

PHINMA PETROLEUM & GEOTHERMAL, INC.

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

AND

INFORMATION STATEMENT

(SEC Form 20-IS)

Pursuant to Section 20 of the Securities Regulation Code

Annual Shareholders Meeting
2:00 P.M.
17 September 2019
Ballroom 2, Fairmont Hotel, 1 Raffles Drive,
Makati Avenue, Makati City, 1224



PHINMA
PETROLEUM &
GEOTHERMAL



NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Please be advised that the annual meeting of the shareholders of the Company will be held on Tuesday, 17 September 2019, at 2:00 p.m. at the Ballroom 2, Fairmont Hotel, 1 Raffles Drive, Makati Avenue, Makati City.

The agenda of the meeting is as follows:

AGENDA

1. Call to order
2. Proof of notice and determination of quorum
3. Approval of minutes of the previous Annual Shareholders' Meeting
4. Annual Report of Management including the 2018 Audited Financial Statements and ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders' Meeting
5. Amendment of articles of incorporation and by-laws
 - a. Change in corporate name
 - b. Change in address
 - c. Updating of Committees
6. Election of Directors (including Independent Directors)
7. Appointment of external auditor
8. Other matters
9. Adjournment

For the explanation of each agenda item, please refer to the attached Annex "A".

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is on 16 August 2019.

Shareholders may attend in person or by proxy. Duly accomplished proxies shall be submitted on or before 12 September 2019 to the Office of the Corporate Secretary at 4th Floor 6750 Office Tower, Ayala Avenue, Makati City. Validation of proxies is set for 13 September 2019 at 9:00 a.m. at the Office of the Corporate Secretary.

Makati City, 23 July 2019

Very truly yours,


DODJIE D. LAGAZO
Corporate Secretary

PHINMA Petroleum and Geothermal, Inc.
A Subsidiary of PHINMA Energy

L11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200
Tel. (632) 870-0100 Fax. No. (632) 870-0433

PHINMA PETROLEUM AND GEOTHERMAL, INC.

ANNUAL SHAREHOLDERS' MEETING

17 September 2019, 2:00 p.m.

Explanation of each Item on the Agenda

1. Call to Order

The Chairman, Mr. John Eric T. Francia, will formally open the Annual Shareholders Meeting of PHINMA Petroleum and Geothermal, Inc. (the "Company"). He will also state that shareholders will be given an opportunity to ask questions or raise their concerns regarding each item on the agenda.

2. Proof of Notice and Determination of Quorum

The Corporate Secretary, Mr. Dodjie D. Lagazo, will certify the date when the notice of meeting and Information Statement were sent to the shareholders of record as of 16 August 2019 and to the Securities and Exchange Commission ("SEC") and Philippine Stock Exchange ("PSE").

Mr. Lagazo will likewise certify as to the existence of quorum. Owners of shares constituting at least a majority of the outstanding capital stock of the Corporation, present either in person or by proxy, shall constitute a quorum for the transaction of business at this meeting of shareholders.

The following are the rules of conduct and procedures for the meeting:

- (i) Anyone who wishes to make a remark shall identify himself or herself after being acknowledged by the Chairman and shall limit his or her remarks to the item in the Agenda under consideration.
- (ii) On voting procedures, voting shall either be by electronic (if available) or manual voting. For manual voting, shareholders present at the meeting will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.
- (iii) All the items in the Agenda for approval by the shareholders will need the affirmative vote of shareholders representing at least a majority of the issued and outstanding voting stock present at the meeting, except for the amendment of the Articles of Incorporation and By-laws, which will require the affirmative vote of shareholders representing not less than two-thirds of the outstanding capital stock.
- (iv) The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.

3. Minutes of Previous Meeting

The minutes of the Annual Shareholders' Meeting held on 12 April 2018 are available at the Company's website, www.phinmappg.com. Copies of the minutes will also be distributed to

the shareholders upon their registration for the meeting and will be presented to the shareholders during the meeting for approval.

4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders' Meeting

The annual report for the preceding fiscal year will be presented to the shareholders for approval. A printed version of the Company's annual report will contain the Message from the Chairman and the Report of the President. Copies of the annual report will be distributed to the shareholders and posted on the Company's website, www.phinmappg.com.

The acts of the Board of Directors and Management of the Corporation since the last Annual Shareholders' Meeting will likewise be presented to the shareholders for confirmation. They include the approval of the amendments to the Articles of Incorporation, contracts and agreements, treasury-related matters, and other matters covered by disclosures to the SEC and the PSE. The acts of management were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

5. Amendment of Articles of Incorporation and By-laws

a. Corporate Name

The proposal to change the Corporate Name from "PHINMA Petroleum and Geothermal, Inc." to "ACE Enexor, Inc." will be presented to the shareholders for approval.

b. Principal Place of Business

The proposal to change the principal place of business to 4th floor, 6750 Office Tower, Ayala Ave., Makati City will be presented to the shareholders for approval.

c. Updating of Committees

The proposal to amend the Company's By-laws to redefine the powers and functions of the Executive Committee, Audit Committee, and Personnel and Compensation Committee, reorganize the Nomination Committee into the Corporate Governance and Nomination Committee, and create the Board Risk Management and Related Party Transactions Committee, will be presented to the shareholders for approval.

6. Election of Directors (including Independent Directors)

The Corporate Secretary will present the nominees qualified for election to the Board of Directors, including Independent Directors. A brief description of the qualifications and business experience of the nominees for election to the Board of Directors will be included in the Information Statement.

Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation, i.e. nine (9), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate or candidates provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the total votes cast exceed the total votes to which the shareholder is entitled, the Corporate Secretary in his discretion shall deduct such votes cast by the shareholder in favor of any nominee as may be necessary under circumstances.

In the event that only nine (9) are nominated to fill nine (9) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the

votes of shareholders who object to the said casting of votes, which votes shall be noted. In the event of an objection to the manner of casting votes, which objection is supported by a majority of the shareholders present or represented in the meeting, voting shall be done in writing by secret ballot which shall be counted thereafter by the Corporate Secretary in the presence of SGV & Co. which shall validate the counting.

7. Appointment of External Auditors

The shareholders will be asked to confirm the appointment of auditors who were appointed for the current fiscal year by the Board of Directors upon the recommendation of the Audit Committee.

8. Other Matters

The Chairman will open the floor for comments and questions by the shareholders. The Chairman will decide whether matters raised by the shareholders may be properly taken up in the meeting or in another proper forum.

9. Adjournment

The Chairman will adjourn the meeting when the scheduled order of business is completed, and no further business or matter is considered or raised.

PROXY

The undersigned stockholder of **PHINMA PETROLEUM AND GEOTHERMAL, INC.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Shareholders Meeting of the Company on 17 September 2019 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the previous meeting
 Yes No Abstain
2. Approval of the Annual Report of Management
 Yes No Abstain
3. Confirmation of all acts of the Board of Directors and Management since the last Annual Shareholders Meeting¹
 Yes No Abstain
4. Election of Directors
 Vote for all nominees listed below:

Augusto Cesar D. Bengzon
Maria Corazon G. Dizon
John Eric T. Francia
Raymundo A. Reyes, Jr.
Jaime Alfonso Zobel de Ayala
Jaime Urquijo Zobel de Ayala
Ma. Aurora Geotina-Garcia (Independent)
Raphael Perpetuo M. Lotilla (Independent)
Alberto A. Lim (Independent)

 Withhold authority for all nominees listed above
 Withhold authority to vote for the nominees listed below:

5. Amendment of articles of incorporation:
 - a. Change in the Company's name to ACE Enexor, Inc.
 Yes No Abstain
 - b. Change of the Company's principal place of business to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City
 Yes No Abstain
6. Amendment of by-laws:
 - a. Change in the Company's name to ACE Enexor, Inc.
 Yes No Abstain
 - b. Change the reference to existing committees, and create new committees, as follows:
 - i. Corporate Governance and Nomination Committee;
 - ii. Audit Committee;
 - iii. Personnel and Compensation Committee; and
 - iv. Board Risk Management and Related Party Transactions Committee. Yes No Abstain
7. Appointment of Sycip Gorres Velayo & Co. as external auditors.
 Yes No Abstain
8. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
 Yes No Abstain

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

DATE

¹A BRIEF DESCRIPTION OF EACH ACT OF THE BOARD OF DIRECTORS AND MANAGEMENT SOUGHT TO BE CONFIRMED IS ATTACHED AS ANNEX "C" TO THE INFORMATION STATEMENT.

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **12 SEPTEMBER 2019**, THE DEADLINE FOR SUBMISSION OF PROXIES, AT 4TH FLOOR 6750 OFFICE TOWER, AYALA AVENUE, MAKATI CITY FOR INSPECTION, VALIDATION AND RECORDING. THE CORPORATE SECRETARY WILL INSPECT, EXAMINE AND VALIDATE THE SUFFICIENCY OF THE PROXY FORMS RECEIVED, AND MAY REQUIRE PROOF OF IDENTIFICATION, SUCH AS, DRIVER'S LICENSE, PASSPORT, COMPANY ID OR SSS/GSIS ID. ASIDE FROM PERSONAL IDENTIFICATION, REPRESENTATIVES OF CORPORATE STOCKHOLDERS AND OTHER ENTITIES MAY BE REQUIRED TO PRESENT A DULY SWORN SECRETARY'S CERTIFICATE OR ANY SIMILAR DOCUMENT SHOWING HIS OR HER AUTHORITY TO REPRESENT THE CORPORATION OR ENTITY.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

Securities and Exchange Commission

SEC Form 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code



1. Check the appropriate box

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter:

PHINMA PETROLEUM AND GEOTHERMAL, INC.

3. Country of Incorporation: **PHILIPPINES**
4. SEC Identification Number: **ASO94-008811**
5. BIR Tax Identification Number: **004-500-964-000**
6. Address of Principal Office: **Level 11, PHINMA Plaza
39 Plaza Drive
Rockwell Center, Makati City 1200**
7. Telephone Number: **(632) 870-0100**
8. Date, time and place of the meeting of security holder:

**17 September 2019
4:00 PM
Ballroom 2, Fairmont Hotel
1 Raffles Drive, Makati Avenue, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

27 August 2019

10. Securities registered pursuant to Sections 8 & 12 of the Code or Sections 4 & 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Number of shares of Common Stock Outstanding: **250,000,001 shares**

Amount of debt: **Nil (as of 30 June 2019)**

11. Are any or all registrant's securities listed on the Philippines Stock Exchange?

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange – common shares

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the directors or nominees for directors have any substantial interest in the matter to be acted upon.

As of 31 July 2019, PHINMA Energy Corporation (“PHINMA Energy” or “Parent Company”) directly owns 189,804,439 shares of PHINMA Petroleum, representing 75.92% of the Company’s total outstanding shares of stock.

The Board of Directors of PHINMA Petroleum is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Number of shares outstanding as of 31 July 2019: 250,000,001 shares

Of the said outstanding voting shares, 249,335,501 are owned by Filipinos and 664,500 are owned by foreign nationals.

Number of votes per share: One (1) vote per share

Only stockholders of record of the Company at the close of business on **16 August 2019** are entitled to notice of the Annual Stockholders’ Meeting, and to vote thereat

b. **Manner of voting**

The stockholders have cumulative voting right with respect to the election of the Company’s directors. Each stockholder may vote in person or by proxy the number of shares of stock standing in his or her own name in the books of the Company as of the record date of the meeting. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. The nine (9) nominees for directors receiving the highest number of votes shall be declared elected, provided that at least two (2) of the nine (9) directors shall be independent directors.

For other items in the Agenda, each stockholder shall be entitled on one (1) vote per share. Such items will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting, except for the amendment of the Articles of Incorporation, which will require the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock.

Voting shall either be by electronic (if available) or manual voting. For manual voting, stockholders present at the meeting will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.

c. **Security Ownership of Certain Record and Beneficial Owners and Management**

i. Security ownership of certain record and beneficial owners (of more than 5%)

The table below shows the persons or groups known to PHINMA Petroleum to be directly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 31 July 2019:

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 ¹ MSE Bldg., Ayala Avenue, Makati City Stockholder		Filipino	59,531,061	24.08%
			23.81%		
			Foreign	664,500	
			0.27%		
Common	PHINMA Energy Corporation ² Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City Stockholder	PHINMA Energy Corporation, which is also the record owner. Mr. John Eric T. Francia, the President of PHINMA Energy, is the person appointed to exercise voting power.	Filipino	189,804,439	75.92%

ii. Security Ownership of Directors and Management as of 31 July 2019

None of the directors and officers owns five percent (5%) or more of the outstanding capital stock of PHINMA Petroleum. The table below shows the securities owned by the directors and officers of the Company as of 31 July 2019:

¹ **Philippine Depository and Trust Corporation ("PDTC")** 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.

