines and is both a licensed geologist and chemist.

Edward S. Go, 80, currently serves as Chairman of the Board of Hyundai Asia Resources, Inc. and of ASA Philippines Foundation. He is an Independent Director of Metro Pacific Investments Corporation, PLDT Communications and Energy Ventures, Inc. (PCEV) and Filipino Fund Inc. He is also Chairman of the PLDT Beneficial Trust Fund and member of the Board of BTF Holdings, Inc., Mediaquest Holdings, Inc., TV5 Network, Inc., Cignal TV, Inc., BusinessWorld Publishing Corporation, PhilSTAR Daily, Inc., AB Capital Investment Corporation, Vicsal Investment Corporation, Union Galvasteel Corporation and PHINMA Petroleum and Geothermal, Inc.. He has over 40 years of management experience in banking and finance, starting as Executive Trainee with Citibank N.A. and became President of Philippine Bank of Communications in 1974 and Chairman and Chief Executive Officer of Chinabank in 1985. Mr. Go is also Chairman of the Audit Committee of MPIC and PCEV. He obtained his Bachelor of Arts degree, *Magna cum Laude*, and underwent postgraduate studies at Ateneo de Manila University, where he served as member of the Board of Trustees from 1998 to 2014. He was Chairman of the Board of Ateneo during his last four years in the Board.

Raphael Perpetuo M. Lotilla, 60, has a varied experience in law, legislation, ocean law and marine affairs, energy, power sector reform, privatization, sustainable development, and justice and development. He is currently a member of the Board of Trustees of the Philippine Institute for Development Studies, Chair & Research Fellow at the Center for the Advancement of Trade Integration and Facilitation (CATIF), and Chair of the Asia-Pacific Pathways for Progress Foundation, Inc. He also serves as an Independent Director of several private companies, and other private foundations. Atty. Lotilla served as Secretary of Energy from 2005 to 2007 and was a former Professor of Law at the University of the Philippines. He obtained his degrees in Bachelor of Science in Psychology in 1979, and Bachelor of Arts in History in 1980 from the UP College of Arts and Sciences in Diliman. He graduated from the UP College of Law in 1984, and earned his Master of Laws degree from the University of Michigan, Ann Arbor in 1988. He was an undergraduate scholar of the National Science and Development Board and the Chief Justice Fred Ruiz Castro Foundation, and was also a De Witt Fellow.

Corazon dela Paz Bernardo, 77, was elected as an Independent Director of PHINMA Energy on April 12, 2016. She is the Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization, based in Geneva, Switzerland. She was the first woman

and first non-European to be elected as ISSA's President from 2004 to 2010. She is the first woman President of the Social Security System and Vice Chairman of the Social Security Commission from 2001 to 2008 and the first woman elected partner of Price Waterhouse International in 1973. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (Price Waterhouse Philippines) from 1981 to 2001, and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. She was Chairman of NAMFREL in the 2013 National Elections. She had served as Trustee or Commissioner of the Philippine Health Insurance Corporation (Philhealth), Home Development Mutual Fund (PAG-IBIG), National Commission on the Role of Filipino Women, the Philippine Fulbright Scholars Association (also as President), Children's Hour, Medical Doctors, Inc. (Makati Medical Center), Makati Business Club and the Philippine Business for Social Progress and the Philippine Business for the Environment. She is a member of the boards of trustees of the University of the East, UE Ramon Magsaysay Memorial Medical Center, Miriam College, MFI Polytechnic Institute Foundation (also as a treasurer), Philippine Business for Education (PBED), Jaime V. Ongpin Foundation (also as vice-chair), Jaime V. Ongpin Microfinance Foundation (also as chairman) and the Laura Vicuna Foundation for Streetchildren. She sits on the boards of Republic Glass Holdings Corporation, D&L Industries, Del Monte Philippines, Inc. and Roxas & Co., Inc. She serves as adviser to the board and audit committee of BDO Unibank, Inc. and the audit committee of PLDT. Mrs. de la Paz-Bernardo was a member of the boards of directors of San Miguel Corporation, PLDT, Philex Mining and Ionics Inc. and Chairperson of Equitable PCI Bank while serving as SSS President. Mrs. de la Paz-Bernardo graduated from the University of the East with a Bachelor of Business Administration degree in 1960 (Magna Cum Laude) and was the topnotcher of the 1960 CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and University of the East Scholar. She is a TOWNS and TOFIL Awardee.

Independent Directors

The following independent directors are not officers or substantial shareholders of PPG nor are they directors or officers of its related companies:

1. Mr. Edward S. Go
2. Mr. Raphael Perpetuo M. Lotilla
3. Ms. Corazon S. de la Paz-Bernardo

The foregoing independent directors were nominated by Mr. Oscar J. Hilado. Mr. Hilado is not related any of the independent directors either by consanguinity or affinity.

Executive Officers

None of the Officers of the Company owns more than 2% of the Company' shares.

Listed are the incumbent officers of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Executive Officers	Age	Citizenship	Position
Ramon R. del Rosario, Jr.	74	Filipino	Chairman
Magdaleno B. Albarracin, Jr.	82	Filipino	Vice Chairman
Francisco L. Viray	70	Filipino	President and CEO
Raymundo A. Reyes, Jr.	65	Filipino	EVP & COO
Pythagoras L. Brion, Jr.	65	Filipino	EVP Treasurer & CFO
Mariejo P. Bautista	54	Filipino	SVP Finance & Controller
Troy A. Luna	56	Filipino	Corporate Secretary

Daneaia Isabelle F. Palad	29	Filipino	Assistant Corporate Secretary
Alan T. Ascalon	44	Filipino	VP Legal
Benjamin S. Austria	73	Filipino	Senior Adviser
Cecille B. Arenillo	61	Filipino	VP-Compliance Officer
Arthur R. Villacorte	52	Filipino	AVP-Materials Management

Ramon R. del Rosario, Jr. is the Chairman of the Board of Directors of the Company. He is the President and CEO of PHINMA Inc. and PHINMA Corp. He is also the Chairman of PHINMA Power Generation Corporation, PHINMA Renewable Energy Corporation, CIP II Power Corporation, PHINMA Petroleum and Geothermal, Inc., Palawan55 Exploration and Production Corporation, One Subic Power Generation Corp., PHINMA Solar Energy Corporation, One Subic Oil Distribution Corp., PHINMA Microtel Hotels, Inc, PHINMA Hospitality, Inc. and the Chairman of the Boards of Trustees of Southwestern University, University of Iloilo, University of Pangasinan, Araullo University, Cagayan de Oro College and St. Jude College. He is a Director of several PHINMA-managed companies and currently serves as a member of the Board of Directors of Ayala Corp. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of the Philippine Business for Education (PBED). He formerly served as chairman of the National Museum of the Philippines, Makati Business Club, the Integrity Initiative and Ramon Magsaysay Award Foundation. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, MAP Management Man of the Year in 2010, and in 2018 was the first recipient of the global “Business as a Noble Vocation” Award by the Paris-based International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress in November 2018. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario obtained his Bachelor of Science in Accounting and Bachelor of Arts in Social Sciences degrees (Magna cum Laude) from De La Salle University and Master’s degree in Business Administration from the Harvard Business School.

Magdaleno B. Albarracin, Jr. was elected as the Vice-Chairman of the Company in April 12, 2018. He joined the PHINMA Group in 1971 as a consultant. He is currently the Vice-Chairman of PHINMA Inc. and is the Chairman of its Executive Committee. He is also Vice-Chairman of PHINMA Education Holdings, Inc. He is a member of the Boards of Directors of PHINMA INC., PHINMA Foundation, Inc., Phinma Corporation, Union Galvasteel Corporation, PHINMA Energy Corporation, PHINMA Power Generation Corporation, One Subic Power Generation Corp., PHINMA Renewable Energy Corporation, PHINMA Property Holdings Corp. He is the former Chairman of the Board of Trustees of the University of San Carlos in Cebu City, and was a member of the UP Board of Regents. He was formerly Chairman of UP Engineering Research and Development Foundation and President of Holcim Philippines, Inc. He was a director of Holcim from 1986 to 2014. Dr. Albarracin received his Bachelor of Science degree in Electrical Engineering from the University of the Philippines and Master of Science degree in Electrical Engineering from the University of Michigan. He received his Master’s degree in Business Administration from the University of the Philippines and Doctorate degree in Business Administration from Harvard University.

Francisco L. Viray has been the President and Chief Executive Officer of the Company since April 2007. He has been a Director of the Company since 1998 and has served as the Company’s Executive Vice-President from April 2004 to April 2007. He is concurrently the President & CEO of PHINMA Power Generation Corporation, PHINMA Renewable Energy Corporation, PHINMA Petroleum and Geothermal, Inc., One Subic Oil Distribution Corp. He is the Vice-Chairman & CEO of CIP II Power Corporation, One Subic Power Generation Corp. and Palawan55 Exploration & Production Corporation. At present, Dr. Viray is a member of the Boards of Trustees of Phinma Education Holdings, Inc., Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He also served on the Board of Directors of Meralco, Petron, Union Cement Corporation

(now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc. Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering from West Virginia University.

Raymundo A. Reyes, Jr. is the Executive Vice President & Chief Operating Officer of the Company. After a short teaching and graduate assistantship stint at the U.P. Department of Chemistry and Department of Geology and Geography, he started his career as a geologist with Petron Corporation (then a subsidiary of the Philippine National Oil Company) in 1976, and was subsequently seconded to the Department of Energy and its predecessor agencies. In 1987, he joined the Company as Exploration Manager and in 1994, became its Vice President for Exploration. He is currently PHINMA Energy's Senior Vice President. He is concurrently the President & COO of Palawan55 Exploration and Production Corporation, and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of PHINMA Energy. He is also a Director of Palawan55 Exploration and Production Corporation since February 2013, and Maibarara Geothermal, Inc. since April 2016. Mr. Reyes holds a Bachelor of Science in Chemistry and Master of Science in Geology degrees from the University of the Philippines and is both a licensed geologist and chemist.

Pythagoras L. Brion, Jr. is the Executive Vice President, Treasurer, and Chief Financial Officer of the Company. He is concurrently SVP/Treasurer of Philippine Investment Management (PHINMA) Inc. and PHINMA Corporation and serves various executive posts in the PHINMA-managed companies including Union Galvasteel Corp and PHINMA Property Holdings Corp. He joined the PHINMA group in 1992. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from University of the Philippines.

Mariejo P. Bautista obtained her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines. She is a Certified Public Accountant with a Master's degree in Business Management from the Asian Institute of Management. She worked with SyCip Gorres Velayo & Co. in 1987 and with various multinational manufacturing and service companies up to August 2011. She joined the Energy Group of PHINMA in September 2011 and was appointed as Vice President – Controller of the Company, PHINMA Energy Corporation, PHINMA Power Generation Corporation, CIP II Power Corporation, PHINMA Renewable Energy Corporation and One Subic Power Generation Corporation.

Troy A. Luna was elected Corporate Secretary in April 2017. He also acts as Corporate Secretary of various Corporations including PHINMA Corporation, PHINMA Petroleum and Geothermal, Inc., The Philippine Investment-Management (PHINMA), Inc. and other PHINMA-related corporations such the Pamantasan ng Arawullo (Arawullo University), Inc., Cagayan de Oro, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., PHINMA Education Holdings, Inc., Asian Plaza, Inc., Union Galvasteel Corporation, ABCIC Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc. He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and name Partner of the Migallos & Luna Law Offices.

Daneia Isabelle F. Palad was elected Assistant Corporate Secretary on April 10, 2017. She joined the Firm of Migallos & Luna in February 2015 and was admitted to the Philippine Bar in April of the same year. She received her Bachelor of Arts degree in both Economics and Development Studies from the Ateneo de Manila University in 2010, with a minor in Chinese Studies from Sun Yat Sen University in Guangzhou City, China. She earned her Juris Doctor degree from the Ateneo College of Law in 2014. In practice, she has been heavily involved in business law, securities law, mergers and acquisition, intellectual property law, and litigation.

Alan T. Ascalon is the Vice President for Legal and Head of Corporate Affairs of PHINMA Energy. He is a director of PHINMA Renewable Energy Corporation, and the Corporate Secretary of PHINMA Renewable Energy Corporation, One Subic Power Generation Corp., One Subic Oil Distribution Corp., Palawan55 Exploration and Production Corp., PHINMA Power Generation Corporation, CIP II Power Corporation, and PHINMA Solar Corporation. He was the Assistant Legal Counsel of PHINMA, Inc. from 2005 to 2008. He graduated from the University of the Philippines with a Bachelor of Arts degree in Journalism in 1996 and a Bachelor of Laws degree in 2000.

Benjamin S. Austria is the Senior Adviser of the Company since 2013. He is a registered Geologist who retired on May 31, 2011 from the University of the Philippines (U.P.) as Professor of Geology after 45 years of service, teaching courses in Economic Geology, Geochemistry and Crystallography. The UP National Institute of Geological Sciences building was completed while he was Director of the Institute from 1987 to 1993. He held several Professorial Chairs while serving in UP: Lepanto Consolidated Chair, Don Celestino Dizon Chair and just before his retirement, the Henry A. Brimo Chair in Economic Geology. Dr. Austria received his BS Geology from UP in 1965 and his MA (Geology) from Harvard University in 1968, supported by a United Nations Fellowship in Ore Mineralogy. He was conferred with the PhD (Geology) by Harvard (PhD Dissertation: Geochemical Implications of Iron in Sphalerite) in 1975. He was a Harvard University scholar and Teaching Fellow during the Spring Term of 1968. After this term, his PhD studies were completed under a Rockefeller Foundation scholarship. A Fellow of the Society of Economic Geologists since 1993, Dr. Austria is recognized as Distinguished Geologist by the Geological Society of the Philippines in 1989, by the National Research Council of the Philippines with the 1992 Achievement Award in Earth Sciences and by the Professional Regulation Commission of the Philippines as the Outstanding Professional in the Field of Geology for 2001. He is the PhilAAS Gregorio Y. Zara Awardee for Basic Research in 2001. Dr. Austria is currently Independent Director of Philex Petroleum Corporation since 2011; Executive Director of Philippine Petroleum Association of the Upstream Industry (Oil & Gas) since 2013; Chairman, Committee on Power and Energy, Philippine Chamber of Commerce and Industry since 2014; Vice President (Earth Sciences & Geography, Philippine Association for the Advancement of Science & Technology since 2001. On 08 March 2016, Dr. Austria was appointed Member of the Professional Regulations Commission Board of Geology,

Cecille B. Arenillo is a Certified Public Accountant with a Bachelor of Science degree in Commerce from the University of Sto. Tomas. She is currently the Vice President-Treasury and Compliance Officer of PHINMA Corp., Vice President-Compliance Officer of PHINMA Energy Corporation and PHINMA Property Holdings Corporation, Vice President & PHINMA Group Compliance Officer of PHINMA, Inc. and Asst. Treasurer of Union Galvasteel Corporation. She was elected as the Vice-President-Compliance Officer of the Company on September 30, 2014.

Arthur R. Villacorte is a graduate of Bachelor of Science in Electronics & Communications Engineering. Before joining PHINMA Energy in October 2007, he was the Purchasing Officer of Union Cement Corporation from October 1991 to March 2003 (now La Farge-Holcim). During his term, he handled major expansion projects of the Cement Group. He later migrated to Canada and served as one of the procurement personnel in the Vancouver-Canada Line SNC-SELI Project from September 2004 to May 2006. Upon his return to the Philippines, he joined as the Procurement Lead of the Ramcar Group of Companies-Battery Group from July 2006 to October 2007 earning him more than 15 years of experience in a Procurement environment. Presently, he is the Assistant Vice President of the Materials Management Department of PHINMA Energy Corporation and at the same time spearheading the Procurement Consolidation Program of the different companies of PHINMA. In addition to his Basic Management Program from Asian Institute of Management (AIM) in May 2013, he is preparing for the Certified International Procurement Manager (CIPM) and Certified International Sourcing Manager (CISM) certification from the International Purchasing and Supply Chain Management Institute (IPSCMI) in June 2016. He was elected as the AVP-Materials Management of the Company on September 28, 2015.

Significant Employee

Other than the aforementioned Directors and Executive Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

Family Relationships

Mr. Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario. There is no other member of the Board of Directors nor any Executive Officer of the Company related by affinity or consanguinity other than the ones disclosed.

Involvement in Certain Legal Proceedings

As of March 14, 2018 to the knowledge and/or information of the Company, the nominees for election as directors of the Company, present members of the Board of Directors and the Executive Officers are not, presently or during the last five (5) years, in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition, and none of its directors and senior executives has been subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign; (c) to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

As of March 14, 2018, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of the property of the Company or that of its subsidiaries is the subject.

ITEM 10: EXECUTIVE COMPENSATION

For the calendar years ended December 31, 2018 and 2017, the total salaries, allowances and bonuses paid to the directors and executive officers, as well as estimated compensation of directors and executive officers for calendar year 2019 are as follows:

Name/Position	Year	Salaries	Bonus	Others
CEO and Top 4 Officers (Total Compensation)				
Francisco L. Viray, President and CEO				
Ramon R. Del Rosario, Jr., Chairman				
Raymundo A. Reyes, Jr., Executive Vice President & COO				
Benjamin S. Austria, Senior Adviser				
Magdaleno B. Albarracin, Vice Chairman				
(estimate)	2019	2,502,500	168,188	546,000
	2018	2,502,500	168,188	546,000
	2017	2,502,500	168,188	582,000

All Other Officers and Directors as a Group (Total Compensation)

Unnamed	2019 (est)	-	-	570,000
	2018	-	-	516,000
	2017	-	-	832,000

Compensation of Directors

The Directors receive per diem and bonus based on a percentage of the net income of the Company for each fiscal year.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no special employment contracts between the Company and its named Executive Officers.

Under Article VI, Section 2 of the Company's By-Laws, the Chairman of the Board, the Vice Chairman, the President, the Vice President(s), the General Manager, the Secretary and the Treasurer shall be elected annually by affirmative vote of a majority of all the members of the Board. Each officer shall hold office until his successor is elected and qualified in his stead, or until he shall have resigned or shall have been removed in the manner hereinafter provided. Such other officers as may from time to time be elected or appointed by the Board shall hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as the Board may determine. The Chairman of the Board, the Vice Chairman and the President shall be chosen from among the directors, and the Secretary shall be a resident and a citizen of the Philippines.

Compensatory Plan or Arrangement

The compensation received by officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

All permanent and regular employees of the Company and its subsidiaries are covered by the PHINMA Group retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age 60, early retirement beginning at age 50 with completion of at least 10 years of service, voluntary separation beginning upon completion of at least 10 years of service, total and physical disability, death and involuntary separation. Benefits are based on the employee's final monthly basic salary and length of service.

Warrants and Options Outstanding

As of December 31, 2018, none of the Company's Directors and Executive Officers hold any warrants or options in the Company.