As of 31 July 2019, BPI Securities Corporation (BSC) is the only PCD Nominee who holds more than five percent (5%) of the Company's securities. BSC is a corporation engaged in securities brokerage, organized and existing under the laws of the Philippines, and a wholly-owned subsidiary of BPI Capital Corporation.

² **PHINMA Energy Corporation** was incorporated on September 8, 1969. PHINMA Energy is engaged primarily in power generation and electricity supply. The immediate parent company of PHINMA Energy and its subsidiaries is AC Energy, Inc., and its ultimate parent company is Mermac, Inc., domiciled and incorporated in the Philippines. PHINMA Energy is listed in the Philippine Stock Exchange. The principal stockholders of PHINMA Energy are AC Energy, Inc. and PDTC.

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	% of total outstanding shares
Common	John Eric T. Francia	Filipino	1	Direct	0.00%
Common	Augusto Cesar D. Bengzon	Filipino	1	Direct	0.00%
Common	Jaime Z. Urquijo	Filipino	1	Direct	0.00%
Common	Raymundo A. Reyes, Jr.	Filipino	111,230	Direct	0.04%
Common	Maria Corazon G. Dizon	Filipino	1	Direct	0.00%
Common	Jaime Alfonso Eder Zobel de Ayala	Filipino	1	Direct	0.00%
Common	Corazon S. dela Paz – Bernardo	Filipino	1	Direct	0.00%
Common	Raphael Perpetuo M. Lotilla	Filipino	1	Direct	0.00%
Common	Ma. Aurora Geotina-Garcia	Filipino	1	Indirect ¹	0.00%
Common	Alberto A. Lim	Filipino	75	Direct	0.00%
Common	Edward S. Go	Filipino	1	Direct	0.00%
Common	Dodjie D. Lagazo	Filipino	0	N/A	0.00%
Common	Alan T. Ascalon	Filipino	1,818	Direct	0.00%
Common	Raissa C. Villanueva	Filipino	0	N/A	0.00%
TOTAL			113,132		0.05%

¹The shareholding of Ms. Ma. Aurora Geotina-Garcia is lodged with the PCD Nominee and is subject for confirmation following the submission of the Preliminary Information Statement.

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

iii. Voting Trust Holders of 5% or more

PHINMA Petroleum is not aware of any person holding five percent (5%) or more of the Company's outstanding shares under a voting trust agreement or similar agreement.

iv. Changes in Control

There are no arrangements that may result in a change in control of PHINMA Petroleum. On 24 June 2019, PHINMA Energy purchased the combined 25.18% stake of PHINMA, Inc. (30,481,111 shares) and PHINMA Corp. (32,481,317 shares) in PHINMA Petroleum at P2.44 per share.

On 24 June 2019, AC Energy, Inc. acquired the 51.48% combined stake of PHINMA, Inc. and PHINMA Corp. in PHINMA Energy at a purchase price of P1.4577 per share or a total purchase price of P3,669,125,213.19. In addition, AC Energy, Inc. acquired an additional 156,476 PHINMA Energy shares under the mandatory tender offer which ended on 19 June 2019 at the tender offer price of P1.4577 per share and subscribed to 2.632 billion PHINMA Energy shares at P1.00 per share or for a total subscription price of P2.632 billion. The consideration for the shares was sourced out of AC Energy, Inc.'s equity. AC Energy (66.34%), together with its directors, officers and affiliates (3.18%), owns and controls 69.52% percent of all issued and outstanding shares of the PHINMA Energy.

Item 5. Directors and Executive Officers

Article IV, Sections 2 and 3 of the By-Laws provide:

Section 2. *Number, Qualifications and Term of Officer.* – The number of directors shall be as fixed in the Articles of Incorporation. Each director shall own in his own right at least one (1) share of the capital stock of the Corporation. The directors shall be elected annually in the manner provided in these By-Laws and each director shall hold office until the annual meeting held next after his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. The directors named in the Articles of Incorporation of the Corporation and their successors in accordance with these By-Laws shall hold office until the first annual meeting of the stockholders for the election of directors and until their successors shall hold office until the first annual meeting of the stockholders for the election of directors and until their successors shall have been elected and shall have qualified.

Section 3. *Election of Directors.* – At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors. In case of any increase in the number of directors, the additional directors may be elected by the stockholders (i) at the first annual meeting held after such increase has been approved, (ii) or at a special meeting called for the purpose, or (iii) at the same meeting authorizing the increase of directors if so stated in the notice of the meeting.

The Board of Directors held four (4) regular meetings and one (1) organizational meeting in 2018. The details of the matters taken up during the board meetings are included in the Definitive Information Statement sent to the shareholders.

The attendance of the directors at the meetings of the Board of Directors (“Board”) and of stockholders held in 2018 is as follows:

	28-Feb-18	12-Apr-18	12-Apr-18	7-Aug-18	6-Nov-18
	Regular	Regular	Org	Regular	Regular
1 Ramon R. del Rosario	✓	✓	✓	✓	✓
2 Oscar J. Hilado ¹	✓	✓	✓		
3 Magdaleno B. Albarracin, Jr.	✓	✓	✓	✓	✓
4 Francisco L. Viray	✓	✓	✓	✓	✓
5 Victor J. del Rosario	✓	✓	✓	✓	✓
6 Roberto M. Laviña	✓	✓	✓	✓	✓
7 Raymundo A. Reyes	✓	✓	✓	✓	✓
8 Corazon dela Paz Bernardo	✓	✓	✓	✓	✓
9 Rapahel Perpetuo M. Lotilla	✓	✓	✓	✓	✓
10 Edward S. Go	✓	✓	✓	✓	✓
11 Romeo R. Bernardo ¹	✓	✓	✓		

✓ - Present

x - Absent

¹ Served only until 12 April 2018

To aid in compliance with the principles of good corporate governance, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

For 2018, the board committees and their members are as follows:

Directors	Board Committees				
	Audit Committee	Risk Oversight Committee	Corp Governance and Related Party Transactions Committee	Executive Committee	Compensation Committee
Ramon R. del Rosario, Jr.				C	
Magdaleno B. Albarracin, Jr.				M	C
Francisco L. Viray				M	
Roberto M. Laviña		M		M	M
Raymundo A. Reyes, Jr.					
Victor J. del Rosario					
Edward S. Go (Independent)	M	C	M		M
Corazon S. de la Paz-Bernardo (Independent)	C	M	M		
Raphael Perpetuo M. Lotilla (Independent)	M		C	M	

C: Chairman M: Member

a. Information required of directors and executive officers

i. Board of Directors

The following persons have been nominated to the Board for election at the annual stockholders' meeting and have accepted their respective nominations:

JAIME Z. URQUIJO
AUGUSTO CESAR D. BENGZON
JOHN ERIC T. FRANCIA
MA. AURORA GEOTINA-GARCIA
RAPHAEL PERPETUO M. LOTILLA

JAIME ALFONSO ZOBEL DE AYALA
MARIA CORAZON G. DIZON
RAYMUNDO A. REYES, JR.
ALBERTO A. LIM

The nominees were formally nominated to the Corporate Governance and Nomination Committee of the Board by a minority stockholder of the Company, Mr. Francisco L. Viray, who holds one (1) common share, or 0.00 % of the total outstanding voting shares of the Company, and who is not related to any of the nominees. Ms. Ma. Aurora Geotina-Garcia, Mr. Alberto A. Lim, and Mr. Raphael Perpetuo M. Lotilla are being nominated as independent directors in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors). The Corporate Governance and Nomination Committee evaluated the qualifications of all the nominees and prepared the final list of nominees in accordance with the Amended By-Laws and the Charter of the Board of the Company. Of the nominees for independent director, only Mr. Lotilla is an incumbent independent director.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

The Board is responsible for the overall management and direction of the Company. The Board meets quarterly, or as often as required, to review and monitor the Company's financial position and operations and decide on such other matters as may be required by law to be decided by the Board. The Company's Directors are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

None of the directors hold more than two percent (2%) of the Company's shares.

A summary of the qualifications of the incumbent directors who are nominees for directors for election at the annual stockholders' meeting, and the nominees for independent directors and incumbent officers is set forth in **Annex "A"**.

The officers of the Company are elected annually by the Board during its organizational meeting.

ii. Family Relationships

Jaime Z. Urquijo, Director, and Jaime Alfonso Eder Zobel de Ayala, Director, are first cousins. Except for the foregoing, there are no known family relationships between the current members of the Board and key officers.

Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to PHINMA Petroleum's Board are related up to the fourth civil degree, either by consanguinity or affinity.

iii. Independent Directors

On 11 February 2005, the SEC approved the Amended By-Laws with regard to incorporation of the guidelines on the nomination and election of independent directors in compliance with SRC Rule 38.

The incumbent independent directors of PHINMA Petroleum are as follows:

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

The incumbent independent directors were nominated by Mr. Ramon R. Del Rosario. Mr. Ramon R. Del Rosario is not related to any of the independent directors either by consanguinity or affinity.

The independent directors of PHINMA Petroleum are not officers or substantial shareholders of the Company, or officers of PHINMA Petroleum's related companies.

iv. 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 on the Company's major and/or strategic planning and decision-making.

v. Involvement in Certain Legal Proceedings

As of 31 July 2019, to the knowledge and/or information of the Company, the nominees for election as directors of the Company, present members of the Board, and the executive officers are not, presently or during the last five (5) years, involved 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; or (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 31 July 2019, 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.

a. Certain Relationships 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 or common significant influence which include affiliates. Related parties may be individual or corporate entities.

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 31 December 2018 and 31 December 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.

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 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.

Company	As at and for the Year Ended 31 December 2018					
	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	₱-	₱29,445	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	–	3,036	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			₱-	₱32,481		

Company	As at and for the Year Ended 31 December 2017					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
Ultimate Parent Company						
PHINMA, Inc.						

As at and for the Year Ended 31 December 2018							
Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions	
			Receivable	Payable			
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	
<i>(Forward)</i>							
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 01 January 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 23 February 2016, the Company's Board approved the suspension of the management contract for the year 2016, which suspension has remained effective until the expiration of the management contract. PHINMA, Inc. bills the Company for its share in expenses.

PHINMA Energy

The Company purchased US 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.

a. Ownership structure and Parent Company

As of 31 July 2019, PHINMA Energy owns 75.92% of the outstanding voting shares of the Company. The immediate parent company of PHINMA Energy is AC Energy, Inc. PHINMA Energy has a management contract with AC Energy, Inc. effective until 01 September 2023. Under the contract, AC Energy, Inc. has general management authority with corresponding responsibility over all operations and personnel of PHINMA Energy, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. The ultimate parent company of the Company is Mermac, Inc. domiciled and incorporated in the Republic of the Philippines.

b. Resignation of Directors

The following directors have resigned since the date of the 2018 annual meeting of stockholders:

Director	Date of Effectivity of Resignation
Ramon R. Del Rosario, Jr.	01 July 2019
Magdaleno B. Albarracin, Jr.	01 July 2019
Victor J. del Rosario	01 July 2019
Roberto M. Laviña	01 July 2019
Francisco L. Viray	15 May 2019

There are no disagreements between any of the directors and the Company on any matter relating to the Company's operations, policies or practices. None of the directors or independent directors who were not nominated in this stockholders' meeting declined a nomination or refused to be nominated. The change in the directors reflected the change in control of the Company as discussed in Item (4) (c) (iv) above.

Item 6. Compensation of Directors and Executive Officers

a. Executive Compensation

For the calendar years ended 31 December 2018 and 2017, the total salaries, allowances, and bonuses paid to the directors and executive officers of PHINMA Petroleum 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				
	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	2018	-	-	516,000
	2017	-	-	832,000

a) **Compensation of Directors**

The directors receive allowances, per diem, and bonuses based on a percentage of the net income of PHINMA Petroleum 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.

b) **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

PHINMA Petroleum does not have written contracts with any of its executive officers or other significant employees.