Item 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below shows the persons or groups known to PHINMA Petroleum and Geothermal Inc. as of December 31, 2018, to be directly or indirectly the record and/or beneficial owners of more than 5% of the company's voting securities:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Philippine Depository and Trust Corporation ² MSE Bldg. Ayala Avenue, Makati City Stockholder		Filipino 82.19% Foreign 10.70%	245,656,847	92.89%

Security Ownership of Management

The table below shows the securities beneficially owned by all directors' nominees and executive officers of the Corporation as of December 31, 2018:

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Held	Nature	% of Class
Common	Ramon R. del Rosario, Jr.	Filipino	424,155 683,078	Direct Indirect	0.17%
Common	Magdaleno B. Albarracin, Jr.	Filipino	53	Direct	0.00%
Common	Francisco L. Viray	Filipino	959	Direct	0.00%
Common	Roberto M. Laviña	Filipino	1	Direct	0.00%
Common	Raymundo A. Reyes, Jr.	Filipino	111,230	Direct	0.04%
Common	Raphael Perpetuo M. Lotilla	Filipino	1	Direct	0.00%
Common	Victor J. del Rosario	Filipino	92,320	Direct	0.04%
			683,078	Indirect	-
Common	Pythagoras L. Brion, Jr.	Filipino	10,201	Direct	0.01%
Common	Edward S. Go	Filipino	1	Direct	0.00%
Common	Corazon S. de la Paz Bernardo	Filipino	1	Direct	0.00%
Common	Benjamin S. Austria	Filipino	30,000	Direct	0.01%
Common	Mariejo P. Bautista	Filipino	1,046	Direct	0.00%
Common	Alan T. Ascalon	Filipino	1,818	Direct	0.00%
Common	Cecille B. Arenillo	Filipino	2,550	Direct	0.00%
Common	Arthur R. Villacorte	Filipino	858	Direct	0.00%
Total Directors and Officers			2,041,350		0.02%

¹ **Philippine Depository and Trust Corporation (PDTCT)** is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD) which acts as trustee-nominee for all shares lodged in the PCD system.

It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients.

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

AB Capital Securities, Inc. (ABCSI) is the only PCD Nominee who holds more than 5% of the Company's securities. The only beneficial owners of these shares with more than 5% shareholdings are PHINMA Energy Corporation (PHINMA Energy), Philippine Investment Management (PHINMA), Inc. and PHINMA Corporation. Mr. Ramon R. Del Rosario is the person appointed to exercise voting power.

ABCSI is one of the Philippines' leading local stock brokerage firms with over thirty years industry presence. It is one of the pioneers in online stock trading.

Voting Trust Holders of 5% or more

None of the directors and officers owns 5% or more of the outstanding capital stock of the Company. The Company is not also aware of any person holding 5% or more of the Company's outstanding shares under a voting trust agreement or similar agreement.

Changes in Control

There are no arrangements that may result in a change in control of the Company, nor has there been any change in control since the beginning of the last fiscal year and for the last three years.

ITEM 12: CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Any transaction between the Company and a related party must be approved by the Corporate Governance and Related Party Transaction Committee, composed of the Independent Directors. The Committee uses acceptable valuation methods common in the industry or project involved, including but not limited to:

- 1) Joint Venture Method, a market-based approach which uses actual transactions on the asset;
- 2) Comparative Valuation Method which uses similar projects to estimate the value of an asset; and
- 3) Multiple Exploration Expenditure Method which uses historical cost as basis for estimating asset value.

In the last two (2) years, the Company has not been a party in any transaction in which a Director or Executive Officer of the Company, any nominees for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2017 and 2016, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates and other related parties on operating and reimbursement of expenses, management service agreements and advances

As at and for the Year Ended December 31, 2018					
Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<i>Ultimate Parent Company</i>					
PHINMA, Inc.					
Accounts payable and other current liabilities	P262,645	Share in expenses	P31,380	30–60 day terms; noninterest-bearing	Unsecured
<i>Parent Company</i>					
PHINMA Energy					
Receivables (see Note 6)	140,724	Purchase of dollar	–	30–60 day terms; noninterest-bearing	Unsecured, no impairment

As at and for the Year Ended December 31, 2018

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<i>Entity Under Common Control</i>					
PHINMA Corporation					
Accounts payable and other current liabilities	54,038	Share in expenses	1,100	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.					
Accounts payable and other current liabilities	1,451	Insurance expense	–	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 10)			32,480		
<i>Subsidiary</i>					
Palawan55	₱1,950,000	Advances	₱1,950,000	₱–	30–60 day terms; noninterest-bearing
Due from related party			₱1,950,000	₱–	

As at and for the Year Ended December 31, 2017

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent Company					
PHINMA, Inc.					
Accounts payable and other current liabilities	165,787	Share in expenses	24,026	30–60 day terms; noninterest-bearing	Unsecured
Parent Company					
PHINMA Energy					
Receivables	663,643	Accommodation	–	30–60 day terms; noninterest-bearing	Unsecured, no impairment
Others	543,879	Purchase of dollar	–	30–60 day terms; noninterest-bearing	Unsecured
Entity Under Common Control					
PHINMA Corporation					
Accounts payable and other current liabilities	48,118	Share in expenses	3,036	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.					
Accounts payable and other current liabilities	2,209	Insurance expense	–	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties			27,062		

As at and for the Year Ended December 31, 2017

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Ultimate Parent Company - PHINMA, Inc.					
Accounts payables	165,787	Share in expenses	24,026	30–60 day terms; noninterest-bearing	Unsecured
Parent Company PHINMA Energy					
	663,643	Accommodation	–	30–60 day terms; noninterest-bearing	Unsecured
Others	543,879	Purchase of dollars	–	30-60 day terms; noninterest-bearing	Unsecured

Affiliates

T-O Insurance, Inc. Accounts payables	2,209	Insurance expense	–	30–60 day terms; noninterest- bearing	Unsecured
PHINMA Corporation (PHINMA Corp) Accounts payables	48,118	Share in expenses	3,036	30–60 day terms; noninterest- bearing	Unsecured

PHINMA, Inc.

The Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, and other business activities. Under the existing agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income. On February 23, 2016, the Company's BOD approved the suspension of the management contract for 2016, which remained effective as at March 21, 2019. PHINMA, Inc. bills the Company for its share in expenses. PHINMA, Inc. bills the Company for its share in expenses.

PHINMA Energy

The Company purchased US Dollars to pay various expenses through the PHINMA Energy's banking facilities and accommodation of expenses.

Palawan55

The Company's non-interest-bearing advances made to Palawan55 is for the latter's working capital requirements.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses.

T-O Insurance

T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance.

PART IV – CORPORATE GOVERNANCE

ITEM 13: COMPLIANCE PROGRAM

CORPORATE GOVERNANCE

The Board of Directors, officers and employees of PHINMA Petroleum and Geothermal, Inc. (“PHINMA Petroleum” or the “Company”) commit themselves to the principles and best practices embodied in its Manual on Good Corporate Governance. PHINMA Petroleum believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

Compliance Officer

The Board of Directors designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the Securities and Exchange Commission (SEC).

The Compliance Officer’s duties include ensuring proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others), monitor, review, evaluate and ensure compliance by the Corporation, its officers and directors with the relevant laws, with the Code of Corporate Governance (“Code”), rules and regulations and all governance issuances of regulatory agencies, appear before the Securities and Exchange Commission upon summon on matters in relation to compliance with the Code, ensure the integrity and accuracy of all documentary submissions to regulators, determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation, identify possible areas of compliance issues and work towards the resolution of the same, develop and establish, subject to approval of the Board of Directors, a monitoring and evaluation system to determine compliance with this Manual, which system shall provide for a procedure that fulfils the requirements of due process, ensure the attendance of board members and key officers to relevant trainings and perform such other duties and responsibilities as may be provided by the SEC.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT (I-ACGR)

The Company was listed on August 28, 2014 and as mandated by the Securities and Exchange Commission (SEC) Memorandum Circular No. 3, Series of 2015, the Company submitted its first Annual Corporate Governance Report (ACGR) on May 26, 2016.

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-Listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR) on or before May 30 of the following year for every year that the company remains listed in the PSE, covering all relevant information for the preceding year.

The I-ACGR supersedes the Annual Corporate Governance Report (ACGR) last submitted for the year 2016 to the SEC and the Compliance Report on Corporate Governance last submitted for the year 2016 to the PSE. The company submitted its I-ACGR for the year 2017 on May 30, 2018. For the year 2018, the company will submit its I-ACGR on or before May 30, 2019.

As of December 31, 2018, PHINMA Petroleum has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance of the Manual.

PART V – EXHIBITS AND SCHEDULES

ITEM 14: EXHIBITS AND REPORTS ON SEC FORM 17-C

List of Exhibits

- Exhibit A - Consolidated Audited Financial Statements for the Calendar Year 2018
- Exhibit B - Supplementary Schedules to the Consolidated Audited Financial Statements
- Exhibit C - Parent Audited Financial Statements for the Calendar Year 2018

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during fiscal year 2018 covered by this report

Date of filing	Items Reported
February 28, 2018	<p>Please be informed that at the regular meeting of the Board of Directors of PHINMA Petroleum and Geothermal, Inc. held today, February 28, 2018, the following were approved:</p> <ol style="list-style-type: none"> 1. Audited financial statements for the year ended December 31, 2017 showing consolidated net loss of P13.511 million 2. Annual Stockholders Meeting Date, Venue and Agenda 3. Amendment of Articles of Incorporation to reduce the Board seats from eleven (11) to nine (9) 4. Amendment of Manual on Corporate Governance <p>Other Relevant Information</p> <p>The Company has not started commercial operations as of to date.</p>

February 28, 2018	<p>Notice of Annual Shareholders' Meeting</p> <p>Background/Description of the Disclosure</p> <p>Please be advised that the annual meeting of shareholders of PHINMA Petroleum and Geothermal, Inc. will be held on Thursday, April 12, 2018, 2:00 PM at the Palm Grove, Rockwell Leisure Club, 23 Amorsolo Drive, Rockwell Center, Makati City.</p>
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Type of Meeting

- Annual
- Special

Date of Approval by Board of Directors	Feb 28, 2018
Date of Stockholders' Meeting	Apr 12, 2018
Time	2:00 PM
Venue	Palm Grove, Rockwell Leisure Club, Rockwell, Makati City

Record Date	Mar 19, 2018
Agenda	<ol style="list-style-type: none"> 1. Call to Order 2. Proof of Notice and Determination of Quorum 3. Minutes of Previous Meeting 4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting 5. Election of Directors 6. Amendment of Articles of Incorporation (change in number of Directors) 7. Appointment of External Auditors 8. Other Matters 9. Adjournment <p>For the explanation of each agenda item, please refer to Annex A.</p> <p>The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is at March 19, 2018.</p>
Inclusive Dates of Closing of Stock Transfer Books	
Start Date	Mar 20, 2018
End Date	Apr 11, 2018

February 28,
2018

Amendment of the Articles of Incorporation of PHINMA Petroleum and Geothermal, Inc. (PPG)	
Background/Description of the Disclosure	
The Board of Directors approved on 28 February 2018 the amendment of Article Sixth of the Articles of Incorporation of PPG to decrease the number of Directors from the current eleven (11) to nine (9) Directors.	
Date of Approval by Board of Directors	Feb 28, 2018
Date of Approval by Stockholders	TBA
Other Relevant Regulatory Agency, if applicable	Securities and Exchange Commission, Department of Energy
Date of Approval by Relevant Regulatory Agency, if applicable	TBA

Date of Approval by Securities and Exchange Commission	TBA	
Date of Receipt of SEC approval	TBA	
Amendment(s)		
Article No.	From	To
SIXTH	That the number of directors of said Corporation shall be eleven (11) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx	That the number of directors of said Corporation shall be nine (9) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx
Rationale for the amendment(s)		
The Board of Directors determined that, given the current limited operations of the Corporation, a smaller Board would provide more efficiency and faster decisions, without a reduction in the number of Independent Directors, on matters brought before it.		
The timetable for the effectivity of the amendment(s)		
Expected date of filing the amendments to the Articles of Incorporation with the SEC	Apr 20, 2018	
Expected date of SEC approval of the Amended Articles of Incorporation	May 21, 2018	
Effect(s) of the amendment(s) to the business, operations and/or capital structure of the Issuer, if any		
None.		

April 12, 2018

Results of the Annual Stockholders Meeting of PHINMA Petroleum and Geothermal, Inc.			
Background/Description of the Disclosure			
PHINMA Petroleum and Geothermal, Inc. held its Annual Stockholders' Meeting on 12 April 2018 at the Palm Grove, Rockwell, Makati City.			
Name of Person	Shareholdings in the Listed Company		Nature of Indirect Ownership
	Direct	Indirect	
Ramon R. del Rosario, Jr.	424,155	682,015	thru Emar Corporation

Magdaleno B. Albarracin, Jr.	53	0	-
Francisco L. Viray	214,959	0	-
Roberto M. Laviña	1	0	-
Raymundo A. Reyes, Jr.	111,230	0	-
Victor J. del Rosario	92,320	682,015	thru Emar Corporation
Edward S. Go	1	0	-
Corazon S. dela Paz Bernardo	1	0	-
Raphael Perpetuo M. Lotilla	1	0	-

External auditor	Sycip, Gorres, Velayo & Company
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List of other material resolutions, transactions and corporate actions approved by the stockholders

1. Minutes of the previous Annual Shareholders Meeting which was held on 10 April 2017.
2. Annual Report of Management including the Audited Financial Statements for the year 2017 and all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting.
3. Election of Directors for the ensuing year 2018.
4. Amendment of Articles of Incorporation to change the number of seats of directors from eleven (11) to nine (9).
5. Appointment of Sycip, Gorres, Velayo & Company as External Auditor for the calendar year 2018.

April 12, 2018

Amendment of the Articles of Incorporation of PHINMA Petroleum and Geothermal, Inc. (PPG)	
Background/Description of the Disclosure	
The stockholders of PHINMA Petroleum and Geothermal, Inc. (PPG) approved today, 12 April 2018 the amendment of Article Sixth of the Articles of Incorporation of PPG to decrease the number of directors from the current eleven (11) to nine (9) directors.	
Date of Approval by Board of Directors	Feb 28, 2018
Date of Approval by Stockholders	Apr 12, 2018
Other Relevant Regulatory Agency, if applicable	Securities and Exchange Commission, Department of Energy

Date of Approval by Relevant Regulatory Agency, if applicable	TBA	
Date of Approval by Securities and Exchange Commission	TBA	
Date of Receipt of SEC approval	TBA	
Amendment(s)		
Article No.	From	To
SIXTH	That the number of directors of said Corporation shall be eleven (11) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx	That the number of directors of said Corporation shall be nine (9) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx
Rationale for the amendment(s)		
The Board of Directors determined that, given the current limited operations of the Corporation, a smaller Board would provide more efficiency and faster decisions, without a reduction in the number of Independent Directors, on matters brought before it.		
The timetable for the effectivity of the amendment(s)		
Expected date of filing the amendments to the Articles of Incorporation with the SEC	Apr 20, 2018	
Expected date of SEC approval of the Amended Articles of Incorporation	May 21, 2018	
Effect(s) of the amendment(s) to the business, operations and/or capital structure of the Issuer, if any		
None.		
Other Relevant Information		
Disclosure was amended to indicate the date of approval by stockholders of the amendment of the Articles of Incorporation.		

April 12, 2018

Results of the Organizational Meeting of the Board of Directors of PHINMA Petroleum and Geothermal, Inc.

Background/Description of the Disclosure

The newly-elected Directors of PHINMA Petroleum and Geothermal, Inc. held its organizational meeting on 12 April 2018 at the Palm Grove, Rockwell, Makati City.

List of elected officers for the ensuing year with their corresponding shareholdings in the Issuer

Name of Person	Position/Designation	Shareholdings in the Listed Company		Nature of Indirect Ownership
		Direct	Indirect	
Ramon R. del Rosario, Jr.	Chairman	424,155	682,015	thru Emar Corporation
Magdaleno B. Albarracin, Jr.	Vice-Chairman	53	0	-
Francisco L. Viray	President and CEO	214,959	0	-
Pythagoras L. Brion, Jr.	Executive Vice President, Treasurer and CFO	10,201	0	-
Raymundo A. Reyes, Jr.	Executive Vice President and COO	111,230	0	-
Mariejo P. Bautista	Senior Vice President – Finance & Controller	11,047	0	-
Alan T. Ascalon	Vice President - Legal	1,818	0	-
Troy A. Luna	Corporate Secretary	0	0	-
Daniea Isabelle F. Palad	Asst. Corporate Secretary	0	0	-
Benjamin S. Austria	Senior Adviser	30,000	0	-
Cecille B. Arenillo	Vice President - Compliance Officer	2,550	0	-
Arthur R. Villacorte	Assistant Vice President - Materials Management	858	0	-

List of Committees and Membership

Name of Committees	Members	Position/Designation in Committee
Executive Committee	Ramon R. del Rosario, Jr.	Chairman

Executive Committee	Magdaleno B. Albarracin, Jr.	Member
Executive Committee	Francisco L. Viray	Member
Executive Committee	Roberto M. Laviña	Member
Executive Committee	Raphael Perpetuo M. Lotilla	Member
Audit Committee	Corazon S. dela Paz-Bernardo	Chairman
Audit Committee	Edward S. Go	Member
Audit Committee	Roberto M. Laviña	Member
Risk Oversight Committee	Edward S. Go	Chairman
Risk Oversight Committee	Corazon S. dela Paz-Bernardo	Member
Risk Oversight Committee	Roberto M. Laviña	Member
Corporate Governance and Related Party Transactions Committee	Raphael Perpetuo M. Lotilla	Chairman
Corporate Governance and Related Party Transactions Committee	Corazon S. dela Paz-Bernardo	Member
Corporate Governance and Related Party Transactions Committee	Edward S. Go	Member
Compensation Committee	Magdaleno B. Albarracin, Jr.	Chairman
Compensation Committee	Roberto M. Laviña	Member
Compensation Committee	Edward S. Go	Member

April 13, 2018 Clarification of Business World Online news article on PHINMA Petroleum and Geothermal, Inc.'s new project

Source	Business World Online
Subject of News Report	“Phinma eyes LNG facility in Cebu”
Date of Publication	Apr 13, 2018

This is in reply to your request for clarification of the news article entitled “Phinma eyes LNG facility in Cebu” posted in BusinessWorld Online on April 13, 2018. The article reported in part that:

“PHINMA Petroleum and Geothermal, Inc. (PPG) is developing a liquefied natural gas (LNG) facility with a 120-megawatt (MW) power plant in Cebu, which company officials expect to be completed by 2022 to 2023.

‘We are developing an LNG-to-power project in Argao, Cebu,’ Raymundo A. Reyes, Jr., PPG executive vice-president and chief operating officer, told stockholders during the company’s annual meeting on Thursday. Argao is about 70 kilometers southwest of Cebu City.

‘There is a low level of activity in the upstream [sector]. Your company decided to expand to the midstream sector of the business,’ he added.

....”

We confirm the accuracy of the news report. We will advise the Exchange promptly of any developments in the project as applicable.

Thank you.

May 16, 2018

Service Contract No. 51 Eastern Visayas	
Background/Description of the Disclosure	
PHINMA Petroleum and Geothermal, Inc. (PPG) has notified the Department of Energy of its withdrawal from the subject service contract.	
Consequently, PPG will recognize a loss of P32.7 million for the write off of its share in the expenditures incurred to date under SC 51.	
This is equivalent to 22% of the Company’s total assets as of March 31, 2018.	