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 Manger, 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.

c) **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 Energy 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.

d) **Warrants and Options Outstanding**

As of 31 December 2018, none of the Company's directors and executive officers hold any warrants or options in the Company.

Item 7. Independent Accountant's Appointment

a. The Audit Committee of PHINMA Petroleum proposed that the accounting firm of SyCip Gorres Velayo & Co. (SGV) be retained as the Company's external auditor for the year 2019. The incumbent members of the Audit Committee are as follows:

- | | | |
|----|-------------------------------|----------|
| a. | Ms. Corazon dela Paz Bernardo | Chairman |
| b. | Mr. Edward S. Go | Member |
| c. | Mr. Augusto Cesar D. Bengzon | Member |

SGV has been PHINMA Petroleum's Independent Public Accountant since 1994. The Audit Committee, the Board, and the stockholders of PHINMA Petroleum approved the engagement of SGV as the Company's external auditor for 2018. The services rendered by SGV for the calendar year ended 31 December 2018 included the examination of the parent and consolidated financial statements of the

Company, assistance in the preparation of the Company's annual income tax return, and other services related to filing of reports made with the SEC.

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.

b. **Changes in and disagreements with accountants on accounting and financial disclosure.**

During the past five (5) years, there has been no event in which PHINMA Petroleum and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

c. PHINMA Petroleum complied with SRC Rule 68, paragraph 3(b)(ix) which requires 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 external auditors for the current year and for the most recently completed fiscal year are expected to be present at the Annual Shareholders Meeting and to answer any question. They are likewise given an opportunity to give statements if they desire to do so.

d. **Audit and Audit-Related Fees**

PHINMA Petroleum paid SGV the amount of P150,000 for each of calendar years 2018, 2017, and 2016, for professional services rendered for the audits of the Company's annual financial statements and for services that are normally provided by external auditors in connection with statutory and regulatory filings or engagement. There were no other services rendered or fees billed for products and services provided by SGV.

The Audit Committee discusses the nature and scope of the audit with the external auditor before the audit commences. 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 the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

e. Tax fees

No tax consultancy services were secured from SGV & Co. for the past two years.

f. All other fees (Non-Audit Fees)

No other fees were paid to SGV & Co. for the past two years.

Item 8. Compensation Plans

No matter or action relating to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or issuance of securities other than for exchange

No matter or action concerning authorization or issuance of securities will be taken up during the meeting.

Item 10. Modification or Exchange of Securities

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class during the meeting.

Item 11. Financial and Other Information

The Management's Discussion and Analysis (MD&A) or Plan of Operations and PHINMA Petroleum's Audited Financial Statements as of 31 December 2018 are attached hereto as **Annexes "D"** and **"E"**. The Annual Report for the said period will be distributed to stockholders of record during the Annual Meeting.

THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED 31 DECEMBER 2018 WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. THE REQUEST MAY BE SENT DIRECTLY TO THE HEAD OF LEGAL AND REGULATORY, ATTY. DODJIE D. LAGAZO, WITH OFFICE AT THE 4th FLOOR, 6750 OFFICE TOWER, AYALA AVENUE, MAKATI CITY AND A COPY WILL BE SENT, FREE OF CHARGE.

Dividends

There is no restriction on payment by PHINMA Petroleum of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration.

The Company's By-Laws provide that cash and stock dividends shall be declared only from the unrestricted surplus profit and shall be payable at such time and in such manner and in such amounts as the Board and stockholders respectively shall determine. No dividends shall be declared which would impair the capital of the Company. Apart from the said restrictions provided by law and the SEC, there is no restriction on payment of dividends.

The Service Contracts of the Company are in their exploration stage. As such, significant expenses on the part of the Company to finance its share in the expenses of exploration, in accordance with its participation interests in the said Service Contracts, are expected. In the event of favorable results of exploration and extraction of oil/gas from the areas of said Service Contracts, and favorable operational and market conditions, the Company plans to declare cash or stock dividends to its stockholders on a regular basis, in amounts determined by the Board, taking into account various factors, including:

- the level of the Company's cash, gearing, return on equity and retained earnings;
- the Company's results for, and the Company's financial condition at, the end of the year, the year in respect of which the dividend is to be paid, and the Company's expected financial performance;
- the Company's projected levels of capital expenditure and other investment plans;
- restrictions of payment of dividends that may be imposed on the Company by any of its financing arrangements and current and prospective debt service requirements; and
- such other factors as the Board deems appropriate.

The Company has not declared any cash or other dividends from the time of its incorporation, and as of record date.

Item 12. Mergers, consolidations, acquisitions and similar matters

There is no proposed merger, consolidation, sale or liquidation of the Company that will be presented during the meeting.

Item 13. Acquisition or disposition of property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

Item 14. Restatement of accounts

As used herein and in other sections of this Information Statement, unless the context otherwise requires, PHINMA Petroleum refers to the Company and its subsidiary where the Company has control pursuant to SRC Rule 68, Par. 6 (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC) which became effective beginning 01 January 2018. Extensive discussions are made in the group's financial statements for PFRS 15 and 9, PIC Q&A on Land Classification, and PIC Q&A on Advances to Contractors, as all these standards have significant impact on the group. The group will also adopt several amended and revised standards and interpretations in the coming years 2020, 2021, and 2022.

D. OTHER MATTERS

Item 15. Action with respect to reports

- a. At the last Annual Stockholders' Meeting held on 12 April 2018, the President and CEO reported the results of operations of the Company through an audio-visual presentation. The Senior Vice President and Controller reported the financial results for calendar year 2017. The following matters were likewise presented and approved by the stockholders during the said meeting:
 - i. Minutes of the previous Annual Stockholders' Meeting;
 - ii. Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2017 and Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting;
 - iii. Amendment of the Articles of Incorporation to change the number of Directors of the Company from eleven (11) to nine (9);
 - iv. Election of nine (9) Directors including three (3) independent directors for the ensuing year; and
 - v. Appointment of external auditor.

- b. For the Annual Stockholders' Meeting on 17 September 2019, the President will report on the performance of the Company in 2018. The following matters will also be presented for the consideration of the stockholders at such meeting:
 - i. Minutes of the previous Annual Stockholders' Meeting (see **Annex "B"**);
 - ii. Annual Report of Management (see **Annex "D"**) including the Audited Financial Statements for the year ended 31 December 2018 (see **Annex "E"**);
 - iii. Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting (see **Annex "C"**);
 - iv. Amendment of the Articles of Incorporation;
 1. Change in the Company's name to ACE Enexor, Inc.
 2. Change of the Company's principal place of business to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City
 - v. Amendment of the By-Laws;
 1. Change in the Company's name to ACE Enexor, Inc.
 2. Change in the reference to existing committees, and creation of new committees, as follows:
 - a.) Corporate Governance and Nomination Committee;
 - b.) Audit Committee;
 - c.) Personnel and Compensation Committee; and
 - d.) Board Risk Management and Related Party Transactions Committee.

- vi. Election of nine (9) directors including three (3) independent directors for the ensuing year; and
- vii. Appointment of external auditor.

The approval of the Minutes of the previous Annual Stockholders' Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended 31 December 2018, the Confirmation of all acts of the Board of Directors and of Management since the last Annual Stockholders' Meeting, Amendment of the By-Laws, and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of a majority of the stockholders represented in person or by proxy during the Annual Stockholders' Meeting. The Amendment of the Articles of Incorporation requires the affirmative vote of two thirds (2/3) of the entire outstanding stock entitled to vote.

Item 16. Matters Not Required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter, By-Laws or Other Documents

The Company will seek stockholders' approval of the amendment of Article First and Article Third, of its Articles of Incorporation and amendment of the caption of Article I of the Company's By-Laws to change the name of the Company from "PHINMA Petroleum and Geothermal, Inc." to "ACE Enexor, Inc."

The proposed amendment shall read as follows (*amended portions underlined*):

**Amended Articles of Incorporation of
ACE Enexor, Inc.**

Know all men by these presents: xxx

FIRST: The name of the corporation shall be:

ACE Enexor, Inc.

(As amended during the meeting of the Board of Directors held on 23 July 2019)

xxx

THIRD: The principal office of the corporation is to be established or located at 4th Floor, 6750 Office Tower, Ayala Ave., Makati City.

AMENDED BY-LAWS OF ACE ENEXOR, INC.

(As amended during the meeting of the Board of Directors held on 23 July 2019)

xxx

ARTICLE V: Committees

SECTION 1. EXECUTIVE COMMITTEE. *(As amended during the meeting of the Board of Directors held on 23 July 2019)* The Committee shall be composed of not less than three (3) but not more than five (5) members, majority of whom shall be citizens of the Philippines, and shall designate among the members of the Committee a Chairman and a Vice Chairman. The Board may, from time to time, increase the membership of the Committee, and appoint additional members therein, who may or may not be Directors. Except as provided in Section 34 of the Revised Corporation Code of the Philippines, the Committee shall act on such specific matters within the competence of the Board as may from time to time be delegated to it.

ARTICLE V-A: Corporate Governance and Nomination Committee *(As amended on 23 July 2019)*

SECTION 1. CREATION. The Committee shall be composed of at least three (3) Directors, all of whom shall be Independent Directors.

SECTION 2. FUNCTION. The Committee shall be tasked to ensure that good corporate governance principles and practices are being complied with and observed by the Corporation, and to determine the nomination and election process for the Corporation's Directors.

ARTICLE V-B: Audit Committee. *(As amended on 23 July 2019)*

SECTION 1. CREATION. The Committee shall be composed of at least three (3) Non-Executive Directors, majority of whom shall be Independent Directors chaired by an Independent Director, who shall not chair any other Committee. The Chairman should not be the chairman of the Board or of any other committees.

SECTION 2. FUNCTION. The Committee shall be responsible for ensuring that adequate, effective and adequate financial reporting, internal control, internal and external audit, and compliance systems are established and maintained.

ARTICLE V-C: Personnel and Compensation Committee *(As amended on 23 July 2019)*

SECTION 1. CREATION. The Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

SECTION 2. FUNCTION. The Committee shall be responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and Directors, ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment and aligned with the long-term interests of the Corporation and stakeholders.

ARTICLE V-D: Board Risk Management and Related Party Transactions Committee *(As amended on 23 July 2019)*

SECTION 1. CREATION. The Committee shall be composed of at least three (3) Non-Executive Directors, majority of whom shall be Independent Directors. An Independent Director shall chair the Committee. The Chairman should not be the chairman of the Board or of any other committee.

SECTION 2. FUNCTION. The Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management (ERM) system and for the review of all material related party transactions of the Corporation.

Item 18. Other Proposed Action

- a. Election of the members of the Board of Directors, including the independent directors, for the ensuing year.
- b. Ratification of all acts of the Board of Directors and officers beginning 13 April 2018 until 16 September 2019.

The acts of the Board of Directors, its Committees, and Management involve the:

- (i) constitution of Board Committees and appointment of Chairmen and members;
 - (ii) election of lead independent director and officers;
 - (iii) updating of the list of attorneys-in-fact and authorized signatories;
 - (iv) ratification of the actions of the Board committees;
 - (v) execution of agreements relating to the properties of the Company;
 - (vi) 2019 Company Budget; and
 - (vii) approval of reports to be issued by the Company.
- c. Election of external auditor and fixing of its remuneration

Item 19. Voting Procedures

a. Vote Required.

The nine (9) nominees for directors receiving the highest number of votes shall be declared elected, provided that at least two (2) out of the nine (9) directors shall be independent directors. The stockholders have cumulative voting rights with respect to the election of the Company's directors. Amendments to the Articles of Incorporation shall require the affirmative vote of two-thirds (2/3) of the outstanding capital stock of the Company. All other items in the Agenda shall require the affirmative vote of a majority of the issued and outstanding capital stock entitled to vote in the meeting. Each stockholder may vote in person or by proxy the number of shares of stock standing in his or her own name in the books of the Company as of the record date of the meeting.

b. Method of Voting.