June 11, 2018

Changes in the e-mail address and company website link of PHINMA Petroleum and Geothermal, Inc. (PPG).	
Background/Description of the Disclosure	
To update the email-address and company website link of PHINMA Petroleum and Geothermal, Inc. (PPG).	
Old Business Address	11th Floor, The PHINMA Plaza, 39 Plaza Drive Rockwell Center, Makati City 1210
New Business Address	11th Floor, The PHINMA Plaza, 39 Plaza Drive Rockwell Center, Makati City 1210

Old Contact Details

Telephone Numbers	(632) 870 0130; (632) 870 0100
Fax Numbers	(632) 870 0456; (632) 870 0433
E-mail Address	grkatigbak@phinma.com.ph

New Contact Details

Telephone Numbers	(632) 870 0130; (632) 870 0100
Fax Numbers	(632) 870 0456; (632) 870 0433
E-mail Address	investors.energy@phinma.com.ph

Old Company Website	http://www.transasia-petroleum.com
New Company Website	www.phinmappg.com
Effective Date	Jun 8, 2018

August 17,
2018

Amendment of the Articles of Incorporation of PHINMA Petroleum and Geothermal, Inc. (PPG)	
Background/Description of the Disclosure	
<p>The stockholders of PHINMA Petroleum and Geothermal, Inc. (PPG) approved today, 12 April 2018 the amendment of Article Sixth of the Articles of Incorporation of PPG to decrease the number of directors from the current eleven (11) to nine (9) directors.</p> <p>Further, we have received the approval of the Securities and Exchange Commission on the amendment to the Articles of Incorporation on August 15, 2018.</p>	
Date of Approval by Board of Directors	Feb 28, 2018
Date of Approval by Stockholders	Apr 12, 2018
Other Relevant Regulatory Agency, if applicable	Securities and Exchange Commission, Department of Energy
Date of Approval by Relevant Regulatory Agency, if applicable	Aug 15, 2018
Date of Approval by Securities and Exchange Commission	Aug 15, 2018
Date of Receipt of SEC approval	Aug 16, 2018

Amendment(s)


Article No.	From	To
SIXTH	That the number of directors of said Corporation shall be eleven (11) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx	That the number of directors of said Corporation shall be nine (9) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows xxx
Rationale for the amendment(s)		
The Board of Directors determined that, given the current limited operations of the Corporation, a smaller Board would provide more efficiency and faster decisions, without a reduction in the number of Independent Directors, on matters brought before it.		
The timetable for the effectivity of the amendment(s)		
Expected date of filing the amendments to the Articles of Incorporation with the SEC	Apr 20, 2018	
Expected date of SEC approval of the Amended Articles of Incorporation	May 21, 2018	
Effect(s) of the amendment(s) to the business, operations and/or capital structure of the Issuer, if any		
None.		
Other Relevant Information		
Disclosure was amended to indicate the date of approval of the Securities and Exchange Commission. We confirm that the date of board approval is February 28, 2018. A typographical error was made on the date of board approval indicated on the documents submitted to the SEC for the approval of the amendment. We will coordinate with the SEC to correct the date of board approval as stated in the Certificate of Filing of Amended Articles of Incorporation.		

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 12, 2019.

PHINMA Petroleum and Geothermal, Inc.

By:



FRANCISCO L. VIRAY
President and CEO



RAYMUNDO A. REYES, JR.
Executive Vice President and COO



PYTHAGORAS L. BRION, JR.
Executive Vice President Treasurer and CFO



MARIEJO P. BAUSTISTA
Senior-Vice President – Finance and Controller



TROY A. LUNA
Corporate Secretary

Republic of the Philippines)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this 08 day of April, 2019 affiant(s) exhibiting to me his/her Driver's License/Passport/Community Tax Certificates, as follows:

Name	Driver's License No./ Passport No./ Senior Citizen No.	Date of Issue/Expiration Date
Francisco L. Viray	EC3546900	February 27, 2015
Raymundo A. Reyes, Jr.	EC6433773	January 7, 2016
Pythagoras L. Brion, Jr.	P3455624A	June 22, 2017
Mariejo P. Bautista	N02-96-322934	May 13, 2017
Troy A. Luna	P3486441A	June 24, 2017

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Page No. 63
Book No. 96
Series of 2018 9

ATTY. JOSE M. LAPUZ
Notary Public for Makati City
Appointment # 01-82 until 12/31/2019
PTR No. 7333096 Jan 3, 2019, Makati City
Roll No. 45790, IBP Lifetime Roll #04897
MCLE No. VI-0016565/Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS
--

**The Board of Directors
PHINMA Petroleum & Geothermal, Inc.**

MEMBERSHIP OF THE COMMITTEE

The Audit Committee is composed of two (2) independent directors and one (1) non-executive director. An independent director, Ms. Corazon de la Paz - Bernardo, chairs the Audit Committee. The other members are Mr. Edward S. Go (independent director) and Mr. Roberto M. Laviña (non-executive director). Other attendees at Committee meetings (or parts thereof) were the Chief Financial Officer, Group Internal Audit, Group Controller, Compliance Officer and the external auditors. The Committee has accounting expertise and adequate understanding of the Company's business and industry in which it operates.

ROLE OF THE COMMITTEE

The roles and responsibilities of the Committee are defined in the Audit Committee Charter. As a Board-level Committee, we assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, internal control system, internal and external auditor's performance, and compliance with legal and regulatory matters including approving and recommending the appointment, reappointment, removal, fees and assessing the integrity and independence of the external auditor.

We are pleased to report our activities for Calendar Year 2018.

ACTIVITIES OF THE COMMITTEE

The Audit Committee had four (4) meetings during the year. The first, second and last meetings obtained complete attendance while the third meeting had two members in attendance. Overall, attendance is at ninety two percent (92%). The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor, SGV & Co., the findings and status of Group Internal Audit's engagements and the status of Integrity Assurance activities and the 2017 Audit Committee Report.

We received information and support from Management, the Compliance Officer and Group Internal Audit to enable us to effectively carry out our functions as defined in our Charter approved by the Board of Directors.

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the 2017 audited consolidated financial statements and the 2018 unaudited quarterly consolidated financial statements.

Informatively, in our meeting held on March 18, 2019, we likewise reviewed and endorsed to the Board of Directors for approval the 2018 audited consolidated financial statements presented in this 2018 annual report. These activities were performed in the following context:

- Management has primary responsibility for the financial statements and the financial reporting process.
- SyCip, Gorres, Velayo & Co. (SGV & Co.) is responsible for expressing an opinion on the annual audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. They have likewise confirmed that the audit was conducted in accordance with Philippine Standards on Auditing.

We also reviewed the Management Representation Letter prior to its submission by Management to the external auditors.

External Audit

The Audit Committee assessed the ongoing effectiveness, suitability and quality of the external auditor and the audit process through feedback from members of the Committee and a questionnaire-based internal review with Management. On the basis of their performance and qualifications, we endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2018.

During the year, we reviewed and approved the scope and deliverables of the SGV audit plan. The Committee ensured that SGV's scope included the review of Company's compliance to Philippine Financial Reporting Standards (PFRS). Non-audit services and related fees for their services were also reviewed and we concluded that these fees are not significant to impair their independence.

In our Committee meeting held March 18, 2019, we agreed to propose to the Board of Directors the retention of SGV & Co. as the external auditor for 2019.

Internal Audit

We reviewed and approved the Internal Audit plan for 2018 and found them to be appropriate. Based on this plan, the Committee received and reviewed the audit reports submitted by Group Internal Audit and found that the Company's internal control system is adequate and effective.

We also reviewed the organization and performance of Group Internal Audit for 2018 and found them to be sufficiently independent and effective.


Integrity Assurance Program

We reviewed the status of ongoing activities related to the Company's Integrity Assurance program. This program provides a formal structure for institutionalizing policies, programs and mechanisms based on good corporate governance and ethical business practices, including the adoption of a Code of Business Conduct and the creation of a whistleblower policy and hotline. The Company's officers and employees have substantially complied with the policies under the Code.

Audit Committee Performance

We performed a self-assessment of the Committee's performance against the approved Audit Committee Charter in line with the guidelines issued by Securities and Exchange Commission for publicly listed companies. Based on this assessment, we attest to the Committee's effective performance of its duties in 2018.


CORAZON DE LA PAZ-BERNARDO
Chairwoman, Independent Director


EDWARD S. GO
Vice Chairman, Independent Director


ROBERTO M. LAVIÑA
Non-Executive Director

EXHIBIT A

PHINMA Petroleum and Geothermal, Inc.

Consolidated Financial Statements

December 31, 2018 and 2017
And Years Ended December 31, 2018, 2017 and 2016

FINANCIAL HIGHLIGHTS

Key Performance Indicator	Formula	2018	2017	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets	6.83	52.63	-45.80	-87%
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	6.83	52.62	-45.78	-87%
	Current liabilities				
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.12	0.01	0.11	1005%
	Total equity				
Asset-to-equity ratio	Total assets	1.12	1.01	0.11	11%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
Profitability Ratios					
Return on equity	Net income after tax	-56.64%	-8.34%	-48.30%	58%
	Average stockholders' equity				
Return on assets	Net income after taxes	-54.01%	-8.28%	-45.73%	-55%
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	-	8	8	1	1
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COMPANY NAME

P	H	I	N	M	A		P	E	T	R	O	L	E	U	M		A	N	D		G	E	O	T	H	E	R	M	A
L	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	Y								

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

L	E	V	E	L		1	1	,		P	H	I	N	M	A		P	L	A	Z	A	,		3	9		P	L	A
Z	A		D	R	I	V	E	,		R	O	C	K	W	E	L	L		C	E	N	T	E	R	,		M	A	K
A	T	I		C	I	T	Y																						

Form Type
A A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address www.transasia-energy.com	Company's Telephone Number 8700-100	Mobile Number
No. of Stockholders 2,926	Annual Meeting (Month / Day) 04/12	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Mariejo P. Bautista	Email Address mpbautista@phinma.com.ph	Telephone Number/s 8700-100	Mobile Number
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CONTACT PERSON'S ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





SECURITIES & EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, 1307 Pasay City

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of PHINMA Petroleum and Geothermal, Inc. formerly Trans-Asia Petroleum Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed their opinion on the fairness of presentation upon completion of such audit.


RAMON R. DEL ROSARIO, JR.
Chairman of the Board


FRANCISCO L. VIRAY
President and Chief
Executive Officer


PYTHAGORAS L. BRION, JR.
EVP Treasurer and
Chief Financial Officer 

Signed this 18th day of March 2019



(Page 2 of Statement of Management's
Responsibility for Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this **APR 11 2019** affiant(s)
exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon R. Del Rosario, Jr.	P5770713A	25 January 2018	Manila
Francisco L. Viray	EC3546900	27 Feb 2015	NCR East
Pythagoras L. Brion, Jr.	P3455624A	22 June 2017	NCR East

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Book No.
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ATTY. JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment # M-82 until 12/31/2019
PTR No. 7333096-Jan 3, 2019, Makati City
Roll No. 45790, IBP Lifetime Roll #04897
MCLE No. VI-0016565/Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Petroleum and Geothermal, Inc.
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Opinion

We have audited the consolidated financial statements of PHINMA Petroleum and Geothermal, Inc. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Recoverability of Deferred Exploration Costs

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess whether there are facts and circumstances indicating that the carrying amounts of its deferred exploration costs have exceeded their recoverable amounts. Should there be such impairment indicators, the Group is required to conduct a recoverability test on the corresponding deferred exploration costs. The Group's deferred exploration costs pertain to their participating interests in oil and gas service contracts (SC), which provide for certain minimum work and expenditure obligations and the rights and benefits of a consortium member. As at December 31, 2018, deferred exploration costs amounted to ₱29,384,114 and account for 30% of the Group's total consolidated assets. The materiality of this account and the significant management judgment required when performing an impairment review make this a key area of focus in our audit.

The Group's disclosures regarding the status of the SCs are presented in Note 8 to the consolidated financial statements while the disclosures about the impairment assessment are presented in Note 3.

Audit response

We obtained an understanding of the processes and controls in determining whether there are impairment indicators as provided under PFRS 6. We obtained management's assessment of the existence of impairment indicators of deferred exploration costs and inquired into the status of the SCs and their plans on operations. We obtained the status of each exploration project as at December 31, 2018 and compared it with the disclosures submitted to regulatory agencies. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also read the minutes of the meetings of the Group's Board of Directors for discussions on management plans and significant developments on the SCs or of any concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We considered the status of the SCs and management's plans in determining whether the deferred exploration costs may be impaired. For deferred exploration costs where the status of the SCs shows an indicator of impairment, we obtained and tested management's assumption with regard to the right to explore the area.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

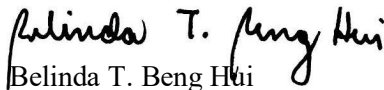
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

March 21, 2019



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱9,863,588	₱3,271,882
Investments held for trading (Notes 5 and 15)	57,584,369	77,519,176
Receivables (Note 6)	95,390	59,030
Prepaid expenses	37,079	24,399
Total Current Assets	67,580,426	80,874,487
Noncurrent Assets		
Property and equipment (Note 7)	23,512	–
Deferred exploration costs (Note 8)	29,384,114	76,105,395
Total Noncurrent Assets	29,407,626	76,105,395
TOTAL ASSETS	₱96,988,052	₱156,979,882
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 9)	₱9,888,737	₱1,536,629
Noncurrent Liability		
Deferred tax liability (Note 12)	287,133	111,051
Total Liabilities	10,175,870	1,647,680
Equity		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 11)	250,000,000	250,000,000
Deficit	(163,904,395)	(97,066,170)
	86,095,605	152,933,830
Non-controlling interest (Note 14)	716,577	2,398,372
Total Equity	86,812,182	155,332,202
TOTAL LIABILITIES AND EQUITY	₱96,988,052	₱156,979,882

See accompanying Notes to Consolidated Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
EXPENSES			
Provision for probable losses (Note 8)	₱48,262,794	₱4,892,178	₱11,719,085
Professional fees	10,803,152	2,615,204	3,538,913
Filing and registration fees	4,750,730	266,387	268,168
Employee costs	2,947,468	5,067,585	5,176,697
Supplies	895,237	757,394	239,574
Transportation	760,424	194,335	73,652
Meetings	228,151	230,405	120,470
Utilities	42,812	375,943	181,908
Taxes and licenses	40,865	27,820	21,650
Insurance	23,697	19,713	1,122
Depreciation (Note 7)	6,188	84,578	49,937
Provision for credit losses (Note 6)	—	—	20,000,000
Others	1,161,100	368,953	177,690
	69,922,618	14,900,495	41,568,866
OTHER INCOME (CHARGES)			
Net gains on changes in fair value of investments held for trading (Note 5)	1,508,999	1,239,682	1,305,038
Interest income (Note 4)	58,990	14,770	11,163
Foreign exchange gain (losses) - net	10,691	7,200	(4,431)
Miscellaneous income	—	—	187,683
	1,578,680	1,261,652	1,499,453
LOSS BEFORE INCOME TAX	68,343,938	13,638,843	40,069,413
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 12)			
Current	—	—	3,754
Deferred	176,082	(128,325)	242,816
	176,082	(128,325)	246,570
NET LOSS	68,520,020	13,510,518	40,315,983
OTHER COMPREHENSIVE INCOME	—	—	—
TOTAL COMPREHENSIVE LOSS	₱68,520,020	₱13,510,518	₱40,315,983
Total Comprehensive Loss Attributable to:			
Equity holders of the Parent Company	₱66,838,225	₱13,499,111	₱40,310,205
Non-controlling interest (Note 14)	1,681,795	11,407	5,778
	₱68,520,020	₱13,510,518	₱40,315,983
Basic/Diluted Loss Per Share (Note 13)	₱0.267	₱0.054	₱0.161

See accompanying Notes to Consolidated Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Attributable to Equity Holders of the Parent Company			Non-controlling Interest (Note 14)	Total Equity
	Capital Stock (Note 11)	Deficit	Total		
BALANCES AT JANUARY 1, 2016	₱250,000,000	(₱43,256,854)	₱206,743,146	₱2,415,557	₱209,158,703
Total comprehensive loss/ Net loss for the year	–	(40,310,205)	(40,310,205)	(5,778)	(40,315,983)
BALANCES AT DECEMBER 31, 2016	250,000,000	(83,567,059)	166,432,941	2,409,779	168,842,720
Total comprehensive loss/ Net loss for the year	–	(13,499,111)	(13,499,111)	(11,407)	(13,510,518)
BALANCES AT DECEMBER 31, 2017	250,000,000	(97,066,170)	152,933,830	2,398,372	155,332,202
Total comprehensive loss/ Net loss for the year	–	(66,838,225)	(66,838,225)	(1,681,795)	(68,520,020)
BALANCES AT DECEMBER 31, 2018	₱250,000,000	(₱163,904,395)	₱86,095,605	₱716,577	₱86,812,182

See accompanying Notes to Consolidated Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱68,343,938)	(₱13,638,843)	(₱40,069,413)
Adjustment for:			
Provision for probable losses (Note 8)	48,262,794	4,892,178	11,719,085
Gains on changes in fair value of investments held for trading (Note 5)	(1,508,999)	(1,239,682)	(1,305,038)
Interest income (Note 4)	(58,990)	(14,770)	(11,163)
Depreciation (Note 7)	6,188	84,578	49,937
Unrealized foreign exchange loss (gain) - net	(4,912)	(7,387)	1,970
Operating loss before working capital changes	(21,647,857)	(9,923,926)	(29,614,622)
Decrease (increase) in:			
Receivables	(33,321)	146,566	19,854,845
Prepaid expenses	(12,680)	58,444	(27,111)
Increase in accounts payable and other current liabilities	8,371,573	763,702	174,999
Cash used in operations	(13,322,285)	(8,955,214)	(9,611,889)
Interest received	57,556	12,602	11,381
Income tax paid	-	-	(3,754)
Net cash used in operating activities	(13,264,729)	(8,942,612)	(9,604,262)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investments held for trading	31,627,958	144,749,517	50,275,380
Additions to:			
Investments held for trading	(10,184,152)	(135,351,578)	(38,810,217)
Deferred exploration costs (Note 8)	(1,541,513)	(943,484)	(2,560,910)
Property and equipment (Note 7)	(29,700)	-	-
Net cash from investing activities	19,872,593	8,454,455	8,904,253
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,607,864	(488,157)	(700,009)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(16,158)	7,387	(3,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	3,271,882	3,752,652	4,456,177
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱9,863,588	₱3,271,882	₱3,752,652
NON-CASH ACTIVITIES			
Depreciation capitalized as part of deferred exploration costs (see Note 7)	₱-	₱19,162	₱63,235

See accompanying Notes to Consolidated Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PHINMA Petroleum and Geothermal, Inc. (PHINMA Petroleum or the Parent Company) and Palawan55 Exploration & Production Corporation (Palawan55 or the Subsidiary), collectively referred to as “the Group”, were incorporated in the Philippines on September 28, 1994 and November 16, 2012, respectively, to engage in oil and gas exploration, exploitation and production. Palawan55 is 69.35% owned by the Parent Company. The Parent Company and its subsidiary are 50.74% and 30.65% directly owned, respectively, by PHINMA Energy Corporation (PHINMA Energy or the Intermediate Parent Company). The ultimate parent company is Philippine Investment-Management (PHINMA), Inc. PHINMA Energy and PHINMA, Inc. are both incorporated and domiciled in the Philippines. Both PHINMA Petroleum and Palawan55 have not yet started commercial operations as at March 21, 2019 and are domiciled in the Philippines.

On August 14, 2014, the Philippine Securities and Exchange Commission (SEC) approved the listing of shares of the Parent Company. On August 28, 2014, the Parent Company listed its shares at the Philippine Stock Exchange by way of introduction with “TAPET” as its stock symbol.

On March 3, 2017, the Parent Company’s Board of Directors (BOD) initially approved the amendment of its Articles of Incorporation to change its corporate name to PHINMA Oil and Geothermal, Inc. and to include in its primary and secondary purposes the exploration and development of geothermal resources. On April 10, 2017, the BOD finally resolved and approved the amendment of its corporate name to PHINMA Petroleum and Geothermal, Inc. The SEC issued the Certificate of Amended Articles of Incorporation, dated May 31, 2017, while the BIR issued an amended Certificate of Registration, dated June 14, 2017, for the change in the Parent Company’s Corporate name.

The registered office address of the Group is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements were approved and authorized for issuance by the Parent Company’s BOD on March 21, 2019.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group are prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading that are measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, Palawan55, as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiary to bring its accounting policies in line with the Parent Company's accounting policies. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Parent Company and the Subsidiary are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over the Subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

NCI represents the interest in the Subsidiary not held by the Parent Company, and are presented separately in the consolidated statement of comprehensive income and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless indicated otherwise.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*



- PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PFRS 9 using the modified retrospective approach, with the initial application date of January 1, 2018. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior period will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7, *Financial Instruments: Disclosures* will be retained for the comparative period. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative period, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

Classification and measurement

Under PFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business models was made as at the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classifications and measurements of the Group's financial assets are as follows:

- *Financial assets at amortized cost* are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's cash and cash equivalents and receivables (see Notes 4, 6 and 15).
- *Financial assets at FVTPL* pertains to quoted unit investment trust funds (UITFs) instruments which the Group, at initial recognition or transition, classify at FVTPL (see Notes 5 and 15).



There are no changes in the classification and measurement category and the carrying amount of financial assets under PFRS 9 and PAS 39 at the date of initial application. The Group has not designated any financial liabilities as at FVTPL and there are no changes in classification and measurement of the Group's financial liabilities. The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed subsequently.

The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as at January 1, 2018 are compared as follows:

	Original Measurement Category Under PAS 39	Original Carrying Amount under PAS 39	New Measurement Category Under PFRS 9	New Carrying Amount under PFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivables at amortized cost	₱3,271,882	Financial assets at amortized cost	₱3,271,882
Receivables	Loans and receivables at amortized cost	32,650	Financial assets at amortized cost	32,650
Investments held for trading	Financial assets at FVTPL	77,519,176	Financial assets at FVTPL	77,519,176
Financial Liabilities				
Accounts payable and other current liabilities	Amortized cost	₱1,185,620	Amortized cost	₱1,185,620

Financial assets under 'Receivables' includes trade receivables, due from third party and accrued interest receivable. Financial liabilities under 'accounts payable and other current liabilities' excludes statutory payables.

Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

PFRS 9 requires the Group to record an allowance for ECLs for all financial assets at amortized cost. Under PFRS9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Upon adoption of PFRS 9, there are no changes in the impairment of the Group's financial assets.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts



with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The adoption of PFRS 15 did not have a significant impact on the consolidated financial statements since the Group remains to be non-operating with no outstanding revenue contracts with customers. The Group's main source of income are its interest income from cash and cash equivalents and realized gain from redemption of investments held for trading.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.



Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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



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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.



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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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



Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in one statement: displaying components of profit or loss and OCI (consolidated statements of comprehensive income).



Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash in banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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



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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Note 15 to the consolidated financial statements.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

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

Financial Assets

Initial Classification Recognition and Measurement

The Group determines the classification of financial instruments at initial recognition and, where appropriate, re-evaluates this designation at every end of the reporting period. Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not classified as FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets consist of financial assets at FVTPL and loans and receivables under PAS 39.



Subsequent Measurement

a. Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets held for trading are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized as “Gains on changes in fair value of investments held for trading” account under “Other income (charges)” in the consolidated statements of comprehensive income.

The Group has no financial asset designated upon initial recognition at FVTPL.

The Group’s investments in UITFs are classified as financial assets held for trading (see Notes 5 and 15).

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortized cost using the effective interest rate (EIR) method, 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 EIR. The EIR amortization and loss arising from impairment are included in the consolidated statements of comprehensive income.

The Group’s cash and cash equivalents and receivables are classified as loans and receivables (see Notes 4 and 6).

The Group has no financial assets classified as HTM investments and AFS financial assets as at December 31, 2017.

Financial Liabilities

Initial Recognition, Classification and Measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as other financial liabilities. Other financial liabilities pertain to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The Group’s financial liabilities consist only of other financial liabilities (see Note 9).

Subsequent Measurement

After initial recognition, other financial liabilities that are interest-bearing are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium. Gains and losses are recognized in the parent company statement of comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process.



The Group's accounts payable and other current liabilities (excluding statutory payables) are classified as other financial liabilities (see Note 9).

Financial Instruments – Classification and Measurement (upon adoption of PFRS 9)

Classification of Financial Assets

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

- financial assets measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

The Group's financial assets are classified at FVTPL and amortized cost as at December 31, 2018 (see Notes 4, 5, 6 and 15).

Contractual Cash Flows Characteristics

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

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Business Model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

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

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by



taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in the consolidated statement of comprehensive income.

The Group's cash and cash equivalents and receivables are classified as financial assets at amortized cost (see Notes 4 and 6).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in UITFs are classified as financial assets at FVTPL (see Notes 5 and 15).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3, *Business Combinations*.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's accounts payable and other current liabilities (excluding statutory payables) are classified as financial liabilities measured at amortized cost (see Note 9).

Reclassifications of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. There was no reclassification of financial instruments upon adoption of PFRS 9.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)

Financial Assets

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

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

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

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



Modification of Contractual Cash Flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial Liabilities

A financial liability (or a part of financial liability) is derecognized when the obligation under the liability is discharged, cancelled or expired. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets (prior to adoption to PFRS 9)

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables Carried at Amortized Cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of comprehensive income. Interest income is recognized in the consolidated statement of comprehensive income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose



of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets (upon adoption of PFRS 9)

PFRS 9 introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

The Group recognizes ECL for debt instruments that are measured at amortized cost.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowance

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



For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. This primarily pertains to the Group’s cash and cash equivalents.

Determining the Stage for Impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Offsetting of Financial Instruments (prior to and upon adoption of PFRS 9)

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities 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.

The Group did not offset any financial instruments in 2018 and 2017.

Prepaid Expenses

Prepaid expenses, which mainly pertain to prepayments on computer software subscription, are expected to be amortized over a period not exceeding twelve months from the reporting date.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.



Depreciation is calculated on a straight-line basis over the estimated useful lives of 3 to 5 years for its office equipment and miscellaneous assets. The Group's miscellaneous assets pertain to computer software licenses.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognized.

Foreign Currency Denominated Transactions and Balances

Transactions in foreign currencies are initially recorded by the entities within the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or in the consolidated statement of comprehensive income are also recognized in OCI or in the consolidated statement of comprehensive income, respectively).

Interest in Joint Arrangements

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

Joint Operations. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Group's service contracts (SC) are considered joint operations.

Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined on the basis of each Service Contract (SC) area. The costs recorded pertain to the Group's share in exploration costs, pro-rated based on participating interest held in each joint agreement for each SC. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for probable losses. These costs are written off against the allowance when the projects are abandoned or determined to be definitely unproductive.

The Group classifies exploration costs as intangible or tangible according to the nature of the assets acquired and apply the classification consistently. Some costs are treated as intangible, whereas



others are tangible to the extent that tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset. The Group recognizes its exploration costs as intangible assets.

The deferred exploration costs cease to be classified as intangible asset when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. These costs shall be assessed for impairment, and any impairment loss recognized, before reclassification.

Impairment of Non-Financial Assets

Property and Equipment

The Group assesses, at each reporting date, whether there is an indication that a non-financial 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. The 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.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

The Group assesses impairment of its property and equipment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Deferred Exploration Costs

Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.



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 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;
- When a service contract where the Group has participating interest in is permanently abandoned; 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.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of comprehensive income.

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Deficit

Deficit represents the cumulative balance of net loss.

Interest Income

Income is recognized as the interest accrues, taking into account the effective yield on the asset.

Miscellaneous Income

Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or a reduction in the liability that can be measured reliably.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.



Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred Tax. Deferred tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO and MCIT over RCIT can be utilized.

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 re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current taxes on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Loss Per Share (LPS)

Basic LPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted LPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted LPS is the same as basic LPS.

Segment Reporting

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. Financial information on business segments is presented in Note 16 to the consolidated financial statements.

Contingencies

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

Events After the Reporting Period

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 not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRSs require management to make a judgment and estimates that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Group's consolidated financial statements, management has made its best estimate and judgment of certain amounts, giving due consideration to materiality.



The estimates and judgments used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Determining and Classifying a Joint Arrangement.

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - The legal form of the separate vehicle
 - The terms of the contractual arrangement
 - Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at December 31, 2018 and 2017, the Group's SCs are assessed as joint arrangements in the form of joint operations.

Identifying Business Models upon Adoption of PFRS 9

The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. The following are the Group's business models:

- *Portfolio 1, Strategic Fund*
Portfolio 1 is classified as fair value through profit or loss with the objective of generating interest income from low-risk investments in liquid assets to maximize returns from the excess funds of the Group. This includes the Group's investments held for trading.
- *Portfolio 2, Operating and Liquidity Fund*
Portfolio 2 is classified as amortized cost with the objective to hold to collect the financial assets to ensure sufficient funding to support operations and project implementation. This includes cash and cash equivalents and trade receivable and due from third party under 'Receivables'.

Definition of Default and Credit-impaired Financial Assets upon adoption of PFRS 9

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when one or more events that have occurred and have significant impact on the expected future cash flows of the financial assets. This includes the following observable criteria:

- *Quantitative Criteria*
The borrower is more than 90 days past due on its contractual payments, i.e., principal and/or interest, which is consistent with the Group's definition of default.



- *Qualitative Criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- a. The borrower is experiencing financial difficulty or is insolvent
- b. The borrower is in breach of financial covenant(s)
- c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
- d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- e. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Estimates

Impairment of Deferred Exploration Costs

The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management in the impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomical. In the event of impairment, the Group measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The Group recognized impairment loss on its deferred exploration costs amounting to ₱48,262,794, ₱4,892,178 and ₱11,719,085 in 2018, 2017 and 2016, respectively, and presented as "Provision for probable losses" under "Expenses" in the consolidated statements of comprehensive income. The carrying value of deferred exploration costs amounted to ₱29,384,114 and ₱76,105,395 as at December 31, 2018 and 2017, respectively (see Note 8).

Realizability of Deferred Tax Asset

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 income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets as at December 31, 2018 and 2017 amounted to ₱37,248,455 and ₱20,115,464, respectively (see Note 12).

Estimating Provision for Credit Losses of Receivables (prior to adoption of PFRS 9)

The Group maintains allowance for credit losses based on the results of the individual assessment under PAS 39. Under the individual assessment, the Group considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. The methodology and assumptions used for the impairment assessment are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

In 2016, the Group recognized a provision for credit losses amounting to ₱20,000,000. As at December 31, 2018 and 2017, the allowance for credit losses amounted to ₱20,000,000 (see Note 6).



Estimating Provision of Expected Credit Losses on Receivables (upon adoption of PFRS 9)

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Simplified Approach for Trade Receivables

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

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

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

The carrying values of receivables and the related allowance for credit losses of the Group are disclosed in Note 6. Provision for credit losses amounted to nil in 2018 and 2017 and ₱20,000,000 in 2016.

As at December 31, 2018 and 2017, the allowance for credit losses on receivables amounted to ₱20,000,000 (see Note 6).

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	₱5,455,179	₱1,706,884
Short-term deposits	4,408,409	1,564,998
	₱9,863,588	₱3,271,882



Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Interest income on cash and short-term deposits amounted to ₱58,990, ₱14,770, and ₱11,163 in 2018, 2017 and 2016, respectively.

5. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱57,584,369 and ₱77,519,176 as at December 31, 2018 and 2017, respectively. The changes in fair value on investments held for trading amounted to a net gain of ₱1,508,999, ₱1,239,682 and ₱1,305,038 in 2018, 2017 and 2016, respectively.

6. Receivables

This account consists of the following:

	2018	2017
Trade receivables	₱31,863	₱30,258
Due from third party (see Note 8)	20,000,000	20,000,000
Accrued interest receivable	3,826	2,392
Others	59,701	26,380
	20,095,390	20,059,030
Less allowance for credit losses	20,000,000	20,000,000
	₱95,390	₱59,030

As at December 31, the aging analysis of receivables is as follows:

	2018							Past Due and Impaired
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
			<30 Days	30-60 Days	61-90 Days	Over 90 Days		
Trade receivables	₱31,863	₱-	₱-	₱-	₱-	₱31,863	₱-	
Due from third party	20,000,000	-	-	-	-	-	20,000,000	
Accrued interest receivable	3,826	3,826	-	-	-	-	-	
Others	59,701	3,347	-	29,974	-	26,380	-	
	₱20,095,390	₱7,173	₱-	₱29,974	₱-	₱58,243	₱20,000,000	

	2017							Past Due and Impaired
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
			<30 Days	30-60 Days	61-90 Days	Over 90 Days		
Trade receivables	₱30,258	₱-	₱-	₱-	₱-	₱30,258	₱-	
Due from third party	20,000,000	-	-	-	-	-	20,000,000	
Accrued interest receivable	2,392	2,392	-	-	-	-	-	
Others	26,380	-	-	-	-	26,380	-	
	₱20,059,030	₱2,392	₱-	₱-	₱-	₱56,638	₱20,000,000	



The Group's receivables are noninterest-bearing and are due and demandable. Trade receivables mainly represent return of cash call from the service contract operator.

Due from third party pertain to advance payment made in pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil and is due and demandable (see Note 8).

Accrued interest receivable pertains to the accrued interest on cash in banks.

Others pertain to advances to employees and a service provider subject for liquidation.

In 2016, the Group recognized a provision for credit losses amounting to ₱20,000,000 on its advance payment to Frontier Oil (see Note 8). No provision for credit losses was recognized in 2018 and 2017.

7. Property and Equipment

Details and movement of this account follow:

	2018		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning of year	₱245,000	₱94,515	₱339,515
Additions	-	29,700	29,700
Balances at end of year	245,000	124,215	369,215
Less accumulated depreciation:			
Balance at beginning of year	245,000	94,515	339,515
Depreciation expense	-	6,188	6,188
Balance at end of year	245,000	100,703	345,703
Net book value	₱-	₱23,512	₱23,512
	2017		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Less accumulated depreciation:			
Balance at beginning of year	170,145	65,630	235,775
Depreciation expense	61,058	23,520	84,578
Depreciation capitalized (see Note 8)	13,797	5,365	19,162
Balance at end of year	245,000	94,515	339,515
Net book value	₱-	₱-	₱-

Fully depreciated assets with cost of ₱339,515 as at December 31, 2018 and 2017 are still being used by the Group.



8. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	2018	2017
TA Petroleum:		
SC 51/Geophysical Survey and Exploration Contract (GSEC) 93 (East Visayas)	₱32,665,864	₱32,665,864
SC 6 (Northwest Palawan):		
Block A	22,568,129	22,129,391
Block B	4,892,178	4,892,178
SC 69 (Camotes Sea)	15,596,930	15,596,930
SC 50 (Northwest Palawan)	11,719,085	11,719,085
	87,442,186	87,003,448
Less allowance for probable losses	64,874,057	16,611,263
	22,568,129	70,392,185
Palawan55 -		
SC 55 (Southwest Palawan)	6,815,985	5,713,210
	₱29,384,114	₱76,105,395

Below is the rollforward analysis of the deferred exploration costs as at December 31, 2018 and 2017:

	2018	2017
Cost:		
Balances at beginning of year	₱92,716,658	₱91,754,012
Additions:		
Cash calls	1,541,513	839,418
Others	-	123,228
Balance at end of year	94,258,171	92,716,658
Allowance for probable losses:		
Balances at beginning of year	16,611,263	11,719,085
Provisions for the year	48,262,794	4,892,178
Balance at end of year	64,874,057	16,611,263
Net book value	₱29,384,114	₱76,105,395

The foregoing deferred exploration costs represent the Group's share in the expenditures incurred under petroleum SCs with the Department of Energy (DOE). The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

In 2017, the Group capitalized its share in various expenses to deferred exploration costs due to its operatorship in SC 69. Expenses capitalized were salaries and wages amounting to ₱93,547, depreciation expense amounting to ₱19,162 and other expenses with a total amount of ₱10,519. Costs capitalized are included in the current work program for SC 69. No similar costs were incurred and capitalized in 2018.



The following summarizes the status of the foregoing projects:

a. SC 51/GSEC 93 (East Visayas)

In April 2012, the Operator, Otto Energy Investments Ltd. (Otto Energy) [formerly “NorAsian Energy Ltd.”] commenced a 100-kilometer (km) 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, which reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.

In mid-May 2012, the foreign seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the DOE granted on September 30, 2012 the consortium’s request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by December 31, 2012.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in Northwest Leyte as work commitment.

Swan Oil and Gas Ltd. (Swan) withdrew from SC 51 in September 2012 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto Energy and Filipino partners (remaining members of the consortium), respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2015 to July 8, 2015). Frontier Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well on August 30, 2013 and conducted post-well studies. The new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified the Group and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy’s withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy’s participating interest to the Filipino partners.

On May 11, 2015, the DOE approved the request for an extension of Sub-Phase 5 to July 8, 2016.



On March 3, 2017 and December 20, 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC 51, following Otto Energy's withdrawal from the block and consequent resignation as Operator. They further signed and executed a Deed of Undertaking to pay the outstanding financial obligation of Otto Energy amounting to US\$124,763, subject to the approval of the transfer of interest from Otto Energy to the continuing parties, the extension of the term of the contract, and the revision of work program from drilling of a well to the conduct of pore pressure prediction study and gravity survey. Of this amount, the Group's share is US\$41,596 which is equivalent to the pro-rata amount of liability using its post-adjustment ownership interest.

On May 15, 2018, PHINMA Petroleum notified the DOE of its withdrawal from SC 51 and advised the latter that it would no longer pursue its entitlement to Otto Energy's participating interest under the Deed of Undertaking dated March 3, 2017. The DOE acknowledged this formal notification from PHINMA Petroleum on May 23, 2018.

On June 1, 2018, the DOE approved the transfer of Otto Energy's participating interests in SC 51 to the Filipino Partners. PHINMA Petroleum's participating interest was adjusted from 6.67% to 33.34% after the DOE's approval of the withdrawal of Otto Energy.

On July 4, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e., SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with the DOE on several occasions to craft the best way forward in SC 51. On December 17, 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver to pay the outstanding financial obligation of Otto Energy, as executed in the Deed of Undertaking, given that the aforementioned conditions were not met. The matter is still being evaluated by the DOE and the aforementioned requests are pending as at March 21, 2019.

In 2018, the Group recognized full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32,665,864 due to the relinquishment of PHINMA Petroleum's participating interest.

b. SC 6 (Northwest Palawan)

Block A

Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

The partners for SC 6 Block A approved the conduct of a new 500-sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry the Parent Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).



Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block by December 31, 2014. By December 31, 2014, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.

The Parent Company's interest reverted to 7.78% from 2.334% following the withdrawal of Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

On August 28, 2015, the consortium completed its work program consisting of geological and geophysical evaluation.

On November 3, 2015, the DOE approved the 2016 work program consisting of specialized geophysical studies. The pertinent geophysical program commenced in November 2015 and was completed by December 31, 2016.

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE. The work program of advanced seismic data reprocessing and quantitative seismic inversion study was completed in December 2017. The studies yielded significant improvement in the imaging of complex and deeper geological structures.

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the Partners have approved and the Operator, Philodrill Corporation (Philodrill), submitted to the DOE the proposed 2019 SC 6A Work Program and Budget amounting to US\$314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on January 23, 2019.

No impairment was recognized for SC 6 Block A as the Group believes that the related deferred exploration costs are still recoverable.

Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. ("Farminees") exercised their option to acquire 70% participating interest of the SC 6 Block B consortium, which includes PHINMA Petroleum ("Farmors").

Under the Farm-in Agreement, the Farminees were supposed to shoulder all the Farmors' share of exploration and development expenditures in the Block up to the production of first oil.

The DOE denied the applications for the transfer of participating interests to the Farminees and transfer of operatorship due to failure of the Farminees to comply with DOE requirements. Under the Farm-in Agreement, the Farminees would have been eligible to earn a combined 70%



of the participating interest of the farming out parties. On August 7, 2013, the DOE directed the original Operator, Philodrill, to submit a new and comprehensive work program and budget of exploration activities over the Block.

On September 13, 2013, the DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. The pertinent geological and geophysical program commenced in October 2013 and was completed in January 2014.