Each stockholder or member shall have the right to nominate any director or trustee who possesses all of the qualifications and none of the disqualifications set forth in this Code. Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the Company at the time fixed in the By-Laws or where the By-Laws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: *Provided*, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Company multiplied by the whole number of directors to be elected: *Provided, however*, That no delinquent stock shall be voted. (Section 23 of the *Revised Corporation Code of the Philippines*)

Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether that matter has been approved by the stockholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. Voting shall be by raising of hands or *viva voce*; otherwise, voting shall either be by electronic (if available) or manual voting. For manual voting, stockholders present at the meeting will be given, upon registration, a ballot where he or she can write his or her vote on every item in the Agenda or proposed resolution and counted manually thereafter by the Corporate Secretary in the presence of the External Auditor to validate the counting. The results shall be tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor. Each of the proposed resolutions will be shown on the screen as the same is taken up at the meeting.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 08 August 2019.

PHINMA PETROLEUM AND GEOTHERMAL, INC.

by:


DODJIE D. LAGAZO
Corporate Secretary

ANNEXES

- A. Directors and Key Officers
- B. Minutes of the previous Annual Stockholders' Meeting
- C. Relevant resolutions approved by the Board of directors for calendar year 2018 until 16 September 2019 for ratification by the stockholders
- D. Management's Discussion and Analysis (MD&A) or Plan of Operations
- E. Audited Financial Statements for the year ended 31 December 2018

ANNEX A
DIRECTORS AND KEY OFFICERS

The write-ups below include positions held as of 31 July 2019 and in the past five years and personal data as of 31 July 2019, of directors and executive officers.

Board of Directors

John Eric T. Francia	President and CEO
Augusto Cesar D. Bengzon	
Maria Corazon G. Dizon	
Raymundo A Reyes, Jr.	
Jaime Z. Urquijo	
Jaime Alfonso E. Zobel de Ayala	
Raphael Perpetuo M. Lotilla	Independent Director
Ma. Aurora Geotina-Garcia	Independent Director
Alberto A. Lim	Independent Director

John Eric T. Francia, Filipino, 48, is the President and Chief Executive Officer of AC Energy, Inc. He is a Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Masters Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors.

Maria Corazon G. Dizon, Filipino, 55, is currently the Chief Finance Officer of AC Energy, Inc. and PHINMA Energy Corporation. She previously held positions with Ayala Land, Inc., the publicly listed real estate vehicle of Ayala Corporation, as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon worked in SGV & Co for three years as a senior auditor. She is a Certified Public Accountant and graduated with a degree in Accountancy, cum laude, from the University of Santo Tomas. She completed academic units for a Masters degree in Business Administration from De la Salle University Graduate School of Business, and attended an Executive Management Program from the Wharton University of Pennsylvania.

Augusto Cesar D. Bengzon, Filipino, 56, joined Ayala Land Inc. (“ALI”) in December 2004 and currently serves as its Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is a Director of Cebu Holdings Inc. and Prime Orion Philippines Inc., the publicly listed subsidiaries of ALI. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Vice Chairman of CMPI Holdings Inc.; Director, Treasurer & Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director & President of CMPI Land Inc.; Director & Assistant Treasurer of Ayala Greenfield Development Corp.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director of AG Counselors Corporation, Alabang Commercial Corporation, ALINet.Com Inc., Alviera Country Club Inc., Alveo Land Corp., Ayala Land Commercial Reit Inc., Ecozone Power Management Inc., Laguna Technopark Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of AKL Properties, Inc., Cebu Property Ventures and Development Corporation, and Hero Foundation, Inc., Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. Prior to joining ALL, he was Vice President and Credit Officer at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Corporate Finance and Relationship Management.

He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Master's in Business Management degree.

Raymundo A. Reyes, Jr., 66, has been a member of the Board of Directors since February 2013. He is the 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 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 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.

Jaime Z. Urquijo, Filipino, 31, Mr. Urquijo is currently a Strategy and Development manager in Ayala Corporation. From 2014 to 2016, he was seconded to AF Payments, Inc. and served as head of Business Development. Prior to joining Ayala, he was an analyst in JP Morgan Bank in New York from 2010 to 2013. He was a player and a board member of the Philippine Rugby Football Union from June 2010 to August 2017. He received his Bachelor of Arts Degree in Political Science in the University of Notre Dame, Indiana, USA. He is the President of the Notre Dame Club of the Philippines since July 2015. He obtained his Masters in Business Administration in INSEAD (France).

Jaime Alfonso E. Zobel de Ayala, Filipino, 29, started as a Business Development associate of the Ayala Corporation's Strategic Development Group in January 2015. He was then seconded to Globe Telecom, Inc. and was its Head of Business Development (Prepaid Division) from April 2016 to May 2017, and its Head of Fixed-Mobile Convergence (Product Management) from May 2017 to November 2018. Prior to joining the Ayala Group, he worked as an analyst at Goldman Sachs in Singapore. He studied in Harvard University and took up Government as his primary concentration and Visual and Environmental Studies as his secondary concentration. He obtained a master's degree in Business Administration at Columbia Business School, New York.

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, and chairs the boards of the Center for Advancement of Trade Integration and Facilitation (CATIF) and the Asia-Pacific Pathways for Progress Foundation, Inc. He also serves as an Independent Director of several private companies. 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.

Ma. Aurora D. Geotina-Garcia, Filipino, 66, is currently the President of Mageo Consulting, Inc. and CIBA Capital Philippines, Inc. She is also currently an independent director of Queen City Development Bank and Cebu Landmasters, Inc. She was a director in the following companies/organizations: Bases Conversion and Development Authority (2011-2016), BCDA Management Holdings, Inc. (2011-2016), Fort Bonifacio Development Corporation (2011-2016), Heritage Park Management Corporation (2015-2016), Bonifacio Global City Estates Association, Inc. (2012-2016), Bonifacio Estates Services Corporation (2012-2016), and HBC, Inc. (2012-2016). She started her professional career at SyCip, Gorres, Velayo & Co. (SGV & Co.), where she joined the Management Services Division in 1974. She joined SGV & Co.'s Economic and Financial Consulting Division in 1986 and was promoted to Partner in 1990. She headed SGV & Co.'s Global Corporate Finance Division from 1992 until her retirement from the partnership in 2001, after which she remained as Senior Adviser to SGV & Co up to September 2006. She received a Bachelor of Science Degree in Business Administration and Accountancy from the University of the Philippines in 1973. She completed her Master of Business Administration from the same university in 1978.

Alberto A. Lim, Filipino, 69, is currently an independent director of South Luzon Thermal Energy Corporation, and Chairman of the Culion Foundation, Inc and the El Nido Foundation, Inc. He was a former director of the Development

Bank of the Philippines, and the Chairman of the DBP Leasing Corporation. He was a former president of the Makati Business Club. He served as the Secretary of Tourism from 30 June 2010 to 12 August 2011. He has a Bachelor's degree in Economics from the Ateneo de Manila University, a Master's degree in business administration from the Harvard Business School and a master's degree in public administration from the Kennedy School of Government, Harvard University.

Nominees to the Board of Directors for election at the stockholders' meeting

All the above are nominee directors.

The certifications on the qualifications of the nominees for independent directors are attached¹.

PHINMA Petroleum & Geothermal Management Committee Members / Senior Leadership Team

Maria Corazon G. Dizon	Treasurer and CFO
Raymundo A. Reyes, Jr.	Chief Operating Officer
Mariejo P. Bautista	SVP-Finance and Controller
Dodjie D. Lagazo	Corporate Secretary, Compliance Officer
Alan T. Ascalon	Assistant Corporate Secretary
Raissa C. Villanueva	Assistant Corporate Secretary

Mariejo P. Bautista, Filipino, 54, obtained her Bachelor of Science degree in Business Administration and Accountancy 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 PHINMA Energy in September 2011. She is the Senior Vice President – Finance and Controller of PHINMA Energy, PHINMA Power Generation Corporation, CIP II Power Corporation, One Subic Power Generation Corp., PHINMA Renewable Energy Corporation, PHINMA Petroleum and Geothermal, Inc., One Subic Oil Distribution Corp., and Palawan55 Exploration and Production Corporation.

Dodjie D. Lagazo, Filipino, 39, is an Executive Director of AC Energy, Inc. where he heads its Legal and Regulatory Group. Previously, he served as Director and member of AG Counselors Corporation's Management Committee from January 2014 to July 2017. He is also the Assistant Corporate Secretary of Ayala Corporation, the Assistant Corporate Secretary of AC Energy, Inc. and the Corporate Secretary of various AC Energy subsidiaries and affiliates. Mr. Lagazo received his undergraduate degree in Political Science from the University of the Philippines, Diliman, graduating magna cum laude. He then completed his Bachelor of Laws Degree in the College of Law of the University of the Philippines, Diliman. He is a member in good standing of the Integrated Bar of the Philippines.

Alan T. Ascalon, Filipino, 44, is the Vice President for Legal and Head of Corporate Affairs of PHINMA Energy. He served as director of PHINMA Renewable Energy Corporation and was 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.

Raissa C. Villanueva, Filipino, 33, is a Senior Manager of AC Energy, Inc. and previously Senior Counsel at Ayala Group Legal. She is also the Assistant Corporate Secretary of various AC Energy subsidiaries and affiliates. Prior to joining Ayala, she was Primary Counsel at Energy Development Corporation. Before this, she practiced law as legislative officer at the Office of Senator Pia Cayetano and as associate in Leynes Lozada Marquez Offices. She received her undergraduate degree in Business Administration from the University of the Philippines, Diliman, graduating cum laude. She then completed her Juris Doctor in the College of Law of the University of the Philippines, Diliman. She is a member in good standing of the Integrated Bar of the Philippines.

¹ The Certification of Independent Director of Ms. Ma. Aurora D. Geotina-Garcia will be submitted following the submission of the Preliminary Information Statement.

PHINMA PETROLEUM AND GEOTHERMAL, INC.
MINUTES OF THE
ANNUAL MEETING OF THE SHAREHOLDERS

Held on 12 April 2018, at 2 p.m.
at the Palm Grove, Rockwell Leisure Club
Lower Level One, Amorsolo Square, Amorsolo Drive,
Rockwell Center, Makati City

I. CALL TO ORDER

The Chairman of the Board, Mr. Ramon R. del Rosario, Jr., called the meeting to order and presided over the same. The Corporate Secretary, Atty. Troy A. Luna, recorded the minutes of the meeting.

Before proceeding with the meeting, the Chairman requested the President and Chief Executive Officer, Dr. Francisco L. Viray, to introduce the members of the Board of Directors who were present at the meeting. Dr. Viray proceeded to introduce the following Directors of the Corporation who were present at the meeting:

Mr. Ramon R. del Rosario, Jr.

Mr. Oscar J. Hilado

Dr. Magdaleno B. Albarracin, Jr.

Dr. Francisco L. Viray

Mr. Victor J. del Rosario

Mr. Roberto M. Laviña

Mr. Raymundo A. Reyes, Jr.

Atty. Raphael Perpetuo M. Lotilla (Independent Director)

Mr. Edward S. Go (Independent Director)

Ms. Corazon de La Paz - Bernardo (Independent Director)

The President also acknowledged Mr. Romeo L. Bernardo, an independent Director, who was present at the regular meeting of the Board of Directors held earlier in the day, but due to conflict in schedule could not stay for the Annual Meeting of Shareholders.

The Chairman also introduced the Corporation's Corporate Secretary, Atty. Troy A. Luna. He further acknowledged the presence of the Corporation's external auditor, SyCip Gorres Velayo & Co. (SGV) represented by Ms. Marydith Miguel and company, and the Corporation's stock transfer agent, Stock Transfer Service, Inc. (STSI), represented by Mr. Antonio M. Laviña.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Corporate Secretary certified that there were present, in person or by proxy, stockholders owning or holding One Hundred Ninety Million, Three Hundred Fifty Seven Thousand Three Hundred Twenty Three (190,357,323) shares constituting 76.14% of the total issued and outstanding capital stock of the Corporation, as attested by STSI. Accordingly, there was a quorum for purposes of the meeting.

III. APPROVAL OF MINUTES OF PREVIOUS MEETING

The Chairman proceeded to the next item on the Agenda which was the reading and approval of the Minutes of the Annual Meeting of Stockholders held on 10 April 2017. The Chairman said that copies of said Minutes were given to the stockholders together with the Corporation's Information Statement.

A shareholder moved that the reading of the Minutes of the Annual Meeting of Shareholders held on 10 April 2017 be dispensed with and that said Minutes be approved. Another stockholder seconded the said motion. The said Minutes were approved without objection from any stockholder.

A total of 190,357,323 shares were voted as follows: 190,357,323 shares in favor of the motion; 0 shares against the motion; and 0 shares abstaining.

IV. ANNUAL REPORT OF MANAGEMENT AND CONFIRMATION OF ALL ACTS OF THE BOARD AND MANAGEMENT SINCE THE LAST SHAREHOLDERS' MEETING

The Chairman called on the President and CEO, Dr. Viray, for the reports.

Annual Report

Before presenting the Annual Report, the President introduced the following members of the management team who were responsible for the performance of the Corporation for the year 2017:

Mr. Ramon R. del Rosario, Jr.	Chairman
Mr. Oscar J. Hilado	Vice Chairman
Mr. Raymundo A. Reyes, Jr.	Executive Vice President and Chief Operating Officer
Mr. Pythagoras L. Brion, Jr.	Executive Vice President, Treasurer and Chief Financial Officer
Ms. Mariejo P. Bautista	Senior Vice President - Finance and Controller
Dr. Benjamin S. Austria	Senior Adviser
Ms. Cecille B. Arenillo	Vice President - Compliance Officer
Atty. Alan T. Ascalon	Vice President - Legal and Corporate Affairs
Mr. Arthur R. Villacorte	Asst. Vice President - Materials Management
Atty. Troy A. Luna	Corporate Secretary
Atty. Daneia Isabelle F. Palad	Assistant Corporate Secretary

The President then called on the Executive Vice President and Chief Operating Officer, Mr. Raymundo A. Reyes, Jr. to present the Management Report.

Mr. Reyes reported that in the year 2017, the price of oil remained low. There was a slight increase in exploration and production spending but this was not enough to perk up the local oil and gas industry. There was reportedly no exploratory well drilling in the Philippines in 2017, and the operations were limited to the production of existing oil and gas fields.

SC 55 - Ultra Deepwater - West Palawan, 37.5%

Mr. Reyes reported that the Department of Energy (DOE) recently approved the transfer of the former operator's interest to the continuing parties, among them ePalawan55 Exploration & Production Corporation, a subsidiary of the Company, which now has 37.5% participating interest and is at present the interim operator of the service contract. Said contract has been extended until April 2019. The continuing partners committed to undertake specialized geophysical studies that would reassess the prospectivity of the block in light of gas discovery in the Hawkeye-1 well.

SC 6 Block A - Offshore Northwest Palawan, 7.78%

According to Mr. Reyes, the Company was doing specialized geophysical studies. Management was hopeful that during the year, some of the prospects may be upgraded to drillable status, said Mr. Reyes.

SC 51 - East Visayas, 6.67%

The Company was still waiting for the transfer of interest of the former operator to the Company. Once the interest is transferred, the Company will hold 33.34% and will be the operator. The Company has committed to the DOE to conduct pore pressure studies and a gravity survey in the area of interest.

SC 69 - Central Visayas, 50%

The service contract was reportedly still under force majeure due to challenges in securing local government permits and environmental clearances.

Mr. Reyes also announced that due to the low level of activity in the upstream sector in 2017, the Company commenced evaluation of midstream opportunities in the country. The Company signed in late 2017 an agreement with three (3) international companies for joint development of a Liquefied Natural Gas (LNG)-to-Power project in Argao, Cebu.

Financial Report

Ms. Mariejo P. Bautista, Senior Vice President – Finance and Controller, presented the Audited Financial Statements of the Company for calendar year 2017. Copies were reportedly distributed to the shareholders prior to the meeting.

According to Ms. Bautista, the Company remains in the exploration stage of the business, hence no operating revenue to report yet as of date. The Company had a modest financial income consisting of interest income (P15 thousand) and gains on holdings of financial instruments (P1.24M). Total operating expenses reportedly amounted to about P10M in 2017, from the previous year's P9.8M. In 2017, the Company fully provided for probable losses on the deferred exploration cost pertaining to SC 6-B amounting to P4.892M, due to the Company's relinquishment of its participating interest there.

Total assets reportedly amount to P156.9M, consisting primarily of cash, financial assets, and deferred exploration costs. Total cash and financial investments amounted to about P81M while deferred exploration costs amounted to P76M, representing the accumulated expenditures on the Company's participation in SC 6-A, SC 51, SC 69 and SC55.

The Company had no significant liabilities and has no intention to incur debt, with remaining capital at P155.3M, reported Ms. Bautista.

Open Forum

The Chairman then opened the floor for questions from the shareholders. None of the shareholders raised any question.

A shareholder then moved that the Corporation's Annual Report, together with the Audited Financial Statements and the notes thereto for the year ended 31 December 2017 be approved, and that all acts of the Board and Management be confirmed and ratified. The motion was thereafter duly seconded and no objection was made.

A total of 190,357,323 shares were voted on the motion as follows: 190,357,323 shares for the motion; 0 shares against; and 0 shares abstaining.

The Chairman declared that said motions were carried. The Corporation's Annual Report, together with the Audited Financial Statements and the notes thereto for the year ended 31 December 2017 were approved, and all acts of the Board and Management were approved, confirmed and ratified.

V. AMENDMENT OF ARTICLES OF INCORPORATION TO REDUCE NUMBER OF DIRECTORS TO NINE (9) DIRECTORS

The Chairman announced that at its meeting held on 28 February 2018, the Board of Directors approved the amendment of the Company's Articles of Incorporation to reduce the number of its Directors from eleven (11) to nine (9) directors, and to present this for approval by the stockholders.

There being no question on the proposal to amend the Company's Articles of Incorporation, a shareholder moved that the resolution and recommendation of the Board of Directors at its meeting held on 28 February 2018 to amend the Company's Articles of Incorporation to decrease the number of Directors from eleven (11) to nine (9) and as presented at the meeting, be approved, ratified and confirmed. Said motion was duly seconded and no objection was made.

A total of 190,357,323 shares were voted as follows: 190,357,323 shares, constituting more than two-thirds (2/3) of the issued and outstanding capital stock, in favor of the motion; 0 shares against; and 0 shares abstaining.

The Chairman declared the motion as carried. The resolution to amend the Company's Articles of Incorporation to decrease the number of its Directors from eleven (11) to nine (9), as presented at the meeting, was approved, confirmed and ratified.

VI. ELECTION OF DIRECTORS

The Chairman requested the Corporate Secretary to inform the shareholders of the nominees for election to the Corporation's Board of Directors.

The Corporate Secretary reported that there are nine (9) nominees to fill nine (9) seats on the Board. He explained that the following nominees were pre-screened by the Corporate Governance and Related Party Transactions Committee and were found to be qualified for election as Directors of the Corporation for 2018-2019 and until their successors are duly elected and qualified:

1. Mr. Ramon R. del Rosario, Jr.
2. Dr. Magdaleno B. Albarracin, Jr.
3. Dr. Francisco L. Viray
4. Mr. Roberto M. Laviña
5. Mr. Victor J. del Rosario
6. Mr. Raymundo A. Reyes, Jr.
7. Mr. Edward S. Go (Independent Director)
8. Atty. Raphael Perpetuo M. Lotilla (Independent Director)

9. Ms. Corazon de La Paz-Bernardo (Independent Director)

Upon motion made by a stockholders and duly seconded, considering that only nine (9) were nominated to fill the nine (9) seats on the Board, the nominations were closed and the Corporate Secretary was directed to cast votes in favor of the said nominees.

190,357,323 shares which represent 76.14% of the issued and outstanding capital stock of the Corporation were cast as follows:

Nominee	Votes	%
Mr. Ramon R. del Rosario, Jr.	190,357,323	76.14
Dr. Magdaleno B. Albarracin, Jr.	190,357,323	76.14
Dr. Francisco L. Viray	190,357,323	76.14
Mr. Victor J. del Rosario	190,357,323	76.14
Mr. Roberto M. Laviña	190,357,323	76.14
Mr. Raymundo A. Reyes, Jr.	190,357,323	76.14
Mr. Edward S. Go	190,357,323	76.14
Atty. Raphael Perpetuo M. Lotilla	190,357,323	76.14
Ms. Corazon de La Paz-Bernardo	190,357,323	76.14

The Chairman then declared the foregoing nominees as the duly elected Directors of the Corporation for 2018-2019. The Chairman also thanked the outgoing Directors, Messrs. Hilado and Bernardo, for their services to the Company.

VII. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman proceeded to the next item on the agenda which was the appointment of the Corporation's external auditors for the ensuing fiscal year. The Chairman explained that the Audit Committee and the Board have selected and recommended the appointment of SyCip Gorres Velayo & Co. as external auditors of the Corporation.

A shareholder moved that the accounting firm of SyCip Gorres Velayo & Co., as recommended by the Audit Committee and the Board of Directors, be appointed as the

external auditors of the Corporation for the fiscal year 2018, and until their successors are duly appointed. Said motion was duly seconded and no objection was made.

A total of 190,357,323 shares were voted as follows: 190,357,323 shares for the motion; 0 shares against; and 0 shares abstaining.

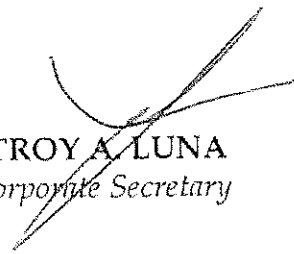
The Chairman declared the motion carried. The appointment of accounting firm SyCip Gorres Velayo & Co., as recommended by the Audit Committee and the Board of Directors, as the external auditors of the Corporation for the fiscal year 2018, and until their successors are duly appointed, was approved.

VIII. OTHER MATTERS/ADJOURNMENT

The Chairman asked if there were any other matters or business that the shareholders wished to raise. None of the shareholders came forward with any question or concern.

There being no other matters to discuss, on motion duly made and seconded, the meeting was thereupon adjourned.

Prepared by:


TROY A. LUNA
Corporate Secretary

Attest:


RAMON R. DEL ROSARIO, JR.
Chairman

ANNEX C
RELEVANT RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS
FOR CALENDAR YEAR 2018 UNTIL 16 SEPTEMBER 2019
FOR RATIFICATION BY THE STOCKHOLDERS

Meeting of the Board of Directors
28 February 2018

- Resolution on approval that the number of Directors of the Corporation be decreased from the current eleven (11) to nine (9) Directors, Board of Directors determined that a smaller Board would provide more efficiency and faster decisions, without the reduction in the number of Independent Directors.
- Resolution authorizing the Corporation to transact with the counterparties and/or any of its branches. Authorization to transact with the following banks and entities for the matters stated below and directed the Corporate Secretary to prepare the appropriate resolutions for the purpose.

BDO Unibank, Inc. and BDO Private Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Metropolitan Bank & Trust Company
Development Bank of the Philippines
Bank of the Philippine Islands and subsidiaries

Relative to the following:

- (a) Investment in the following instruments:
 - Unit investment Trust Funds, Mutual and Trust Funds and Trust Accounts and related products, Time deposits, certificate of deposit, special savings and other deposit products.
 - (b) Opening, maintenance and/or closure of trust accounts (including escrow, custodianship and/or safekeeping) with the Trust Department, both in local and foreign currency
 - (c) Opening and utilization of electronic or internet banking services, Transactional Banking and payroll services
 - (d) Utilization of the Check Writing Facility of BDO (in-house) and Check Cutting Facility (bank-prepared) and authorize the processing and acceptance of company checks with digitized or printer generated signatures;
- Resolution authorizing signatories for the foregoing and other related documents:
 - (a) Without any limit, any two (2) of the Group A signatories below may sign, execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and other documents as may be required or necessary.
 - (b) For amounts covering Fifty Thousand Pesos (Php 50,000.00) and below, any two (2) of the Group A signatories or any one (1) of the Group A or Group B signatories below together with any one (1) of Group C signatories below:

Group A:

Francisco L. Viray	President and CEO
Raymundo A. Reyes, Jr.	EVP & COO
Pythagoras L. Brion, Jr.	EVP Treasurer and CFO
Mariejo P. Bautista	SVP-Finance and Controller
Alan T. Ascalon	VP-Legal & Corporate Affairs

Group B:

Danielle R. Del Rosario	AVP-Sales and Marketing
Arthur R. Villacorte	AVP-Materials Management

Group C:

Mariejo P. Bautista	SVP-Finance and Controller
Yolanda D. Anonuevo	Asst. Controller

- Resolution on approval of the Board Charter and the Board Succession Policy. According to Ms. Cecille B. Arenillo, changes in the Company's Manual on Corporate Governance specifically the adoption of the (1) maximum allowable directorships of non-executive directors as prescribed in the Code of Corporate Governance for Listed Companies to only (5) listed companies; and (2) maximum term limit of Independent Directors to nine (9) years, Ms. Arenillo requested for Board approval in connection with said revisions.
- Resolution on approval of the Board Charter and the Board Succession Policy, copies of which were given in advance to the Directors. According to Ms. Cecille B. Arenillo, the Corporate Governance and Related Party Transactions Committee has reviewed and approved said Board Charter and Board Succession Policy and has endorsed them for the approval of the Board.
- Resolution on approval of the Risk Oversight Committee Charter. The Board appointed Atty. Alan T. Ascalon as the Company's Chief Risk Officer. The Corporate Secretary was further directed to prepare the appropriate resolution/s for the purpose.