The consortium formulated a work program for the next five years of the extension period which started on March 1, 2014. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US\$724,000. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

PHINMA Petroleum holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

On February 20, 2017, the Group gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle the Group for a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be valued upon establishment of the commercial viability of the project.

In 2017, the Group recognized full provision for probable loss on deferred exploration costs pertaining to SC 6B amounting to ₱4,892,178 due to the Group's relinquishment of its participating interest, but not the carried interest, to its partners.

On April 12, 2018, the transfer of participating interest from PHINMA Petroleum to SC6 Block B continuing parties was approved by the DOE.

c. SC 69 (Camotes Sea)

Interpretation of the 229-square kilometers (sq. km.) 3D seismic data acquired in June 2011 generated three drillable prospects.

The DOE granted the consortium's request for a nine-month extension of Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of Sub-Phase 3 to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to PHINMA Petroleum that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9%



participating interest in SC 69 to PHINMA Petroleum pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified PHINMA Petroleum and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 on October 4, 2013. PHINMA Petroleum and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which started on November 7, 2013. An additional extension of the contract term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.

Following DOE approval of the assignment of Otto Philippines' interests to PHINMA Petroleum and Frontier Gasfields on October 14, 2014, the Group's participating interest in SC 69 was adjusted from the current 6% to 50%.

On March 17, 2014, PHINMA Petroleum and Frontier Gasfields jointly requested the DOE an extension of the term of SC 69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2014 to enable the remaining parties to proceed with planned exploration activities and PHINMA Petroleum was designated as Operator of SC 69.

On April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

On June 30, 2016, PHINMA Petroleum signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated August 18, 2016 informed PHINMA Petroleum that it could not proceed with the leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure.

As at December 29, 2017, the DOE approved the request for extension due to Force Majeure, effective until November 7, 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible. The aforementioned request is still pending with the DOE as at March 21, 2019.

In 2018, the Group recognized full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15,596,930 due to the relinquishment of PHINMA Petroleum's participating interest.

d. SC 50 (Northwest Palawan)

In 2013, PHINMA Petroleum commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for the Group's acquisition of 10% participating interest in SC 50.



Subject to execution of said Farm-in Agreement, PHINMA Petroleum has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's planned initial public offering. On September 1, 2014, the Parent Company made advance payment to Frontier Oil amounting to ₱20,000,000 pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil dated August 22, 2014 subject to execution of a Farm-in Agreement and Loan Agreement among the parties not later than 30 days from date of execution of the MOA. The advances are due 24 months after the release of the funds. In the event a Loan Agreement for ₱136,000,000 is signed between the Group and Frontier Oil, the advances shall be considered as initial drawdown on the Loan.

On October 16, 2014, PHINMA Petroleum signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

Frontier Oil, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium.

On October 5, 2015, the DOE denied the Operator's request and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the advances to Frontier Oil amounting to ₱20,000,000 was fully provided with an allowance for credit losses account (see Note 6) and the deferred exploration costs amounting to ₱11,719,085 was fully provided with an allowance for impairment, due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure.

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. A subsequent letter was sent to the DOE, dated December 14, 2016, requesting for reconsideration of the termination of SC 50.

As at March 21, 2019, approval of the assignment of 10% participating interest in SC 50 to PHINMA Petroleum remains pending with the DOE.

e. SC 55 (Southwest Palawan)

On May 2, 2012, the DOE approved a twelve-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation (BHP Billiton), the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well. The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Palawan55's 6.82% participating interest will be carried in the drilling cost of two (2) wells in the block under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy [formerly "NorAsian Energy Ltd."] and an Agreement with NorAsian Energy Ltd. dated February 3, 2011.

In May 2013, BHP Billiton filed a Notice of Force Majeure under SC 55 with the DOE in order to preserve the term of the current exploration sub-phase that requires the drilling of one



exploratory well. It is deemed that the Force Majeure event commenced on September 7, 2012, at which time the endorsement of the Sangguniang Panlalawigan of the province of Palawan and the Strategic Environmental Plan (SEP) Clearance from the PCSD would have been released in the ordinary course of business.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco-1 drilling to the PCSD. The PCSD approved the issuance of the SEP clearance for the drilling of Cinco-1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. The SEP was issued by the PCSD and signed by all parties in October 2013.

BHP Billiton requested from the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farm-out Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. The DOE approved the transfer of the 60% participating interest of BHP Billiton to Otto Energy Philippines, Inc. and the transfer of Operatorship to Otto Energy. The approval formalized the exit of BHP Billiton in SC 55. Otto Energy submitted a revised work program to the DOE focused on the drilling of an ultra deepwater prospect and commenced a farm-out campaign. The new work program was subsequently approved by the DOE. On April 29, 2014, the DOE extended the term of Sub-Phase 4 to December 23, 2014. Otto Energy commenced preparations for exploratory drilling.

On October 15, 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to December 23, 2015. The requested extension was approved by the DOE on November 7, 2014.

On July 31, 2015, Otto Energy commenced drilling of the Hawkeye-1 exploratory well and on August 17, 2015 completed the drilling to a total depth of 2,920 meters. The well discovered gas, which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

On December 22, 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospect of the area.

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rata, post-adjustment share (37.50%) amounting to US\$64,613 of Otto Energy's outstanding training fund obligation of US\$172,300 in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.



On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to its Partners, Palawan55, Century Red and Pryce Gases, Inc. The Moratorium Period until April 26, 2019 was also approved with a budget of US\$478,750 for 3D seismic reprocessing and Quantitative Inversion Study.

On August 23, 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Services Contract to a third party. The Notice to Proceed was issued on September 10, 2018. Said work program is currently ongoing.

On November 19, 2018, Palawan55 requested for an extension of the SC 55 Moratorium Period up to December 31, 2019 due to the fact that the Quantitative Interpretation Study and Resource Assessment will only be completed after April 2019. The DOE acknowledged the receipt of this request from Palawan55 on November 23, 2018. The said request is still pending approval as at March 21, 2019.

In December 2018, a third party Partner in the consortium advanced its payment for its share in the 2019 work program amounting to US\$69,669 or ₱3,663,170. This shall be applied to the third party's share in the subsequent expenditure of SC 55 (see Note 9).

In 2018, Palawan55 accrued its share in the training obligations for SC55 payable to DOE amounting to ₱3,489,075 (see Note 9).

Palawan55's 6.82% participating interest in SC 55 was adjusted to 37.50% upon the DOE's approval of the withdrawal of Otto Energy.

No impairment was recognized for SC 55 as the Group believes that the related deferred exploration costs are still recoverable.

9. Accounts Payable and Other Current Liabilities

This account consists of:

	2018	2017
Accounts payable	₱1,096,177	₱335,115
Accrued expenses	4,852,037	183,478
Due to:		
Third party	3,663,170	—
Employees	166,888	616,265
Related parties (see Note 10)	32,481	27,062
Withholding taxes	70,077	351,009
Others	7,907	23,700
	₱9,888,737	₱1,536,629

Accounts payable and other current liabilities, other than accrued expenses and due to third party, are noninterest-bearing and are settled on 30 to 60-day terms.

Accrued expenses include accrual for professional fees and training obligations for SC55 payable to the DOE (see Note 8). Accrual for professional fee are noninterest-bearing and are settled on 30 to 60-day terms. Training obligations for SC55 payable to the DOE are due and demandable.



Accounts payable are trade payables to suppliers and service providers.

Due to a third party is an advance payment from a partner in the consortium to be applied to SC55's 2019 work program (see Note 8).

Due to employees refer to tax refund.

10. Related Party Transactions

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables.

The transactions and balances of accounts as at and for the years ended December 31, 2018, 2017 and 2016 with related parties are as follows:

Company	As at and for the Year Ended December 31, 2018					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<i>Ultimate Parent Company</i>						
PHINMA, Inc.						
Accounts payable and other current liabilities	₱262,645	Share in expenses	₱-	₱29,445	30–60 day terms; noninterest-bearing	Unsecured
<i>Parent Company</i>						
PHINMA Energy						
Others	140,724	Purchase of U.S. dollars	–	–	30–60 day terms; noninterest-bearing	Unsecured
<i>Entity Under Common Control</i>						
PHINMA Corporation						
Accounts payable and other current liabilities	54,038	Share in expenses	–	3,036	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.						
Accounts payable and other current liabilities	2,459	Insurance expense	–	–	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 9)			₱-	₱32,481		



Company	2016	As at and for the Year Ended December 31, 2017					
	Amount/ Volume	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Ultimate Parent Company							
PHINMA, Inc.							
Accounts payable and other current liabilities	₱56,074	₱165,787	Share in expenses	₱-	₱24,026	30-60 day terms; noninterest-bearing	Unsecured
Parent Company							
PHINMA Energy							
Accounts payable and other current liabilities	141,143	663,643	Accommodation	-	-	30-60 day terms; noninterest-bearing	Unsecured
Others	373,425	543,879	Purchase of U.S. dollars	-	-	30-60 day terms; noninterest-bearing	Unsecured
Entity Under Common Control							
PHINMA Corporation							
Accounts payable and other current liabilities	₱54,229	₱48,118	Share in expenses	-	3,036	30-60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.							
Accounts payable and other current liabilities	-	2,209	Insurance expense	-	-	30-60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 9)				₱-	₱27,062		

PHINMA, Inc.

The Parent Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, and other business activities. Under the existing agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income. On February 23, 2016, the Parent Company's BOD approved the suspension of the management contract for 2016, which remained effective as at March 21, 2019. PHINMA, Inc. also bills the Group for its share in expenses.

PHINMA Energy

The Group purchased U.S. dollars to pay various expenses through PHINMA Energy's banking facilities and accommodation of expenses.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Group for its share in expenses.

T-O Insurance

T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Group insures its properties through T-O Insurance.



Compensation of Key Management Personnel

Compensation of key management personnel of the Group are as follows:

	2018	2017	2016
Short-term employee benefits	₱3,216,688	₱3,346,688	₱3,586,188
Post-employment benefits	-	-	-
	₱3,216,688	₱3,346,688	₱3,586,188

11. Capital Stock

Following are the details of the Parent Company's capital stock as at December 31, 2018 and 2017:

	Number of Shares
Authorized - ₱1 par value	1,000,000,000
Issued and outstanding - ₱1 par value	250,000,000

The issued and outstanding shares as at December 31, 2018 and 2017 are held by 2,926 and 2,941 equity holders, respectively.

12. Income Taxes

- a. The Group's provision for current tax amounting to ₱3,754 in 2016 pertains to MCIT. There was no provision for current tax in 2018 and 2017 both under RCIT and MCIT.
- b. The reconciliation of the Group's provision for (benefit from) income tax using the statutory tax rate is as follows:

	2018	2017	2016
Benefit from income tax at statutory tax rate	(₱20,503,181)	(₱4,091,653)	(₱12,020,824)
Tax effects of:			
Movement in deductible temporary differences, NOLCO and MCIT for which no deferred tax assets were recognized	20,551,183	4,111,141	12,422,878
Nondeductible expenses	264,238	-	-
Realized gains on changes in fair value of investments held for trading	(21,979)	(139,102)	(21,631)
Interest income subject to final tax	(17,697)	(4,431)	(3,349)
Effect of difference in tax rates	(96,482)	(4,280)	(130,504)
	₱176,082	(₱128,325)	₱246,570

- c. The Group recognized provision for deferred tax amounting to ₱176,082 and ₱246,570 in 2018 and 2016, respectively and benefit from deferred tax amounting to ₱128,325 in 2017.
- d. Deferred tax liability amounting to ₱287,133 and ₱111,051 as at December 31, 2018 and 2017, respectively, relate to unrealized gain on changes in fair value of investments held for trading and unrealized gain on foreign exchange translation.



- e. As at December 31, 2018 and 2017, deferred tax assets related to the following temporary differences, NOLCO and MCIT were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow deferred tax assets to be utilized.

	2018	2017
Provision for:		
Probable losses (see Note 8)	₱64,874,057	₱16,611,263
Credit losses (see Note 6)	20,000,000	20,000,000
NOLCO	39,255,480	30,425,800
MCIT	3,754	3,754
Unrealized foreign exchange loss	19,465	1,970

Unrecognized deferred tax assets amounted to ₱37,248,455 and ₱20,115,464 as at December 31, 2018 and 2017.

- f. The details of the Group's MCIT and NOLCO as at December 31, 2018 and 2017 are as follows:

Year Incurred	Available Until	NOLCO		MCIT	
		2018	2017	2018	2017
2018	2021	₱20,765,862	₱-	₱-	₱-
2017	2020	8,813,592	8,813,592	-	-
2016	2019	9,676,026	9,676,026	3,754	3,754
2015	2018	-	11,936,182	-	-
		₱39,255,480	₱30,425,800	₱3,754	₱3,754

The movements in NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2018	2017	2018	2017
Beginning balances	₱30,425,800	₱36,110,803	₱3,754	₱3,775
Additions	20,765,862	8,813,592	-	-
Expirations	(11,936,182)	(14,498,595)	-	(21)
Ending balances	₱39,255,480	₱30,425,800	₱3,754	₱3,754

- g. Impact of Tax Reform for Acceleration and Inclusion Act (TRAIN)

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



13. Basic/Diluted Loss Per Share

Basic/diluted loss per share is computed as follows:

	2018	2017	2016
(a) Net loss attributable to equity holders of the Parent Company	₱66,838,225	₱13,499,111	₱40,310,205
(b) Weighted average number of common shares outstanding	250,000,000	250,000,000	250,000,000
Basic/diluted loss per share (a/b)	₱0.267	₱0.054	₱0.161

As at December 31, 2018, 2017 and 2016, the Group does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted loss per share is the same as basic loss per share.

14. Material Partly-Owned Subsidiary

Financial information of Palawan55 is provided below:

	2018	2017
Equity interest held by NCI	30.65%	30.65%
Accumulated balances of NCI	₱716,577	₱2,398,372
Net loss for the year allocated to NCI	1,681,795	11,407

The summarized financial information of Palawan55 is provided below.

Statements of Comprehensive Income

	2018	2017	2016
Income	₱34,986	₱12,757	₱8,968
Expenses	5,516,429	49,974	27,821
Provision for deferred tax	5,839	-	-
Total comprehensive loss	₱5,487,282	₱37,217	₱18,853
Attributable to NCI	₱1,681,795	₱11,407	₱5,778

Statements of Financial Position

	2018	2017
Total current assets	₱5,777,044	₱2,151,469
Total noncurrent assets	6,815,985	5,713,210
Total current liabilities	(10,254,963)	(39,331)
Total equity	₱2,338,066	₱7,825,348
Attributable to equity holders of the Parent Company	₱1,621,489	₱5,426,976
NCI	₱716,577	₱2,398,372



Cash Flow Information

	2018	2017	2016
Net cash flows provided by (used in):			
Operating activities	₱2,757,451	(₱39,385)	(₱38,624)
Investing activities	(1,102,775)	–	–
Financing activity	1,950,000	–	–

There were no dividends paid to NCI in 2018, 2017 and 2016.

15. Financial Risk Management Objectives and Policies and Fair Value

The PHINMA Treasury Group manages the funds of the Group and invests in short-term deposits, marketable instruments, and mutual and trust funds denominated in Peso and U.S. dollar (US\$). It is responsible for the sound and prudent management of the Group's financial assets that finance the Group's operations and investments in enterprises.

The main risks arising from the Group's financial instruments is credit risk. The BOD reviews and approves policies for managing credit risk, foreign currency risk and market risk.

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Group. An Investment Committee, which comprises some of the Group's BOD, reviews and approves policies, controls and strategies for investments and risk management.

Basic investment policies as approved by the Investment Committee are:

- Safety of principal
- Duration of investment must be consistent with the respective company's investment horizon based on needs as approved by the Investment Committee
- Exposure limits:
 - For banks or fund managers: maximum 20% of total fund of each company per bank or fund
 - For Peso investments: minimal corporate exposure except for registered bonds for non-affiliates
 - Limits on third currencies outside US\$, equities and offshore investments are set regularly and reviewed at least once a year by the Investment Committee
 - For total foreign currencies: maximum 50% of total portfolio

Credit Risk

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The Group has assessed the credit quality of cash and cash equivalents and investments held for trading as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.



With respect to credit risk arising from the receivables of the Group, the Group's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2018					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	₱-	₱-	₱-	₱31,863	₱-	₱31,863
Due from third party	-	-	-	-	20,000,000	20,000,000
Accrued interest receivable	-	-	3,826	-	-	3,826
	₱-	₱-	₱3,826	₱31,863	₱20,000,000	₱20,035,689

	2017					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	₱-	₱-	₱-	₱30,258	₱-	₱30,258
Due from third party	-	-	-	-	20,000,000	20,000,000
Accrued interest receivable	-	-	2,392	-	-	2,392
	₱-	₱-	₱2,392	₱30,258	₱20,000,000	₱20,032,650

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

Maximum exposure to credit risk of financial assets not subject to impairment

The gross carrying amount of financial assets not subject to impairment also represents the Group's maximum exposure to credit risk, as follows:

	2018	2017
<i>Financial Assets at FVTPL (Portfolio 1)</i>		
Investments held for trading	₱57,584,369	₱77,519,176

Maximum exposure to credit risk of financial assets subject to impairment

The gross carrying amount of financial assets subject to impairment are as follows:

	2018	2017
<i>Financial Assets at Amortized Cost (Portfolio 2)</i>		
Cash and cash equivalents	₱9,863,588	₱3,271,882
Under 'Receivable'		
Trade receivables	31,863	30,258
Due from third party	20,000,000	20,000,000
Accrued interest receivable	3,826	2,392
	₱29,899,277	₱23,304,532



The Group's maximum exposure to credit risk are as follows:

Grade	2018				2017	
	12-month	Lifetime ECL			Total	Total
	Stage 1	Stage 2	Stage 3	Simplified Approach		
High	₱9,863,588	₱-	₱-	₱-	₱9,863,588	₱3,271,882
Standard	-	-	-	-	-	-
Substandard	-	-	-	35,689	35,689	32,650
Default	-	-	20,000,000	-	20,000,000	20,000,000
Gross carrying amount	9,863,588	-	20,000,000	35,689	29,899,277	23,304,532
Less loss allowance	-	-	20,000,000	-	20,000,000	20,000,000
Carrying amount	₱9,863,588	₱-	₱-	₱35,689	₱9,899,277	₱3,304,532

Write-off Policy

Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rate and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts;
- "Red Lines" are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the PHINMA Group Treasury uses as guides whether to buy, hold or sell bonds as approved by the PHINMA Group Investment Committee or, in cases of high volatility, by the PHINMA Group Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

The Group's exposure to market risk is minimal. The underlying financial instruments in the Group's investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.

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 had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. The Group's financial instruments denominated in US\$ as at December 31, 2018 and 2017 are as follows;

	2018		2017	
	In US\$	In Philippine Peso	In US\$	In Philippine Peso
<i>Financial Assets</i>				
Cash and cash equivalents	US\$71,253.0	₱3,746,483	US\$2,282.0	₱113,940
Trade receivable under 'Receivables'	606.0	31,863	606.0	30,258
	71,859.0	3,778,346	2,888.0	144,198
<i>Financial Liability</i>				
Due to third party under 'Accounts payable and other current liabilities'	69,668.5	3,663,170	-	-
	US\$2,190.5	₱115,176	US\$2,888.0	₱144,198

Exchange rates used were ₱52.58 to \$1.00 and ₱49.93 to \$1.00 as at December 31, 2018 and 2017, respectively.

Management has determined that the volume of foreign currency-denominated transactions is not significant to the Group and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2018, 2017 and 2016.

Capital includes all the items appearing in the equity section of the Group's consolidated statements of financial position totaling to ₱86,812,182 and ₱155,332,202 as at December 31, 2018 and 2017, respectively.

Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments, except for those whose fair values approximate their carrying values:

	2018			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVTPL -				
Investments held for trading	₱57,584,369	₱-	₱57,584,369	₱-



	2017			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVTPL -				
Investments held for trading	₱77,519,176	₱-	₱77,519,176	₱-

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables). Due to the short-term nature of these balances, the fair values approximate the carrying values as at reporting date.

Investments Held for Trading. Net asset value per unit has been used to determine the fair values of investments held for trading.

In 2018 and 2017, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments

There were no offsetting of financial instruments as at December 31, 2018 and 2017.

16. Segment Information

The Group has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. The Group is planning to expand its operations to include geothermal exploration and development; however, there are no activities undertaken under this segment during the year and all activities reported pertains to oil and gas exploration. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment.

Capital expenditures in 2018 and 2017 were as follows:

	2018	2017
Deferred exploration cost (Note 8)	₱1,541,513	₱943,484
Property and equipment (Note 7)	29,700	-
	₱1,571,213	₱943,484

As at March 21, 2019, the Group has not started commercial operations and has not reported revenue or gross profit. The total assets of the segment amounting to ₱96,988,052 and ₱156,979,882 and liabilities amounting to ₱10,175,870 and ₱1,647,680 as at December 31, 2018 and 2017, respectively, are the same as that reported in the consolidated statements of financial position.



17. Events After the Reporting Period

Sale of PHINMA Energy's Interest

On February 7, 2019, PHINMA Inc., PHINMA Corporation and AC Energy Corporation (AC Energy) signed an investment agreement for AC Energy's acquisition of the PHINMA Group's 51.476% stake in PHINMA Energy via a secondary share sale through the Philippine Stock Exchange at a price of ₱1.36 per share subject to adjustments. This transaction is subject to regulatory approval and mandatory tender offer. PHINMA Corporation will sell 1,283,422,198 shares while PHINMA, Inc. will sell 1,233,642,502 shares to AC Energy. As part of the agreement, AC Energy will also subscribe to 2,632,000,000 shares of PHINMA Energy at par value of ₱1.00 per share on closing date.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
PHINMA Petroleum and Geothermal, Inc.
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Petroleum and Geothermal, Inc. and its subsidiary, as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated March 21, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui
Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 7332528, January 3, 2019, Makati City

March 21, 2019



PHINMA PETROLEUM AND GEOTHERMAL, INC. AND SUBSIDIARY
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Attachment 1

PHINMA PETROLEUM AND GEOTHERMAL, INC.
 Schedule A. Financial Assets
 December 31, 2018

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shows in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Investment in Treasury Bills	P -	P -	P -	P -
Investment in Unit Investment Trust Fund and Money Market Fund (UITF & MMF)				
Banco De Oro	15,820,000	15,857,499	15,857,499	37,499
Rizal Commercial Banking Corp.	200,000	212,027	212,027	12,027
Security Bank Corporation	40,165,166	41,514,844	41,514,844	1,349,678
	56,185,166	57,584,369	57,584,369	1,399,203
Loans and Receivables				
Cash and Cash Equivalents		9,863,588	9,863,588	-
Short-term investments		57,584,369	57,584,369	-
Trade and Other Receivables		35,689	35,689	-
		67,483,646	67,483,646	-
		P 125,068,015	P 125,068,015	P 1,399,203

Attachment I

PHINMA PETROLEUM AND GEOTHERMAL, INC.

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2018**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			

Not Applicable: The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2018 equal or above the established threshold of the Rule.

Attachment I -

PHINMA PETROLEUM AND GEOTHERMAL, INC.

Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Palawan55 Exploration and Petroleum Corporation	-	P 1,950,000	(P -)	-	P 1,950,000	-	1,950,000
	P -	P 1,950,000	(P -)	P -	P 1,950,000	P -	P 1,950,000

Attachment I

PHINMA PETROLEUM AND GEOTHERMAL, INC.
Schedule D. Intangible Assets - Other Assets
December 31, 2018

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes-Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
Oil exploration and development costs:						
Service Contract (SC) No. 6	P 27,021,569	P 438,738	P -	P -	P -	P 27,460,307
SC 51	32,665,864	-	-	-	-	32,665,864
SC 55	5,713,210	1,102,775	-	-	-	6,815,985
SC 69	15,596,930	-	-	-	-	15,596,930
SC 50	11,719,085	-	-	-	-	11,719,085
	92,716,658	1,541,513	-	-	-	94,258,171
Allowance for probable losses	(16,611,263)		(48,262,794)			(64,874,057)
Total deferred exploration cost	76,105,395	1,541,513	(48,262,794)			29,384,114
	P 76,105,395	P 1,541,513	P (48,262,794)	P -	(P -)	P 29,384,114

Attachment I

PHINMA PETROLEUM AND GEOTHERMAL, INC.
Schedule E. Long-Term Debt
December 31, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet	Interest Rate	Periodic Payments	Maturity Date
---------------------------------------	--------------------------------	---	--	---------------	-------------------	---------------

Not Applicable: The Company has no long-term indebtedness as at December 31, 2018.

Attachment I

PHINMA PETROLEUM AND GEOTHERMAL, INC.

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

December 31, 2018

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not Applicable: The Company has no indebtedness to related parties as at December 31, 2018.		

Attachment I

PHINMA PETROLEUM AND GEOTHERMAL, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
Not Applicable: The Company has no guarantees of securities of other issuers as at December 31, 2018.				

PHINMA PETROELUM AND GEOTHERMAL, INC.
Schedule H. Capital Stock
December 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common stock	1,000,000,000	250,000,000	-	191,387,255	3,415,160	55,197,585

PHINMA PETROLEUM AND GEOTHERMAL, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS

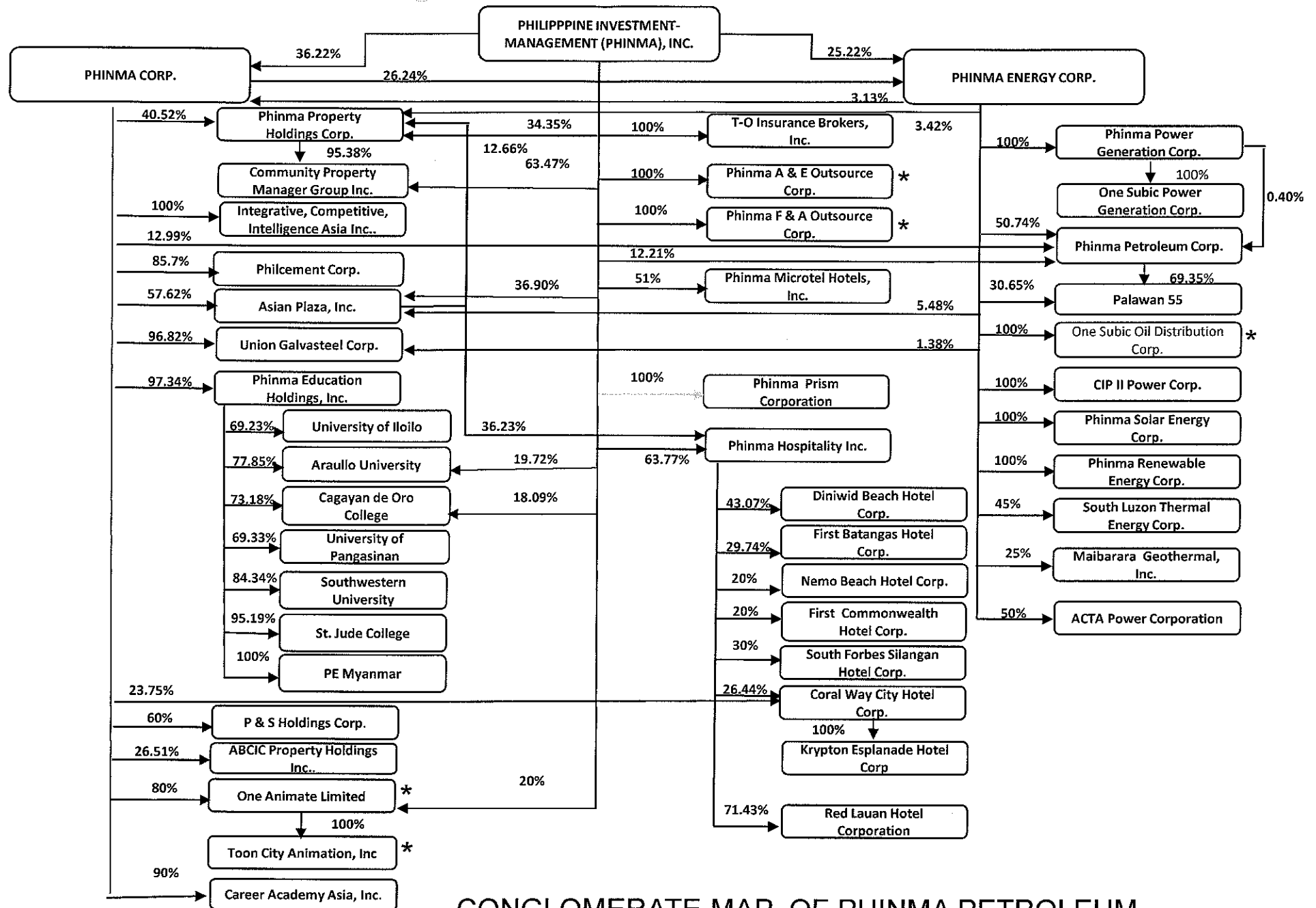
AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2018

Deficit as adjusted to amount available for dividend declaration, beginning	₱(95,558,064)
Add: Non-actual/unrealized income net of tax	
Net loss based on the annual financial statements	(63,032,737)
- Unrealized fair value gains on financial assets at FVTPL	(1,399,104)
- Increase in deferred tax liability	(170,243)
Net loss actually incurred during the period	(64,602,084)
Deficit, ending	₱(160,160,148)

FINANCIAL HIGHLIGHTS

Key Performance Indicator	Formula	2018	2017	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets	6.83	52.63	-45.80	-87%
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	6.83	52.62	-45.78	-87%
	Current liabilities				
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.12	0.01	0.11	1005%
	Total equity				
Asset-to-equity ratio	Total assets	1.12	1.01	0.11	11%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
Profitability Ratios					
Return on equity	Net income after tax	-56.64%	-8.34%	-48.30%	58%
	Average stockholders' equity				
Return on assets	Net income after taxes	-54.01%	-8.28%	-45.73%	-55%
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				



CONGLOMERATE MAP OF PHINMA PETROLEUM
as of December 31, 2018

**PHINMA PETROLEUM GEOTHERMAL, INC.
AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE
STANDARDS AND INTERPRETATIONS
REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			X
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			X
PFRS 3	Business Combinations			X
PFRS 4	Insurance Contracts			X
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		
PFRS 7	Financial Instruments: Disclosures	X		
PFRS 8	Operating Segments	X		
PFRS 9	Financial Instruments	X		
PFRS 10	Consolidated Financial Statements	X		
PFRS 11	Joint Arrangements	X		
PFRS 12	Disclosure of Interests in Other Entities	X		
PFRS 13	Fair Value Measurement	X		
PFRS 14	Regulatory Deferral Accounts			X
PFRS 15	Revenue from Contracts with Customers	X		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	X		
PAS 2	Inventories			X
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 12	Income Taxes	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	X		
PAS 17	Leases			X
PAS 19	Employee Benefits			X
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
PAS 23	Borrowing Costs			X
PAS 24	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27	Separate Financial Statements	X		
PAS 28	Investments in Associates and Joint Ventures			X
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			X
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 32	Financial Instruments: Presentation	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
PAS 36	Impairment of Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
PAS 39	Financial Instruments: Recognition and Measurement	X		
PAS 40	Investment Property			X
	Amendments to PAS 40, Transfers of Investment Property			X
PAS 41	Agriculture			X
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			X
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			X
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			X
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	X		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			X
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			X
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			X
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			X
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			X
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			X
Philippine Interpretation IFRIC-21	Levies			X
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			X
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			X
Philippine Interpretation SIC-15	Operating Leases—Incentives			X
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			X
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			X
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			X
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			X

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	-	8	8	1	1
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COMPANY NAME

P	H	I	N	M	A		P	E	T	R	O	L	E	U	M		A	N	D		G	E	O	T	H	E	R	M	A
L	,		I	N	C	.																							

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

L	E	V	E	L		1	1	,		P	H	I	N	M	A		P	L	A	Z	A	,		3	9		P	L	A
Z	A		D	R	I	V	E	,		R	O	C	K	W	E	L	L		C	E	N	T	E	R	,		M	A	K
A	T	I		C	I	T	Y																						

Form Type
A A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address www.transasia-energy.com	Company's Telephone Number 8700-100	Mobile Number
No. of Stockholders 2,926	Annual Meeting (Month / Day) 04/12	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Mariejo P. Bautista	Email Address mpbautista@phinma.com.ph	Telephone Number/s 8700-100	Mobile Number
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CONTACT PERSON'S ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days **from** the occurrence thereof with information and complete contact details of the new contact person designated.

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





SECURITIES & EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, 1307 Pasay City

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of PHINMA Petroleum and Geothermal, Inc. formerly Trans-Asia Petroleum Corporation (the "Company") is responsible for the preparation and fair presentation of the parent company financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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



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

The Board of Directors reviews and approves the parent company financial statements including the schedules attached therein, and submits the same to the Stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the parent financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed their opinion on the fairness of presentation upon completion of such audit.


RAMON R. DEL ROSARIO, JR.
Chairman of the Board


FRANCISCO L. VIRAY
President and Chief
Executive Officer


PYTHAGORAS L. BRION, JR.
EVP Treasurer and
Chief Financial Officer 

Signed this 18th day of March 2019

(Page 2 of Statement of Management's
Responsibility for Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this APR 12 2019 affiant(s)
exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon R. Del Rosario, Jr.	P5770713A	25 January 2018	Manila
Francisco L. Viray	EC3546900	27 Feb 2015	NCR East
Pythagoras L. Brion, Jr.	P3455624A	22 June 2017	NCR East

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Page No. 32
Book No. 110
Series of 19

ATTY. JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment # M-82 until 12/31/2019
PTR No. 7333096-Jan 3, 2019, Makati City
Roll No. 45790, IBP Lifetime Roll #04897
MCLE No. VI-0016565/Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PHINMA Petroleum and Geothermal, Inc.
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of PHINMA Petroleum and Geothermal, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PHINMA Petroleum and Geothermal, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 7332528, January 3, 2019, Makati City

March 21, 2019

APR 15 2019



PHINMA PETROLEUM AND GEOTHERMAL, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱4,090,370	₱1,122,805
Investments held for trading (Note 5)	57,584,369	77,519,176
Receivables (Note 6)	2,041,564	56,638
Prepaid expenses	37,078	24,399
Total Current Assets	63,753,381	78,723,018
Noncurrent Assets		
Property and equipment (Note 7)	23,512	-
Investment in a subsidiary (Note 8)	6,935,103	6,935,103
Deferred exploration costs (Note 9)	22,568,129	70,392,185
Total Noncurrent Assets	29,526,744	77,327,288
TOTAL ASSETS	₱93,280,125	₱156,050,306
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	₱1,589,632	₱1,497,319
Noncurrent Liability		
Deferred tax liability (Note 13)	281,294	111,051
Total Liabilities	1,870,926	1,608,370
Equity		
Capital stock (Note 12)	250,000,000	250,000,000
Deficit	(158,590,801)	(95,558,064)
Total Equity	91,409,199	154,441,936
TOTAL LIABILITIES AND EQUITY	₱93,280,125	₱156,050,306

See accompanying Notes to Parent Company Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
EXPENSES		
Provision for probable losses (Note 9)	₱48,262,794	₱4,892,178
Professional fees	8,824,727	2,590,204
Employee costs	2,947,468	5,067,585
Filing and registration fees	1,259,555	264,887
Supplies	889,464	754,895
Transportation	759,744	193,695
Meetings	228,151	230,405
Utilities	42,812	375,422
Insurance	22,689	18,705
Taxes and licenses	13,132	12,314
Depreciation (Note 7)	6,188	84,578
Others	1,149,464	365,653
	64,406,188	14,850,521
OTHER INCOME		
Net gains on changes in fair value of investments held for trading (Note 5)	1,508,999	1,239,682
Interest income (Note 4)	24,004	2,013
Foreign exchange gain - net	10,691	7,200
	1,543,694	1,248,895
LOSS BEFORE INCOME TAX	62,862,494	13,601,626
PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX (Note 13)	170,243	(128,325)
NET LOSS	63,032,737	13,473,301
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	₱63,032,737	₱13,473,301

See accompanying Notes to Parent Company Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock (Note 12)	Deficit	Total
BALANCES AT JANUARY 1, 2017	₱250,000,000	(₱82,084,763)	₱167,915,237
Total comprehensive loss/ net loss for the year	–	(13,473,301)	(13,473,301)
BALANCES AT DECEMBER 31, 2017	250,000,000	(95,558,064)	154,441,936
Total comprehensive loss/ net loss for the year	–	(63,032,737)	(63,032,737)
BALANCES AT DECEMBER 31, 2018	₱250,000,000	(₱158,590,801)	₱91,409,199

See accompanying Notes to Parent Company Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱62,862,494)	(₱13,601,626)
Adjustments for:		
Provision for probable losses (Note 9)	48,262,794	4,892,178
Net gains on changes in fair value of investments held for trading (Note 5)	(1,508,999)	(1,239,682)
Interest income (Note 4)	(24,004)	(2,013)
Depreciation (Note 7)	6,188	84,578
Unrealized foreign exchange gain - net	(4,912)	(7,387)
Operating loss before working capital changes	(16,131,427)	(9,873,952)
Decrease (increase) in:		
Receivables	(33,321)	146,566
Prepaid expenses	(12,679)	58,443
Increase in accounts payable and other current liabilities	92,313	763,702
Cash used in operations	(16,085,114)	(8,905,241)
Interest received	24,004	2,013
Net cash used in operating activities	(16,061,110)	(8,903,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of investments held for trading	31,627,958	144,749,517
Advances to related party	(1,950,000)	-
Additions to:		
Investments held for trading	(10,184,152)	(135,351,578)
Deferred exploration costs (Note 9)	(438,738)	(943,484)
Property and equipment (Note 7)	(29,700)	-
Net cash from investing activities	19,025,368	8,454,455
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,964,258	(448,773)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,307	7,387
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,122,805	1,564,191
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱4,090,370	₱1,122,805
NON-CASH ACTIVITIES		
Depreciation capitalized as part of deferred exploration costs (Note 9)	₱-	₱19,162

See accompanying Notes to Parent Company Financial Statements.



PHINMA PETROLEUM AND GEOTHERMAL, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

PHINMA Petroleum and Geothermal, Inc. (the Company) was incorporated on September 28, 1994 in the Philippines to engage in oil and gas exploration, development and production. The Company is domiciled in the Philippines.

The Company is 50.74% owned by PHINMA Energy Corporation (PHINMA Energy or the Intermediate Parent Company). The ultimate parent company is Philippine Investment-Management (PHINMA), Inc. PHINMA Energy and PHINMA, Inc. are both incorporated and domiciled in the Philippines. The Company has not started commercial operations yet as at March 21, 2019.

On August 14, 2014, the Philippine Securities and Exchange Commission (SEC) approved the listing of shares of the Company. On August 28, 2014, the Company listed its shares at the Philippine Stock Exchange by way of introduction with “TAPET” as its stock symbol.

On March 3, 2017, the Company’s Board of Directors (BOD) initially approved the amendment of its Articles of Incorporation to change the Company’s corporate name to PHINMA Oil and Geothermal, Inc. and to include in the primary and secondary purposes the exploration and development of geothermal resources. On April 10, 2017, the BOD finally resolved and approved the amendment of the Company’s corporate name to PHINMA Petroleum and Geothermal, Inc. The SEC issued the Certificate of Amended Articles of Incorporation, dated May 31, 2017, while the BIR issued an amended Certificate of Registration, dated June 14, 2017, for the change in the Company’s corporate name.

The registered office address of the Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The parent company financial statements were approved and authorized for issuance by the Company’s BOD on March 21, 2019.

2. Summary of Significant Accounting and Financial Reporting Policies

Statement of Compliance and Basis of Preparation

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements have been prepared on a historical cost basis, except for investments held for trading, which have been measured at fair value. The parent company financial statements are presented in Philippine peso (Peso) which is the Company’s functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

The accompanying parent company financial statements are the Company’s separate financial statements prepared in accordance with Philippine Accounting Standard (PAS) 27, *Separate Financial Statements*. The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with PFRS 10, *Consolidated Financial Statements*. The consolidated financial statements are filed with and may be obtained from the SEC.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless indicated otherwise

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied PFRS 9 using the modified retrospective approach, with the initial application date of January 1, 2018. The Company chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior period will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7, *Financial Instruments: Disclosures*, will be retained for the comparative period. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Company will disclose the accounting policies for both the current period and the comparative period, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.
- As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

Classification and measurement

Under PFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Company's business models was made as at the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.



The new classifications and measurements of the Company's financial assets are as follows:

- *Financial assets at amortized cost* are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company's cash and cash equivalents and receivables (see Notes 4, 6 and 14).
- *Financial assets at FVTPL* pertains to quoted unit investment trust funds (UITFs) instruments which the Company, at initial recognition or transition, classify at FVTPL (see Notes 5 and 14).

There are no changes in the classification and measurement category and the carrying amount of financial assets under PFRS 9 and PAS 39 at the date of initial application. The Company has not designated any financial liabilities as at FVTPL and there are no changes in classification and measurement of the Company's financial liabilities. The accounting policies adopted by the Company in its evaluation of the classification and measurement categories under PFRS 9 are discussed subsequently.

The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as at January 1, 2018 are compared as follows:

	Original Measurement Category Under PAS 39	Original Carrying Amount under PAS 39	New Measurement Category Under PFRS 9	New Carrying Amount under PFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivables at amortized cost	₱1,122,805	Financial assets at amortized cost	₱1,122,805
Receivables	Loans and receivables at amortized cost	30,258	Financial assets at amortized cost	30,258
Investments held for trading	Financial assets at FVTPL	77,519,176	Financial assets at FVTPL	77,519,176
Financial Liabilities				
Accounts payable and other current liabilities	Amortized cost	₱1,146,310	Amortized cost	₱1,146,310

Financial assets under 'Receivables' includes trade receivables, due from third party and due from related party. Financial liabilities under 'accounts payable and other current liabilities' excludes statutory payables.

Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

PFRS 9 requires the Company to record an allowance for ECLs for all financial assets at amortized cost. Under PFRS9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Upon adoption of PFRS 9, there are no changes in the impairment of the Company's financial assets.



- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The adoption of PFRS 15 did not have a significant impact on the parent company financial statements since the Company remains to be non-operating with no outstanding revenue contracts with customers. The Company's main source of income are its interest income from cash and cash equivalents and realized gain from redemption of investments held for trading.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.



- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

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

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



The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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



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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Effective beginning on or after January 1, 2020

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

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

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

The amendments clarify that the previously held interests in that joint operation are not remeasured.



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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



Presentation of Parent Company Financial Statements

The Company has elected to present all items of recognized income and expense in one statement: displaying components of profit or loss and OCI (parent company statements of comprehensive income).

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statements of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents in the parent company statements of financial position comprise cash in banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Company.

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 Company 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 parent company 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 parent company financial statements at fair value on a recurring basis, the Company 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Note 14 to the parent company financial statements.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

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

Financial Assets

Initial Recognition, Classification and Measurement

The Company determines the classification of financial instruments at initial recognition and, where appropriate, re-evaluates this designation at every end of the reporting period. Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not classified as FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets consist of financial assets at FVTPL and loans and receivables under PAS 39.



Subsequent Measurement

a. Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets held for trading are carried in the parent company statements of financial position at fair value with net changes in fair value recognized as “Gains on changes in fair value of investments held for trading” account under “Other income” in the parent company statements of comprehensive income.

The Company has no financial asset designated upon initial recognition at FVTPL.

The Company’s investments in UITFs are classified as financial assets held for trading (see Notes 5 and 14).

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortized cost using the effective interest rate (EIR) method, 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 EIR. The EIR amortization and loss arising from impairment are included in the parent company statements of comprehensive income.

The Company’s cash and cash equivalents and receivables are classified as loans and receivables (see Notes 4 and 6).

The Company has no financial assets classified as HTM investments and AFS financial assets as at December 31, 2017.

Financial Liabilities

Initial Recognition, Classification and Measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as other financial liabilities. Other financial liabilities pertain to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The Company’s financial liabilities consist only of other financial liabilities (see Note 10).

Subsequent Measurement

After initial recognition, other financial liabilities that are interest-bearing are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the EIR amortization process.



The Company's accounts payable and other current liabilities (excluding statutory payables) are classified as other financial liabilities (see Note 10).

Financial Instruments – Classification and Measurement (upon adoption of PFRS 9)

Classification of Financial Assets

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

- financial assets measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

The Company's financial assets are classified at FVTPL and amortized cost as at December 31, 2018 (see Notes 4, 5, 6 and 14).

Contractual Cash Flows Characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Business Model

The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

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

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by



taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the parent company statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in the parent company statement of comprehensive income.

The Company's cash and cash equivalents and receivables are classified as financial assets at amortized cost (see Notes 4 and 6).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in UITFs are classified as financial assets at FVTPL (see Notes 5 and 14).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3, *Business Combinations*.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's accounts payable and other current liabilities (excluding statutory payables) are classified as financial liabilities measured at FVTPL (see Note 10).

Reclassifications of Financial Instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. There was no reclassification of financial instruments upon adoption of PFRS 9.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)

Financial Assets

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

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

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

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



Modification of Contractual Cash Flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial Liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or expired. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Impairment of Financial Assets (prior to adoption to PFRS 9)

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables Carried at Amortized Cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the parent company statement of income. Interest income is recognized in the parent company statement of income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the



impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If a write-off is later recovered, the recovery is recognized in the parent company statement of income.

Impairment of Financial Assets (upon adoption of PFRS 9)

PFRS 9 introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

The Company recognizes ECL for debt instruments that are measured at amortized cost.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowance

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



For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. This primarily pertains to the Company’s cash and cash equivalents.

Determining the Stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Offsetting of Financial Instruments (prior to and upon adoption of PFRS 9)

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Company 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 Company and all of the counterparties.

The Company did not offset any financial instruments in 2018 and 2017.

Prepaid Expenses

Prepaid expenses, which mainly pertain to prepayments on computer software subscription, are expected to be amortized over a period not exceeding twelve months from the reporting date.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in the parent company statement of income as incurred.



Depreciation is calculated on a straight-line basis over the estimated useful lives of 3 to 5 years for its office equipment and miscellaneous assets. The Company's miscellaneous assets pertain to computer software licenses.

The residual values, useful lives and depreciation method of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of comprehensive income when the asset is derecognized.

Foreign Currency Denominated Transactions and Balances

Transactions in foreign currencies are initially recorded by the entities within the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the parent company statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or in the parent company statement of income are also recognized in OCI or in the parent company statement of income, respectively).

Interest in Joint Arrangements

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

Joint Operations. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Company's service contracts (SC) are considered joint operations.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each Service Contract (SC) area. The costs recorded pertain to the Company's share in exploration costs, pro-rated based on participating interest held in each joint agreement for each SC. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for probable losses. These costs are written off against the allowance when the projects are abandoned or determined to be definitely unproductive.



The Company classifies exploration costs as intangible or tangible according to the nature of the assets acquired and apply the classification consistently. Some costs are treated as intangible, whereas others are tangible to the extent that tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset. The Company recognizes its exploration costs as intangible assets.

The deferred exploration costs cease to be classified as intangible asset when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. These costs shall be assessed for impairment, and any impairment loss recognized, before reclassification.

Impairment of Non-Financial Assets

Property and Equipment

The Company assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company 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. The 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.

Impairment losses of continuing operations are recognized in the parent company statement of income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income.

The Company assesses impairment of its property and equipment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Deferred Exploration Costs

Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.



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 Company 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 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;
- When a service contract where the Company has participating interest in is permanently abandoned; 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.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the parent company statement of income.

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Deficit

Deficit represents the cumulative balance of net loss.

Interest Income

Income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.



Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

Deferred Tax. Deferred tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO and MCIT over RCIT can be utilized.

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 re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.



Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current taxes on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment Reporting

The Company'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. Financial information on business segments is presented in Note 15 to the parent company financial statements.

Contingencies

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

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgment and Estimates

The Company's parent company financial statements prepared in accordance with PFRSs require management to make a judgment and estimates that affect the amounts reported in the parent company financial statements and related notes. In preparing the Company's parent company financial statements, management has made its best estimate and judgment of certain amounts, giving due consideration to materiality.

The estimates and judgments used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from such estimates.

Determining and Classifying a Joint Arrangement

Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle; and



- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
 - The legal form of the separate vehicle
 - The terms of the contractual arrangement
 - Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

As at December 31, 2018 and 2017, the Company's SCs are assessed as joint arrangements in the form of joint operations.

Identifying Business Models upon Adoption of PFRS 9

The Company manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities.

The Company's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. The following are the Company's business models:

- *Portfolio 1, Strategic Fund*
Portfolio 1 is classified as fair value through profit or loss with the objective of generating interest income from low-risk investments in liquid assets to maximize returns from the excess funds of the Company. This includes the Company's investments held for trading.
- *Portfolio 2, Operating and Liquidity Fund*
Portfolio 2 is classified as amortized cost with the objective to hold to collect the financial assets to ensure sufficient funding to support operations and project implementation. This includes cash and cash equivalents and trade receivable, due from third party and due from related party under 'Receivables'.

Defining Default and Credit-impaired Financial Assets upon Adoption of PFRS 9

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when one or more events that have occurred and have significant impact on the expected future cash flows of the financial assets. This includes the following observable criteria:

- *Quantitative Criteria*
The borrower is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the Company's definition of default.
- *Qualitative Criteria*
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a. The borrower is experiencing financial difficulty or is insolvent
 - b. The borrower is in breach of financial covenant(s)
 - c. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty
 - d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
 - e. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.



The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Estimates

Impairment of Deferred Exploration Costs

The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management in the impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomical. In the event of impairment, the Company measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The Company recognized impairment loss on its deferred exploration costs amounting to ₱48,262,794 and ₱4,892,178 in 2018 and 2017, respectively, and presented as "Provision for probable losses" under "Expenses" in the parent company statements of comprehensive income. The carrying value of deferred exploration costs amounted to ₱22,568,129 and ₱70,392,185 as at December 31, 2018 and 2017, respectively (see Note 9).

Realizability of Deferred Tax Asset

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 income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets as at December 31, 2018 and 2017 amounted to ₱35,565,247 and ₱19,985,224, respectively (see Note 13).

Estimating Provision for Credit Losses on Receivables (prior to adoption of PFRS 9)

The Company maintains allowance for doubtful accounts based on the results of the individual assessment under PAS 39. Under the individual assessment, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. The methodology and assumptions used for the impairment assessment are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As at December 31, 2018 and 2017, the allowance for credit losses amounted to ₱20,000,000 (see Note 6).

Estimating Provision of Expected Credit Losses on Receivables (upon adoption of PFRS 9)

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.



- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Company leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

Simplified Approach for Trade Receivables

The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

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

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

The carrying values of receivables and the related allowance for credit losses of the Company are disclosed in Note 6. No provision for credit losses was recognized in 2018 and 2017.

As at December 31, 2018 and 2017, the allowance for credit losses on receivables amounted to ₱20,000,000 (see Note 6).

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	₱1,279,733	₱1,122,805
Short-term deposits	2,810,637	–
	₱4,090,370	₱1,122,805

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income on cash and short-term deposits amounted to ₱24,004 and ₱2,013 in 2018 and 2017, respectively.



5. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱57,584,369 and ₱77,519,176 as at December 31, 2018 and 2017, respectively. The changes in fair value on investments held for trading amounted to a net gain of ₱1,508,999 and ₱1,239,682 in 2018 and 2017, respectively.

6. Receivables

This account consists of the following:

	2018	2017
Trade receivables	₱31,863	₱30,258
Due from:		
Third party (see Note 9)	20,000,000	20,000,000
Related party (see Note 11)	1,950,000	-
Others	59,701	26,380
	22,041,564	20,056,638
Less allowance for credit losses	20,000,000	20,000,000
	₱2,041,564	₱56,638

As at December 31, the aging analysis of receivables is as follows:

	2018						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			<30 Days	30-60 Days	61-90 Days	Over 90 Days	
Trade receivables	₱31,863	₱-	₱-	₱-	₱-	₱31,863	₱-
Due from:							
Third party	20,000,000	-	-	-	-	-	20,000,000
Related party	1,950,000	1,950,000	-	-	-	-	-
Others	59,701	3,347	-	29,974	-	26,380	-
	₱22,041,564	₱1,953,347	₱-	₱29,974	₱-	₱58,243	₱20,000,000

	2017						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			<30 Days	30-60 Days	61-90 Days	Over 90 Days	
Trade receivables	₱30,258	₱-	₱-	₱-	₱-	₱30,258	₱-
Due from third party	20,000,000	-	-	-	-	-	20,000,000
Others	26,380	-	-	-	-	26,380	-
	₱20,056,638	₱-	₱-	₱-	₱-	₱56,638	₱20,000,000

The Company's receivables are noninterest-bearing and are due and demandable. Trade receivables mainly represent return of cash call from the service contract operator.

Due from third party pertains to advance payment made in pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil and is due and demandable (see Note 9).

Due from related party pertains to the Company's non-interest-bearing advances made to Palawan55 for the latter's working capital requirements (see Note 11).

Others pertain to advances to employees and a service provider subject for liquidation.

No provision for credit losses was recognized in 2018 and 2017.



7. Property and Equipment

Details and movement of this account follow:

	2018		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Additions	-	29,700	29,700
Balances at end of year	245,000	124,215	369,215
Less accumulated depreciation:			
Balance at beginning of year	245,000	94,515	339,515
Depreciation expense	-	6,188	6,188
Balance at end of year	245,000	100,703	345,703
Net book value	₱-	₱23,512	₱23,512
	2017		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Less accumulated depreciation:			
Balance at beginning of year	170,145	65,630	235,775
Depreciation expense	61,058	23,520	84,578
Depreciation capitalized (see Note 9)	13,797	5,365	19,162
Balance at end of year	245,000	94,515	339,515
Net book value	₱-	₱-	₱-

Fully depreciated assets with cost of ₱339,515 as at December 31, 2018 and 2017 are still being used by the Company.

8. Investment in a Subsidiary

In 2012, the Company subscribed to 69.35% of the outstanding shares of stock of Palawan55 Exploration & Production Corporation (Palawan55), a company incorporated on November 16, 2012 in the Philippines. Palawan55 is also 30.65% owned by PHINMA Energy. Palawan55 is a corporation organized to engage in oil and gas exploration and production. As at March 21, 2019, Palawan55 has not yet started commercial operations.

The carrying value of investment in a subsidiary amounted to ₱6,935,103 as at December 31, 2018 and 2017.



9. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	2018	2017
SC 51/Geophysical Survey and Exploration		
Contract (GSEC) 93 (East Visayas)	₱32,665,864	₱32,665,864
SC 6 (Northwest Palawan):		
Block A	22,568,129	22,129,391
Block B	4,892,178	4,892,178
SC 69 (Camotes Sea)	15,596,930	15,596,930
SC 50 (Northwest Palawan)	11,719,085	11,719,085
	87,442,186	87,003,448
Less allowance for probable loss	64,874,057	16,611,263
	₱22,568,129	₱70,392,185

Below is the rollforward analysis of the deferred exploration costs as at December 31, 2018 and 2017:

	2018	2017
Cost:		
Balances at beginning of year	₱87,003,448	₱86,040,802
Additions:		
Cash calls	438,738	839,418
Others	-	123,228
Balance at end of year	87,442,186	87,003,448
Allowance for probable losses:		
Balances at beginning of year	16,611,263	11,719,085
Provisions for the year	48,262,794	4,892,178
Balance at end of year	64,874,057	16,611,263
Net book value	₱22,568,129	₱70,392,185

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with the Department of Energy (DOE). The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

In 2017, the Company capitalized its share in various expenses to deferred exploration costs due to its operatorship in SC 69. Expenses capitalized were salaries and wages amounting to ₱93,547, depreciation expense amounting to ₱19,162, and other expenses amounting to ₱10,519. Costs capitalized are included in the current work program for SC 69. No similar costs were incurred and capitalized in 2018.

The following summarizes the status of the foregoing projects:

a. SC 51/GSEC 93 (East Visayas)

In April 2012, the Operator, Otto Energy Investments Ltd. (Otto Energy) [formerly "NorAsian Energy Ltd."] commenced a 100-kilometer (km) 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, which reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.



In mid-May 2012, the foreign seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the DOE granted on September 30, 2012 the consortium's request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by December 31, 2012.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in Northwest Leyte as work commitment.

Swan Oil and Gas Ltd. (Swan) withdrew from SC 51 in September 2012 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto Energy and Filipino partners (remaining members of the consortium), respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2015 to July 8, 2015). Frontier Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well on August 30, 2013 and conducted post-well studies. The new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified the Company and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

On May 11, 2015, the DOE approved the request for an extension of Sub-Phase 5 to July 8, 2016.

On March 3, 2017 and December 20, 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC 51, following Otto Energy's withdrawal from the block and consequent resignation as Operator. They further signed and executed a Deed of Undertaking to pay the outstanding financial obligation of Otto Energy amounting to US\$124,763, subject to the approval of the transfer of interest from Otto Energy to the continuing parties, the extension of the term of the contract, and the revision of work program from drilling of a well to the conduct of pore pressure prediction study and gravity survey. Of this amount, the Company's share is US\$41,596 which is equivalent to the pro-rata amount of liability using its post-adjustment ownership interest.



On May 15, 2018, the Company notified the DOE of its withdrawal from SC 51 and advised the latter that it would no longer pursue its entitlement to Otto Energy's participating interest under the Deed of Undertaking dated March 3, 2017. The DOE acknowledged this formal notification from the Company on May 23, 2018.

On June 1, 2018, the DOE approved the transfer of Otto Energy's participating interests in SC 51 to the Filipino Partners. The Company's participating interest was adjusted from 6.67% to 33.34% after DOE's approval of the withdrawal of Otto Energy.

On July 4, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e. SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with the DOE on several occasions to craft the best way forward in SC 51. On December 17, 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver to pay the outstanding financial obligation of Otto Energy, as executed in the Deed of Undertaking, given that the aforementioned conditions were not met. The matter is still being evaluated by the DOE and the aforementioned requests are pending as at March 21, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32,665,864 due to the relinquishment of the Company's participating interest.

b. SC 6 (Northwest Palawan)

Block A

Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

The partners for SC 6 Block A approved the conduct of a new 500-sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry the Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block by December 31, 2014. By December 31, 2014, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.



The Company's interest reverted to 7.78% from 2.334% following the withdrawal of Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

On August 28, 2015, the consortium completed its work program consisting of geological and geophysical evaluation.

On November 3, 2015, the DOE approved the 2016 work program consisting of specialized geophysical studies. The pertinent geophysical program commenced in November 2015 and was completed by December 31, 2016.