Meeting of the Board of Directors

12 April 2018

- Resolution on approval of revised Audit Committee Charter, it was reviewed by the Chairman of the Audit Committee, Ms. Corazon de La Paz-Bernardo and endorsed the same for the Board approval.

Meeting of the Board of Directors

07 August 2018

- Resolution authorizing the Corporation to transact with the counterparties and/or any of its branches relative to transactions for all instruments and facilities:

BDO Unibank, Inc. and BDO Private Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Metropolitan Bank & Trust Company
Development Bank of the Philippines
Bank of the Philippine Islands and any of its subsidiaries

- Resolution authorizing signatories for the foregoing and other related documents:
 - (a) Without any limit, any two (2) of the Group A signatories below may sign, execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and other documents in behalf of the Corporation which may be required or necessary in connection with the Corporation's transaction with banks:

Group A:

Francisco L. Viray	President and CEO
Raymundo A. Reyes, Jr.	EVP & COO
Pythagoras L. Brion, Jr.	EVP Treasurer and CFO
Mariejo P. Bautista	SVP-Finance and Controller
Alan T. Ascalon	VP-Legal & Corporate Affairs

- (b) For amounts equal to Fifty Thousand Pesos (Php 50,000.00) and below, any two (2) of the Group A signatories or any one (1) of the Group A or Group B signatories below together with any one (1) of Group

C signatories below be authorized to sign, execute, and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and other documents as may be required or necessary for and in behalf of the Corporation:

Group B:

Danielle R. Del Rosario	AVP-Sales and Marketing
Arthur R. Villacorte	AVP-Materials Management

Group C:

Mariejo P. Bautista	SVP-Finance and Controller
Yolanda D. Anonuevo	Asst. Controller

**Meeting of the Board of Directors
01 March 2019**

- Resolved to approve the sale/disposition of the Company's interest in Palawan55, and to delegate to the Executive Committee the final approval of the terms and conditions thereof. Corporate Secretary was further directed and authorized to prepare the appropriate resolution/s for the purpose.
- Resolved to approve the sale/disposition of the Company's interest in SC Blocks A & B, and delegate to the Executive Committee the final approval of the terms and conditions thereof. Corporate Secretary was further directed and authorized to prepare the appropriate resolution/s for the purpose.
- Resolved to approve the postponement of the Company's Annual Shareholders Meeting
- Resolved that the Corporation be authorized to transact with the following counterparties and/or any of its branches relative to transactions for all instruments and facilities::

Banco de Oro Unibank, Inc. and BDO Private Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Metropolitan Bank & Trust Company
Development Bank of the Philippines
Bank of the Philippine Islands and any of its subsidiaries
- Resolved that the Corporation invest in the following instruments, both in local and foreign currency, with the abovementioned counterparties:
 - (a) Unit Investment Trust Funds, Trust Accounts and/or similar products
 - (b) Time deposits, certificate of deposits, special savings and other deposit products
- Resolved that the Corporation be authorized to open, operate, and close deposit accounts, both in local and foreign currency, with the foregoing banks.
- Resolved that the Corporation be authorized to open, operate, and close trust accounts with the Trust Department of the abovementioned banks.
- Resolved that the Corporation be authorized to enter into foreign exchange dealings as well as derivative transactions and contracts with Banco de Oro Unibank Inc., Security Bank Corporation, and Rizal Commercial Banking Corporation and/or their affiliate or branch, such as buying and selling of foreign exchange, under spot, swaps, options, and forwards transactions.
- Resolved that the Corporation be authorized to open and utilize the electronic or internet banking services, Transactional Banking services and payroll services of the foregoing banks.
- Resolved that any two (2) of the Group A signatories below be authorized to sign, execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and

other documents for and in behalf of the Corporation which may be required or necessary in connection with the Corporation's transactions with banks:

Group A

Francisco L. Viray	President & CEO
Raymundo A. Reyes, Jr.	EVP & COO
Pythagoras L. Brion, Jr.	EVP Treasurer & CFO
Mariejo P. Bautista	SVP-Finance & Controller
Alan T. Ascalon	VP-Legal

- Resolved that for banking transactions involving amounts equal to **Fifty Thousand Pesos (Php 50,000.00) and below** any two (2) of the aforementioned Group A signatories or any one (1) of the Group A or Group B signatories below together with any one (1) of Group C signatories below, be authorized to sign execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and authorizations, receipts, check payments and other modes of payment, and other documents as may be required or necessary for and in behalf of the Corporation.

Group B

Arthur R. Villacorte	AVP-Materials Management
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Group C

Mariejo P. Bautista	SVP-Finance and Controller
Yolanda D. Anonuevo	Asst. Controller

**Meeting of the Board of Directors
09 May 2019**

- Election of Director : John Eric T. Francia to replace Dr. Francisco L. Viray
Effective Date: End of Day, May 15, 2019 to also replace Dr. Francisco L. Viray in Executive Committee
- Appointment of the following Officers Effective May 15, 2019
 - President and CEO: John Eric T. Francia – to replace Francisco L. Viray
 - CFO and Treasurer: Maria Corazon G. Dizon – to replace Pythagoras L. Brion
- Authorization to transact with the following counterparties and/or any of its branches
 - BDO Unibank, Inc. and BDO Private Bank
 - Rizal Commercial Banking Corporation
 - Security Bank Corporation
 - Metropolitan Bank & Trust Company
 - Development Bank of the Philippines
 - Land Bank of the Philippines
 - Bank of the Philippine Islands and any of its subsidiaries

relative to the following:

- Investment in the following instruments: Unit Investment Trust Funds and Trust Accounts and related products, namely: time deposits, certificate of deposits, special savings and other deposit products.
- opening, maintenance and closure of deposit accounts and trust accounts (including escrow, custodianship and/or safekeeping) with the Trust Department, both in local and foreign currency
- Authorization to enter into foreign exchange dealings as well as derivative transactions and contracts with Security Bank Corporation, BDO Unibank, Inc. and Rizal Commercial Banking Corporation and/or their affiliates or branch, such as buying and selling of foreign exchange, under spot, swaps, options, and forwards transactions
- opening /utilization of electronic or internet banking services, Transactional Banking and payroll services
- utilization of the Check Writing Facility of BDO (in-house) and Check Cutting Facility (bank-prepared) and authorize the processing and acceptance of company checks with digitized or printer generated signatures.

Group A
 John Eric T. Francia
 Maria Corazon G. Dizon
 Pythagoras L. Brion
 Mariejo P. Bautista
 Roman Miguel G. De Jesus
 Gabino Ramon G. Mejia
 Alan T. Ascalon

Group B (Php50,000 and below)
 Arthur R. Villacorte

Group C (signing with Group B)
 Mariejo P. Bautista
 Yolanda D. Anonuevo

**Meeting of the Board of Directors
 01 July 2019**

- Resolved to approve and authorized the appointment and designation of the following as Attorneys-in-Fact of the Corporation effective 01 August 2019:

Class "A"	Class "B"
John Eric T. Francia	J. Edmond C. Garcia
Maria Corazon G. Dizon	Christian Gerard P. Castillo
Gabino Ramon G. Mejia	Mary Ann D. Ballesteros
Roman Miguel G. de Jesus	Riolita C. Inocencio
Dodjie D. Lagazo	Alan T. Ascalon
Jose Maria Eduardo P. Zabaleta	Shirlene M. Anyayahan
Andree Lou C. Kintanar	Ma. Teresa P. Posadas

that any of these Attorneys-in-fact, may conduct the operations of the Corporation, and act and sign, for and in behalf of the Corporation, any contract of whatsoever nature that creates any right and/or obligation of the Corporation, including the disposition of its properties, both real and personal, subject to limitations provided by law and in accordance with the following limits of authority:

<u>Contracts/Transactions involving the Following amounts (in Pesos)</u>	<u>Authority</u>
a. Up to Php 100,000.00	Any two (2) "Class B" signatories
b. Above Php 100,000.00 up to Php 5,000,000.00	Any one (1) "Class A" and any one (1) "Class B" signatories
c. Above Php 5,000,000.00	Any two (2) "Class A" signatories

to repeal and revoke any resolution approved by the Board of Directors prior hereto for the purpose of designating certain persons as Attorneys-in-fact for general transactions.

- Resolve to approve and authorize the appointment and designation of the following persons as authorized check signatories of the Corporation for all its bank accounts, effective 01 August 2019:

Class "A"	Class "B"
John Eric T. Francia	J. Edmond C. Garcia
Maria Corazon G. Dizon	Christian Gerard P. Castillo
Gabino Ramon G. Mejia	Mary Ann D. Ballesteros
Dodjie D. Lagazo	Riolita C. Inocencio
Jose Maria Eduardo P. Zabaleta	Alan T. Ascalon
Andree Lou C. Kintanar	Shirlene M. Anyayahan
	Ma. Teresa P. Posadas

That the funds of the Corporation deposited with any and all banks shall be subject to withdrawals, or be charged at any time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, or other instruments or orders for the payment of money when needed, signed, drawn, accepted or endorsed on behalf of the Corporation, under the signatures of the Class "A" and "B" signatories named above, for such amounts and in the manner, form, and limitations indicated below:

Limits of Authority:

- (a) For amounts not exceeding PhP100,000.00, or its equivalent in US Dollars, under the joint signatures of any two (2) Class “B” signatories
- (b) For any amount exceeding PhP100,000.00 up to Php5,000,000.00, or its equivalent in US Dollars, under the joint signatures of any one (1) Class “A” and any one (1) Class “B” signatories and
- (c) For any amount exceeding PhP5,000,000.00, or its equivalent in US Dollars, under the joint signatures of any two (2) Class “A” signatories.

to revoke any and all resolutions previously issued, which are contrary or inconsistent herewith, to authorize Management to give the appropriate notice of this resolution to all banks, financial institutions and other entities concerned.

**Meeting of the Board of Directors
23 July 2019**

- RESOLVED, to approve and to authorize the conduct of the 2019 annual stockholders meeting of the Corporation as follows:

Date: 17 September 2019, Tuesday
Time: 2:00 P.M.
Place of Meeting: Ballroom 2, Fairmont Hotel, 1 Raffles Drive, Makati Avenue, Makati City, 1224
Record Date: 16 August 2019, Friday
Inclusive Dates of Closing of Stock Transfer Book:

- Start Date: 17 August 2019
- End Date: 17 September 2019

with the following agenda:

- I. Call to Order
- II. Proof of notice and determination of quorum
- III. Approval of minutes of the previous Annual Shareholders’ Meeting
- IV. Annual Report of Management including the 2018 Audited Financial Statements and ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders’ Meeting
- V. Amendment of articles of incorporation and by-laws
 - a. Change in corporate name
 - b. Change in address
 - c. Updating of Committees
- VI. Election of Directors and appointment of Officers for the ensuing year 2019
- VII. Appointment of external auditor
- VIII. Other matters
- IX. Adjournment

- RESOLVED, to:
 - i. Change the corporate name to ACE Enexor, Inc.
 - ii. Change the corporate office to 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City
 - iii. Revise Art. V of By-Laws to change references to existing committees, and create new committees as follows:
 - a. Corporate Governance and Nomination Committee
 - b. Audit Committee
 - c. Personnel and Compensation Committee
 - d. Board Risk Management and Related Party Transactions Committee (new; separated from Audit Committee)

- RESOLVED, to approve and authorize the amendment of the Manual of Corporate Governance on terms as presented.
- RESOLVED, to approve and authorize the updating of the Materials Management Manual and Procurement Manual on terms as presented.
- RESOLVED, to approve the proposed remuneration for independent directors at PHP 50,000.00 per Board Meeting attended, and PHP 10,000.00 per Committee meeting attended.
- RESOLVED, to approve the Corporation's year to date financial statements as presented.
- RESOLVED, for the Corporation to authorize ("Palawan55") to notify the DOE of its entry into Sub-Phase 5 of SC 55 effective 26 August 2019, without prejudice to Palawan55's option to enter the Appraisal Period no later than the said date;

RESOLVED, FURTHER, to delegate to Messr. John Eric T. Francia, President and CEO, or Messr. Raymundo A. Reyes, Jr., COO, the authority to communicate the above decision to the DOE; and

RESOLVED, FINALLY, that in the event that Palawan55 does not enter into the Appraisal Period, for the Management of the Corporation to procure the Long Lead Items (wellhead, casings, conductors) required for drilling operations (ca. \$1.5 MM to \$ 2 MM).