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE. The work program of advanced seismic data reprocessing and quantitative seismic inversion study was completed in December 2017. The studies yielded significant improvement in the imaging of complex and deeper geological structures.

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the Partners have approved and the Operator, Philodrill Corporation (Philodrill), submitted to the DOE the proposed 2019 SC 6A Work Program and Budget amounting to US\$314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on January 23, 2019.

No impairment was recognized for SC 6 Block A as the Company believes that the related deferred exploration costs are still recoverable.

Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. ("Farminees") exercised their option to acquire 70% participating interest of the SC 6 Block B consortium, which includes the Company ("Farmors").

Under the Farm-in Agreement, the Farminees were supposed to shoulder all the Farmors' share of exploration and development expenditures in the Block up to the production of first oil.

The DOE denied the applications for the transfer of participating interests to the Farminees and transfer of operatorship due to failure of the Farminees to comply with the DOE's requirements. Under the Farm-in Agreement, the Farminees would have been eligible to earn a combined 70% of the participating interest of the farming out parties. On August 7, 2013, the DOE directed the original Operator, Philodrill, to submit a new and comprehensive work program and budget of exploration activities over the Block.

On September 13, 2013, the DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. The pertinent geological and geophysical program commenced in October 2013 and was completed in January 2014.



The consortium formulated a work program for the next five years of the extension period which started on March 1, 2014. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US\$724,000. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

The Company holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

On February 20, 2017, the Company gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle the Company for a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be valued upon establishment of the commercial viability of the project.

In 2017, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 6B amounting to ₱4,892,178 due to the Company's relinquishment of its participating interest, but not the carried interest, to its partners.

On April 12, 2018, the transfer of participating interest from the Company to SC6 Block B continuing parties was approved by the DOE.

c. SC 69 (Camotes Sea)

Interpretation of the 229-square kilometers (sq. km.) 3D seismic data acquired in June 2011 generated three drillable prospects.

The DOE granted the consortium's request for a nine-month extension of Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of Sub-Phase 3 to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to the Company that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to the Company pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified the Company and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 on October 4, 2013. The Company and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which started on November 7, 2013. An additional extension of the contract term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.



Following the DOE's approval of the assignment of Otto Philippines' interests to the Company and Frontier Gasfields on October 14, 2014, the Company's participating interest in SC 69 was adjusted from the current 6% to 50%.

On March 17, 2014, the Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC 69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2014 to enable the remaining parties to proceed with planned exploration activities and the Company was designated as Operator of SC 69.

On April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

On June 30, 2016, the Company signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated August 18, 2016 informed the Company that it could not proceed with the leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure.

As at December 29, 2017, the DOE approved the request for extension due to Force Majeure, effective until November 7, 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible. The aforementioned request is still pending with the DOE as at March 21, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15,596,930 due to the relinquishment of the Company's participating interest.

d. SC 50 (Northwest Palawan)

In 2013, the Company commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for the Company's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, the Company has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's planned initial public offering.

On September 1, 2014, the Company made advance payments to Frontier Oil amounting to ₱20,000,000 pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil dated August 22, 2014 subject to execution of a Farm-in Agreement and Loan Agreement among the parties not later than 30 days from date of execution of the MOA. The advances are due 24 months after the release of the funds. In the event a Loan Agreement for ₱136,000,000 is signed between the Company and Frontier Oil, the advances shall be considered as initial drawdown on the Loan.



On October 16, 2014, the Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

Frontier Oil, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium.

On October 5, 2015, the DOE denied the Operator's request and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested the DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the advances to Frontier Oil amounting to ₱20,000,000 was fully provided with an allowance for credit losses (see Note 6) and the deferred exploration costs amounting to ₱11,719,085 was fully provided with an allowance for impairment, due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure.

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. A subsequent letter was sent to the DOE, dated December 14, 2016, requesting for reconsideration of the termination of SC 50. The aforementioned request is still pending with the DOE as at March 21, 2019.

10. Accounts Payable and Other Current Liabilities

This account consists of:

	2018	2017
Accounts payable	₱1,096,177	₱335,115
Due to:		
Employees	161,057	610,433
Related parties (see Note 11)	32,480	27,062
Accrued expenses	221,934	150,000
Withholding taxes	70,077	351,009
Others	7,907	23,700
	₱1,589,632	₱1,497,319

Accounts payable and other current liabilities are noninterest-bearing and are settled on 30 to 60-day terms.

Accounts payable are trade payables to suppliers and service providers.

Due to employees refer to refund for over withholding of taxes.

Accrued expenses include accrual for professional fees.



11. Related Party Transactions

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Outstanding balances at year-end are unsecured and expected to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

The transactions and balances of accounts as at and for the years ended December 31, 2018 and 2017 with related parties are as follows:

Company	Amount/ Volume	Nature	As at and for the Year Ended December 31, 2018		Terms	Conditions
			Outstanding Balance Receivable	Payable		
Ultimate Parent Company						
PHINMA, Inc.						
Accounts payable and other current liabilities	₱262,645	Share in expenses	₱-	₱31,380	30–60 day terms; noninterest-bearing	Unsecured
Parent Company						
PHINMA Energy						
Others	140,724	Purchase of dollar	–	–	30–60 day terms; noninterest-bearing	Unsecured
Entity Under Common Control						
PHINMA Corporation						
Accounts payable and other current liabilities	54,038	Share in expenses	–	1,100	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.						
Accounts payable and other current liabilities	1,451	Insurance expense	–	–	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 10)			₱-	₱32,480		
Subsidiary						
Palawan55						
	₱1,950,000	Advances	₱1,950,000	₱-	30–60 day terms; noninterest-bearing	Unsecured
Due from related party (see Note 6)			₱1,950,000	₱-		



Company	As at and for the Year Ended December 31, 2017					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Ultimate Parent Company						
PHINMA, Inc.						
Accounts payable and other current liabilities	₱165,787	Share in expenses	₱-	₱24,026	30–60 day terms; noninterest-bearing	Unsecured
Intermediate Parent Company						
PHINMA Energy						
Accounts payable and other current liabilities	663,643	Accommodation	-	-	30–60 day terms; noninterest-bearing	Unsecured
Others	543,879	Purchase of dollar	-	-	30–60 day terms; noninterest-bearing	Unsecured
Entity Under Common Control						
PHINMA Corporation						
Accounts payable and other current liabilities	48,118	Share in expenses	-	3,036	30–60 day terms; noninterest-bearing	Unsecured
T-O Insurance, Inc.						
Accounts payable and other current liabilities	2,209	Insurance expense	-	-	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 10)			₱-	₱27,062		

PHINMA, Inc.

The Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, and other business activities. Under the existing agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income. On February 23, 2016, the Company's BOD approved the suspension of the management contract for 2016, which remained effective as at March 21, 2019. PHINMA, Inc. also bills the Company for its share in expenses.

PHINMA Energy

The Company purchased U.S. dollars to pay various expenses through PHINMA Energy's banking facilities and accommodation of expenses.

Palawan55

The Company's non-interest-bearing advances made to Palawan55 is for the latter's working capital requirements.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses.

T-O Insurance

T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance.



Compensation of Key Management Personnel

Compensation of key management personnel of the Company are as follows:

	2018	2017
Short-term employee benefits	₱3,216,688	₱3,346,688
Post-employment benefits	-	-
	₱3,216,688	₱3,346,688

12. Capital Stock

Following are the details of the Company's capital stock as at December 31, 2018 and 2017:

	Number of Shares
Authorized - ₱1 par value	1,000,000,000
Issued and outstanding - ₱1 par value	250,000,000

The issued and outstanding shares as at December 31, 2018 and 2017 are held by 2,926 and 2,941 equity holders, respectively.

13. Income Taxes

- a. There was no provision for current tax in 2018 and 2017 both under RCIT and MCIT.
- b. The reconciliation of the Company's provision for (benefit from) income tax using the statutory tax rate is as follows:

	2018	2017
Benefit from income tax at statutory tax rate	(₱18,858,748)	(₱4,080,488)
Tax effects of:		
Movement in deductible temporary differences, NOLCO and MCIT for which no deferred tax assets were recognized	19,054,568	4,096,147
Nondeductible expenses	263,338	-
Net unrealized gains in fair value change of investments held for trading	(130,814)	(139,100)
Interest income subject to final tax	(7,201)	(604)
Effect of difference in tax rates	(150,900)	(4,280)
Provision for (benefit from) income tax	₱170,243	(₱128,325)

- c. The Company recognized provision for deferred tax amounting to ₱170,243 in 2018 and benefit from deferred income tax amounting to ₱128,325 in 2017.
- d. Deferred tax liability amounting to ₱281,294 and ₱111,051 as at December 31, 2018 and 2017, respectively, relate to unrealized gain on changes in fair value of investments held for trading and unrealized gain on foreign exchange translation.



- e. As at December 31 2018 and 2017, deferred tax assets related to the following temporary differences, NOLCO and MCIT over RCIT were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow deferred income tax assets to be utilized.

	2018	2017
NOLCO	₱33,664,254	₱29,993,638
Provision for probable losses (see Note 9)	64,874,057	16,611,263
Provision for credit losses (see Note 6)	20,000,000	20,000,000
MCIT	3,754	3,754

Unrecognized deferred income tax assets amounted to ₱35,565,247 and ₱19,985,224 as at December 31, 2018 and 2017.

- f. The details of the Company's MCIT and NOLCO as at December 31, 2018 and 2017 follows:

Year Incurred	Available Until	NOLCO		MCIT	
		2018	2017	2018	2017
2018	2021	₱15,252,432	₱-	₱-	₱-
2017	2020	8,763,618	8,763,618	-	-
2016	2019	9,648,204	9,648,204	3,754	3,754
2015	2018	-	11,581,816	-	-
		₱33,664,254	₱29,993,638	₱3,754	₱3,754

The movements in NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2018	2017	2018	2017
Beginning balances	₱29,993,638	₱35,478,273	₱3,754	₱3,775
Additions	15,252,432	8,763,618	-	-
Expirations	(11,581,816)	(14,248,253)	-	(21)
Ending balances	₱33,664,254	₱29,993,638	₱3,754	₱3,754

- g. Impact of Tax Reform for Acceleration and Inclusion Act (TRAIN)

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

14. Financial Risk Management Objectives and Policies

The PHINMA Treasury Group manages the funds of the Company and invests in short-term deposits, marketable instruments, and mutual and trust funds denominated in Peso and U.S. dollar (US\$). It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.



The main risks arising from the Company's financial instruments is credit risk and market risk. The BOD reviews and approves policies for managing credit risk, foreign currency risk and market risk.

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Company. An Investment Committee, which comprises some of the Company's BOD, reviews and approves policies, controls and strategies for investments and risk management.

Basic investment policies as approved by the Investment Committee are:

- Safety of principal
- Duration of investment must be consistent with the respective company's investment horizon based on needs as approved by the Investment Committee
- Exposure limits:
 - For banks or fund managers: maximum 20% of total fund of each company per bank or fund
 - For Peso investments: minimal corporate exposure except for registered bonds for non-affiliates
 - Limits on third currencies outside US\$, equities and offshore investments are set regularly and reviewed at least once a year by the Investment Committee
 - For total foreign currencies: maximum 50% of total portfolio

Credit Risk

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The Company has assessed the credit quality of cash and cash equivalents as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

With respect to credit risk arising from the receivables of the Company, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2018					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	P-	P-	P-	P31,863	P-	P31,863
Due from:						
Third party	-	-	-	-	20,000,000	20,000,000
Related party	-	-	1,950,000	-	-	1,950,000
	P-	P-	P1,950,000	P31,863	P20,000,000	P21,981,863

	2017					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	P-	P-	P-	P30,258	P-	P30,258
Due from third party	-	-	-	-	20,000,000	20,000,000
Others	-	-	-	26,380	-	26,380
	P-	P-	P-	P56,638	P20,000,000	P20,056,638



The Company uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

Maximum exposure to credit risk of financial assets not subject to impairment

The gross carrying amount of financial assets not subject to impairment also represents the Company's maximum exposure to credit risk, as follows:

	2018	2017
<i>Financial Assets at FVTPL (Portfolio 1)</i>		
Investments held for trading	₱57,584,369	₱77,519,176

Maximum exposure to credit risk of financial assets subject to impairment

The gross carrying amount of financial assets subject to impairment are as follows:

	2018	2017
<i>Financial Assets at Amortized Cost (Portfolio 2)</i>		
Cash and cash equivalents	₱4,090,370	₱1,122,805
Under 'Receivables'		
Trade receivables	31,863	30,258
Due from:		
Third party	20,000,000	20,000,000
Related party	1,950,000	-
	₱26,072,233	₱21,153,063

The Company's maximum exposure to credit risk are as follows:

	2018				2017	
	12-month	Lifetime ECL		Simplified Approach	Total	Total
Grade	Stage 1	Stage 2	Stage 3			
High	₱4,090,370	₱-	₱-	₱-	₱4,090,370	₱1,122,805
Standard	-	-	-	-	-	-
Substandard	-	-	-	1,981,863	1,981,863	30,258
Default	-	-	20,000,000	-	20,000,000	20,000,000
Gross carrying amount	4,090,370	-	20,000,000	1,981,863	26,072,233	21,153,063
Less loss allowance	-	-	20,000,000	-	20,000,000	20,000,000
Carrying amount	₱4,090,370	₱-	₱-	₱1,981,863	₱6,072,233	₱1,153,063

Write-off Policy

Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.



Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rate and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks’ economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts;
- “Red Lines” are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the PHINMA Group Treasury uses as guides whether to buy, hold or sell bonds as approved by the PHINMA Group Investment Committee or, in cases of high volatility, by the PHINMA Group Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and
- Regular comparison of the portfolio’s marked-to-market values and yields with defined benchmarks.

The Company’s exposure to market risk is minimal. The underlying financial instruments in the Company’s investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.

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 Company had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. The Group’s financial instruments denominated in US\$ as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	In US\$	In Philippine Peso	In US\$	In Philippine Peso
<i>Financial Assets</i>				
Cash and cash equivalents	US\$1,584	₱83,287	US\$2,282	₱113,940
Trade receivable under ‘Receivables’	606	31,863	606	30,258
	US\$2,190	₱115,150	US\$2,888	₱144,198

Exchange rates used were ₱52.58 to \$1.00 and ₱49.93 to \$1.00 as at December 31, 2018 and 2017, respectively.

Management has determined that the volume of foreign currency-denominated transactions is not significant to the Company and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.



Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and 2017.

Capital includes all the items appearing in the equity section of the parent company statements of financial position totaling to ₱91,409,199 and ₱154,441,936 as at December 31, 2018 and 2017, respectively.

Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments, except for those whose fair values approximate their carrying values:

2018				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVPL -				
Investments held for trading	₱57,584,369	₱-	₱57,584,369	₱-
2017				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVPL -				
Investments held for trading	₱77,519,176	₱-	₱77,519,176	₱-

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables). Due to the short-term nature of these balances, the fair values approximate the carrying values at reporting date.

Investments Held for Trading. Net asset value per unit has been used to determine the fair values of investments held for trading.

In 2018 and 2017, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments

There were no offsetting of financial instruments for the years ended December 31, 2018 and 2017.



15. Segment Information

The Company has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. The Company is planning to expand its operations to include geothermal exploration and development; however, there are no activities undertaken under this segment during the year and all activities reported pertains to oil and gas exploration. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment.

Capital expenditures in 2018 and 2017 were as follows:

	2018	2017
Deferred exploration costs (Note 9)	₱438,738	₱943,484
Property and equipment (Note 7)	29,700	-
	₱468,438	₱943,484

As at March 21, 2019, the Company has not started commercial operations and has not reported revenue or gross profit. The total assets of the segment amounting to ₱93,280,125 and ₱156,050,306 and liabilities amounting to ₱1,870,926 and ₱1,608,370 as at December 31, 2018 and 2017, respectively, are the same as that reported in the parent company statements of financial position.

16. Events After the Reporting Period

Sale of PHINMA Energy's Interest

On February 7, 2019, PHINMA Inc., PHINMA Corporation and AC Energy Corporation (AC Energy) signed an investment agreement for AC Energy's acquisition of the PHINMA Group's 51.476% stake in PHINMA Energy via a secondary share sale through the Philippine Stock Exchange at a price of ₱1.36 per share subject to adjustments. This transaction is subject to regulatory approval and mandatory tender offer. PHINMA Corporation will sell 1,283,422,198 shares while PHINMA, Inc. will sell 1,233,642,502 shares to AC Energy. As part of the agreement, AC Energy will also subscribe to 2,632,000,000 shares of PHINMA Energy at par value of P 1.00 per share on closing date.

17. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with RR No. 15-2010, following are information about the taxes paid or accrued by the Company during the taxable year:

a. Taxes and Licenses

The Company paid the following taxes and license fees:

Business permit fees and licenses	₱12,632
Registration fee	500
	₱13,132



b. Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Accrued
Withholding taxes on compensation and benefits	₱1,133,173	₱-
Expanded withholding taxes	1,016,639	70,077
	₱2,149,812	₱70,077

c. Percentage Taxes

The Company has no transaction subject to percentage tax in 2018.

d. Value-Added Taxes (VAT)

The Company has no transaction subject to output VAT and has not recognized any input VAT from its purchases of goods or services for the year ended December 31, 2018.

e. Documentary Stamp Tax (DST)

The Company's DST on due from related party was paid by Palawan55.

f. Tax Assessment and Litigation

The Company has neither tax deficiency assessments nor tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies within and outside the Bureau of Internal Revenue as at December 31, 2018.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
PHINMA Petroleum and Geothermal, Inc.
Level 11, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the parent company financial statements of PHINMA Petroleum and Geothermal, Inc. as at December 31, 2018 and 2017 and for the years then ended included in this Form 17-A and have issued our report thereon dated March 21, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui
Partner

CPA Certificate No. 88823
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

March 21, 2019



PHINMA PETROLEUM AND GEOTHERMAL, INC.
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AND SUPPLEMENTARY SCHEDULES
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Parent Company Statements of Changes in Equity for the years ended December 31, 2018 and 2017	Exhibit A
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Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

A. Financial Assets	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	*
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Map of Relationships of the Companies within the Group	

PHINMA PETROLEUM GEOTHERMAL INC.
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE
STANDARDS AND INTERPRETATIONS
REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			X
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			X
PFRS 3	Business Combinations			X
PFRS 4	Insurance Contracts			X
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		
PFRS 7	Financial Instruments: Disclosures	X		
PFRS 8	Operating Segments	X		
PFRS 9	Financial Instruments	X		
PFRS 10	Consolidated Financial Statements	X		
PFRS 11	Joint Arrangements	X		
PFRS 12	Disclosure of Interests in Other Entities	X		
PFRS 13	Fair Value Measurement	X		
PFRS 14	Regulatory Deferral Accounts			X
PFRS 15	Revenue from Contracts with Customers	X		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	X		
PAS 2	Inventories			X
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 12	Income Taxes	X		
PAS 16	Property, Plant and Equipment	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 17	Leases			X
PAS 19	Employee Benefits			X
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
PAS 23	Borrowing Costs			X
PAS 24	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27	Separate Financial Statements	X		
PAS 28	Investments in Associates and Joint Ventures			X
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			X
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 32	Financial Instruments: Presentation	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
PAS 36	Impairment of Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
PAS 39	Financial Instruments: Recognition and Measurement	X		
PAS 40	Investment Property			X
	Amendments to PAS 40, Transfers of Investment Property			X
PAS 41	Agriculture			X
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			X
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			X
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			X
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	X		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			X
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			X
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			X
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			X
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			X
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			X
Philippine Interpretation IFRIC-21	Levies			X
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			X
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			X
Philippine Interpretation SIC-15	Operating Leases—Incentives			X
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			X
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			X
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			X
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			X