ANNEX D
Management’s Discussion and Analysis (MD&A) and Plan of Operations

BUSINESS AND GENERAL INFORMATION

BUSINESS

PHINMA Petroleum and Geothermal, Inc. (“PPG” or the “Company”), formerly 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”). 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 then “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 TA Petroleum to **PHINMA Petroleum and Geothermal, Inc.** 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.

On 24 June 2019, PHINMA Energy purchased the combined 25.18% stake of PHINMA, Inc. (30,481,111 shares) and PHINMA Corp. (32,481,317 shares) in PHINMA Petroleum. Meanwhile, AC Energy, Inc. acquired the 51.48% combined stake of PHINMA, Inc. and PHINMA Corporation in PHINMA Energy, and subscribed to 2.632 billion PHINMA Energy shares. In addition, AC Energy, Inc. acquired an additional 156,476 PHINMA Energy shares under the mandatory tender offer which ended on 19 June 2019. AC Energy (66.34%), together with its directors, officers and affiliates (3.18%), owns and controls 69.52% percent of all issued and outstanding shares of the PHINMA Energy.

As of 31 July 2019, PHINMA Energy owns 75.92% of the outstanding voting shares of the Company. The immediate parent company of PHINMA Energy is AC Energy, Inc. PHINMA Energy has a management contract with AC Energy, Inc. effective until 01 September 2023. Under the contract, AC Energy, Inc. has general management authority with corresponding responsibility over all operations and personnel of PHINMA Energy, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. The ultimate parent company of the Company is Mermac, Inc. domiciled and incorporated in the Republic of the Philippines.

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), SC51 and SC69; Palawan 55

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

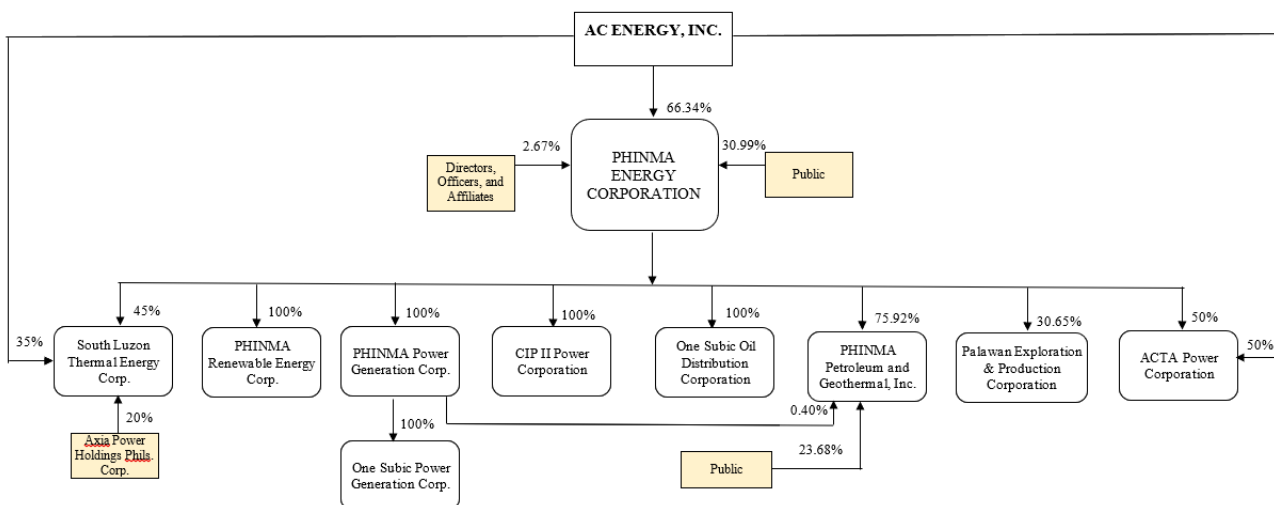
and PHINMA Energy sign a Memorandum of Agreement and Deed of Assignment for the transfer of SC55.

February 2013	PHINMA Energy requests DOE approval of the assignment contracts.
23 April 2013	The DOE approves the assignment of the entire participating interests of PHINMA Energy in: 1) SC 6 Block A, SC 6 Block B, SC51 and SC69 to PPG, and 2) in SC55 to Palawan55.
31 May 2013	SEC approves the increase in par value of PPG from ₱0.01 to ₱1.00 per share.
27 September 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.
03 July 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.
31 May 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.
24 June 2019	PHINMA Energy purchased the combined 25.18% stake of PHINMA, Inc. (30,481,111 shares) and PHINMA Corp. (32,481,317 shares) in PHINMA Petroleum.

Petroleum Exploration and Production

PHINMA Energy's Corporate Structure

As of 31 July 2019, PHINMA Energy owns 75.92% of the outstanding voting shares of the PPG. The immediate parent company of PHINMA Energy is AC Energy, Inc. PHINMA Energy has a management contract with AC Energy, Inc. for five (5) years effective 01 September 2018. Under the contract, AC Energy, Inc. has general management authority with corresponding responsibility over all operations and personnel of PHINMA Energy, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. The ultimate parent company of the Company is Mermac, Inc. domiciled and incorporated in the Republic of the Philippines.



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 31 December 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 31 December 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 31 December 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 31 December 2017

Company	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
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 01 January 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 23 February 2016, the Company's BOD approved the suspension of the management contract for 2016, which remained effective as at 21 March 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 (A.O.) No. 42 in 2002, providing the streamlining of the ECC application processing and approval procedures. Pursuant to A.O. 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 year end 2018 are as follows:

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2018
SC51	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 SC51 Consortium, notified the DOE of their decision to relinquish SC51 block, to withdraw from SC51 and to waive their rights to Otto Energy's interest. DOE approved above requests on 01 July 2019.
SC69	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 SC69 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)	1 September 1973	A	Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines	On 12 April 2018, DOE approved the transfer of participating interest from PPG to SC 6B

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2018
		20 Feb 2017)			Corp., Alcorn Petroleum & Minerals Corp. Operator: Philodrill Corp.	continuing parties. PPG retained its 2.475% Carried Interest in the block.

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 SC50 continues.
SC55 (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 SC55 is owned by Palawan55, a 69.35% owned subsidiary of PPG.

SC51 (East Visayas)

SC51 was awarded on 08 July 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 05 August 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 SC51. 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	08 July 2005 - 08 Apr 2007	acquire, process and interpret 261 km. of 2D seismic data and conduct Villaba Engineering Study
2nd Sub Phase	08 Apr 2007 - 08 Feb 2008	acquire, process and interpret 146 sq. km. of 3D
3rd Sub Phase	08 Feb 2008 - 08 Mar 2009	Drill one well (Argao)
4th Sub Phase	08 Mar 2009 - 08 Jan 2010	Drill one well
5th Sub Phase	08 Jan 2010 - 08 July 2011	Drill one well
6th Sub Phase	08 July 2011 - 08 July 2012	Drill one well

The DOE approved the consortium's entry into the 3rd Sub Phase of the exploration period (from 08 February 2008 to 07 March 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 29 May 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 SC51 as follows:

3rd Sub Phase	08 Feb 2008 – 31 July 2011	Drill one well
4th Sub Phase	31 July 2011 – 31 July 2012	Drill one well
5th Sub Phase	31 July 2012 – 31 July 2013	Drill one well
6th sub phase	31 July 2013 – 08 Mar 2014	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 SC51 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 SC51.

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 31 January 2013.

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

Otto Energy spudded the Duhat2 well in onshore northwest Leyte on 24 July 2013, but on 26 July 2013 abandoned the well without reaching the reservoir objective due to unexpected drilling problems. Otto completed the demobilization for the Duhat2 well last 30 August 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 31 July 2014, in order to undertake post well geological, geophysical and engineering studies.

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

On 28 April 2014, Otto Energy notified the DOE and its consortium partners of its withdrawal from SC51.

On 10 June 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 28 June 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 SC51 and end on the date the DOE approves the transfer of Otto Energy's participating interest in SC51 to the remaining partners.

On 05 May 2015, Otto Energy notified the consortium that it has elected to withdraw from SC51. Otto Energy's withdrawal from SC51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On 28 June 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 SC51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

On 11 May 2015, DOE approved the request for an extension of Sub-Phase 5 to 08 July 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 03 March 2017.

On 03 March 2017 and 20 December 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC51, 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 SC51 would be adjusted to 33.34% upon DOE approval of the withdrawal of Otto Energy.

On 01 June 2018, the DOE approved the transfer of Otto Energy's participating interests in SC51 to the Filipino Partners. PPG's participating interest was adjusted from **6.67% to 33.34%**.

On 04 July 2018, the SC51 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. SC51 term extension, revision of work program), notified the DOE of their decision to relinquish SC51 block, to withdraw from SC51 and to waive their rights to Otto Energy's interest.

The SC51 Consortium met with DOE in several occasions to craft the best way forward in SC51. 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.

On 01 July 2019, after legal, financial and technical evaluation, the DOE approved the Consortium's relinquishment of SC 51. As a result thereof, the Consortium was obligated to settle the outstanding Training Fund

obligation amounting to US\$ 124,763.00. PPG remitted its pro-rata share of US\$ 41,596 in the Training Fund on 22 July 2019.

SC69 (Camotes Sea)

SC69 covers an area in the Camotes Sea, Eastern Visayas. The DOE awarded SC69 (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). SC69 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 fulfilment of work obligations under the 1st Sub Phase of the exploration period (from 07 May 2008 to 06 May 2009).

The consortium elected to enter the 2nd Sub Phase of the exploration period (from 07 May 2009 to 06 November 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 07 February 2011 to enable completion of interpretation of the newly acquired 900 km of 2D seismic data.

On 03 June 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 SC69. Frontier exercised its option on 03 February 2011 for a total consideration of US\$395,000. The consortium elected to enter the 3rd Sub Phase (07 February 2011 to 07 August 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 03 February 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 04 April 2013 the DOE granted the consortium’s request for a 9-month extension of the 3rd Sub Phase to 07 May 2013, and a subsequent extension to 06 November 2013, to enable completion of seismic interpretation work and predrill studies. On 23 August 2013, Otto confirmed that it did not intend to enter Sub Phase 4 of SC69.

Otto Philippines notified the Company and Frontier of its withdrawal in SC69 last 04 October 2013. The Company and Frontier subsequently jointly requested the DOE a six-month extension of the 07 October 2013 deadline to elect to enter the next exploration Sub Phase, which starts on 07 November 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 31 December 2014.

On 17 March 2014, the Parent Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC69 until 31 December 2014. The DOE extended the term of Sub-Phase 3 to 07 May 2015 to enable the remaining parties to proceed with planned exploration activities.

As at 17 April 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 SC69 to November 2016.

On 30 June 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 SC69 due to Force Majeure.

As at 29 December 2017, the DOE approved the request for extension due to Force Majeure, effective until 07 November 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

The partners in SC69 and their respective participating interests are as follows:

Frontier	50.00%
PPG	50.00% (Operator)

On 04 June 2018, the SC69 Consortium notified the DOE of its relinquishment of SC69 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)

SC6 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.

SC6 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. SC6 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 09 May 1988, an Operating Agreement was entered into by and among Balabac, Oriental, PHINMA Energy and Philodrill in respect of SC 6 Block A where Philodrill was appointed operator. This agreement is in full force and effect during the term of SC6.

On 07 March 2007, SC6 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 11 July 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 02 September 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 07 November 2013, a 500 sq. km. 3D seismic survey pursuant to the Farm-In Agreement.

Pitkin notified the partners on 28 August 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 31 December 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 24 June 2015.

On 28 August 2015, the consortium completed its work program consisting of geological and geophysical evaluation. On 03 November 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 31 December 2016. On 20 December 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On 13 February 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 08 January 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 18 December 2018, the Joint Venture approved and the Operator, Philodrill Corporation submitted to the DOE the 2019 SC6A 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 23 January 2019.

As of date, there is an ongoing farm-in negotiations for the development of the Octon oil discovery.

Technical studies over the northern part of the block is in progress.

SC 6 B

The SC 6 Block B consortium members, excluding Nido Petroleum, signed on 04 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 02 December 2011, an Amended Deed of Assignment transferring 64.5316%

participating interest of the farmers to Peak, Blade and Venturoil. However, the DOE disapproved in 22 July 2013 the Deed of Assignment due to the failure of the Farm-Inees to demonstrate the required financial capacity.

On 13 September 2013, DOE approved the work program and budget for SC6 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 01 March 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 24 June 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 20 February 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 12 April 2018, DOE approved the transfer of interest from the Company to SC6B continuing parties.

SC50 Offshore Northwest Palawan

SC50 was awarded on 11 March 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 Calautit and Calautit South finds. PNOG Exploration Corporation re-entered the Calautit1B 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 SC50. 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 SC50 from FEL.

On 22 August 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 SC50 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 05 March 2015.

On 05 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 14 December 2016, requesting for reconsideration of the termination of SC50. Negotiations between the DOE and Frontier oil for possible reinstatement of SC50 continues.

Approval of the assignment of 10% interest in SC50 of PHINMA Petroleum and Geothermal, Inc. likewise remains pending with the DOE.

SC55 (West Palawan)

SC55 was awarded by the DOE on 05 August 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.

SC55 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 04 August 2010 instead of 04 August 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 05 August 2009 to 05 August 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 05 August 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 03 June 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 03 February 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 ₱2.86 Billion at an exchange rate of US\$1 = ₱44.

In December 2011, BHP Billiton acquired sixty percent (60%) participating interest in SC55 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 05 August 2012.

The revised work schedule is shown below:

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

The DOE granted a one year extension of the 4th Sub Phase until 05 August 2013 to enable BHP Billiton to procure a suitable drilling rig that could drill an identified deepwater prospect. On 03 May 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 04 June 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 30 October 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	06 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 SC55.

On 15 October 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to 23 December 2015. The requested extension was approved by the DOE on 07 November 2014.

On 31 July 2015, Otto Energy commenced drilling of the Hawkeye-1 exploratory well and on 17 August 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 22 December 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 14 June 2016, the DOE extended the term of SC55 until 23 December 2017.

On 21 November 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC55. As at 03 March 2017, the transfer of interest from Otto Energy to the continuing parties was under processing by the DOE.

On 22 November 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 SC55 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 26 March 2018, the DOE approved the transfer of participating interests from Otto Energy to the continuing partners, Palawan55, Century Red Pte. Ltd. and Pryce Gases, Inc. As a result of the transfer, the Company's 6.82% participating interest in SC55 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 23 August 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Inversion Services Contract to Down Under Geosolutions (Asia) Sdn Bhd. The project commenced on 10 September 2018. Seismic reprocessing of 1,000 sq. km. of 3D seismic data was completed.

Quantitative Interpretation Study aimed at identifying the gas-bearing zones in the service contract is ongoing.

On 24 July 2019, the SC55 Consortium notified the DOE of its decision to enter Sub-phase 5 (SP5) effective 26 August 2019, without prejudice to the Consortium's option to enter the Appraisal Period no later than the said date. SP5 carries a commitment of drilling one (1) ultra-deepwater well.

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, SC6 Block B, SC51, SC55 (through Palawan55) and SC69. 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 SC51;
2. Participating interest under SC69;
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 SC55.

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 SC51;
2. Participating interest under SC69;
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 SC55.

MANPOWER

PHINMA Petroleum and Geothermal, Inc.'s total regular employees as of 31 December 2018 are two (2), and as of 31 July 2019, one (1) employee.

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 16 November 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.

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	₱245,000
Miscellaneous Assets	Makati City	124,215
Total		₱369,215
Less: Accumulated Depreciation		345,703
Net Book Value		₱23,512

Source: Audited consolidated financial statements as at 31 December 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.

LEGAL PROCEEDINGS

There are no pending legal proceedings involving claims for damages the aggregate amount of which exceeds ten percent (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.

MARKET INFORMATION

As of the date of 31 July 2019, the Company has an authorized capital stock of One Billion (1,000,000,000) Shares, each with a par value of ₱1.00, and its issued share capital consists of Two Hundred Fifty Million and One (250,000,001) Shares.

Market Price

PHINMA Petroleum and Geothermal Inc. common shares (symbol: PPG) were listed with the Philippine Stock Exchange on 28 August 2014. Below are the high and low sales prices as of 31 July 2019 and for the calendar years 2018, 2017 and 2016:

Period	High	Low
Calendar 2019		
Second Quarter	4.98	2.96
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

As of 31 July 2019, the Company has 2,907 registered shareholders. 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 31 July 2019:

	NAME OF STOCKHOLDER	NUMBER OF SHARES HELD	% OF OWNERSHIP
1	PCD NOMINEE CORPORATION	245,976,758	98.39%
2	EMAR Corporation	950,740	00.38%
3	PCD NOMINEE CORPORATION (NONFILIPINO)	559,200	00.22%
4	FRANCISCO GENARO OZAMIZ LON	423,300	00.17%
5	ALBERT MENDOZA &/OR JEANNIE MENDOZA	76,193	00.03%
6	PHIL. REMNANTS CO. INC.	71,431	00.03%

7	PETER MAR OR ANNABELLE C. MAR	52,020	00.02%
8	VICTOR JUAN DEL ROSARIO	41,453	00.02%
9	RENATO O. LABASAN	38,760	00.02%
10	TERESITA A. DELA CRUZ	38,306	00.02%
11	BELEK INC.	37,842	00.02%
12	JOSEPH D. ONG	35,640	00.01%
13	WILLIAM HOW &/OR BENITO HOW	34,003	00.01%
14	ALEXANDER J. TANCHAN &/OR DOLORES U. TANCHAN	27,358	00.01%
15	BENJAMIN S. AUSTRIA	26,086	00.01%
16	VICTOR J. DEL ROSARIO OR MA. RITA S. DEL ROSARIO	24,342	00.01%
17	DR. ANITA TY	23,816	00.01%
18	ALBERTO MENDOZA &/OR MARITNESS MENDOZA	21,886	00.01%
19	LIM TAY	20,815	00.01%
20	NOEL L. ESCALER	17,478	00.01%

SECURITY OWNERSHIP OF MANAGEMENT

The table below shows the securities beneficially owned by all directors' nominees and executive officers of the Company as of 31 July 2019:

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	% of total outstanding shares
Common	John Eric T. Francia	Filipino	1	Direct	0.00%
Common	Augusto Cesar D. Bengzon	Filipino	1	Direct	0.00%
Common	Jaime Urquijo Zobel de Ayala	Filipino	1	Direct	0.00%
Common	Raymundo A. Reyes, Jr.	Filipino	111,230	Direct	0.00%
Common	Maria Corazon G. Dizon	Filipino	1	Direct	0.00%
Common	Jaime Alfonso Eder Zobel de Ayala	Filipino	1	Direct	0.00%
Common	Corazon S. dela Paz – Bernardo	Filipino	1	Direct	0.00%
Common	Rafael Perpetuo M. Lotilla	Filipino	1	Direct	0.00%
Common	Edward S. Go	Filipino	1	Direct	0.00%
Common	Dodjie D. Lagazo	Filipino	0	Direct	0.00%
Common	Alan T. Ascalon	Filipino	1,818	Direct	0.00%
Common	Raissa C. Villanueva	Filipino	0	Direct	0.00%
TOTAL			113,053		0.00%

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 (₱40,000,000.00), divided into Four Billion (4,000,000,000) shares at ₱0.01 per share, to One Billion Pesos

(₱1,000,000,000.00) 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 ₱240,000,000.00 divided into 24,000,000,000 Shares at ₱0.01 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 twenty-five percent (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 ₱0.01 per share to ₱1.00 per share, resulting to an authorized capital stock of ₱1,000,000,000.00, divided into 1,000,000,000 shares at the par value of ₱1.00 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, now PHINMA Energy 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 05 August 2013, subject to SEC approval, and cash in the amount of ₱ 0.013 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 ₱0.013 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 14 August 2014. The shares were listed by introduction on 28 August 2014 at a listing price of ₱4.60 per share. Maybank ATR Kim Eng Capital Partners, Inc, acted as Financial Advisor to the transaction.

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, SC51, SC69, and SC55 (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.

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.

SC51 (East Visayas) (6.67%)

On 04 July 2018, the SC51 Consortium filed to the DOE its Notice of Relinquishment of the block. Following several meetings with the DOE regarding technical and contractual issues in SC51, 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.

SC55 (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.

On 24 June 2019, Palawan55 notified the DOE that Palawan55 is entering into the 5th sub-phase of Service Contract No. 55 (SC55), which covers a deepwater exploration block off southwest Palawan, effective 26 August 2019. This is without prejudice to Palawan55’s option to enter the Appraisal Period of SC55 no later than the said date. The 5th sub-phase carries a commitment to drill one ultradeepwater (water depth beyond 1,500 meters) well in the second quarter of 2020. In 2015, the SC55 Consortium drilled the Hawkeye-1 well in 1,700 meters of water at a cost of US\$23.5 million. The well discovered natural gas at the crest of the target structure but the estimated volume of the accumulation was deemed by the former Operator to be non-commercial on a stand-alone basis. Palawan55 is currently undertaking quantitative interpretation of over 1,000 sq. km. of recently reprocessed 3D seismic data over the greater Hawkeye area and a large carbonate reef prospect.

SC69 (Central Visayas) (50%)

On 04 June 2018, the SC69 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 31 December 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 31 December 2018 and 2017:

- Expenses grew mainly due to a P48.3 million provision for probable losses pertaining to deferred exploration costs of SC51 and SC69 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 SC6B and SC55. But cost and expenses dropped during the first half of 2019 primarily due to termination of project development costs on the LNG-to-Power project, no additional provision for probable losses for the service contracts, and decrease in employee cost and supplies.
- Other income increased with higher fair value of investments held for trading for the year ended 2018 but decreased during the first half of 2019 due to fluctuations in foreign exchange rates.
- 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)				
Current Liabilities				

	2018	2017	Increase (Decrease)	
			Amount	%
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 31 December 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 SC51 due to deemed expiration of the exploration period and SC69 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 following are the material changes in asset accounts of the interim consolidated statements of financial position between 30 June 2019 and 31 December 2018:

- Investments held for trading declined due to redemption of short-term investments to fund the Company's activities.
- Advances of third party for business expenses accounted for the increase in receivables.
- Decrease in property and equipment is due to depreciation of assets
- Deferred exploration costs grew due to additional cash calls in SC55 and SC 6A.
- Increase in current liabilities was mainly due to advance payment from a partner in the consortium to be applied to SC55's 2019 work program and accrued training commitments with the DOE pertaining to SC51, SC55 and SC69.
- Deferred income tax liability went down from the movement of unrealized gains 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. For the first semester of 2019, current ratio and acid test ratio decreased due to the 15% decrease in current asset primarily brought about by the decrease in cash & cash equivalents used in operating activities. In addition, during the semester, current liabilities increased by 34% due to increase in accrued expenses and accounts payable.

Debt to equity ratio

The Company has minimal liabilities and is funded primarily through equity. For the first semester of 2019, debt-to-equity ratio increased due to 37% increase in current liabilities

Asset to equity ratio

Asset to equity ratio increased due to increase in accrued liabilities of the Company. As at 30 June 2019, asset-to-equity ratio increased with the net losses posted during the first semester of 2019.

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 SIX MONTHS PERIOD OF 2019

- 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 except as disclosed in Annex B-1 regarding approval by the DOE of the relinquishment of SC51.
- 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.

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.

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

On 08 January 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 18 December 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 23 January 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 12 April 2018, DOE approved the transfer of interest from the Company to SC6B continuing parties

SC51 (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 01 June 2018, the DOE approved the transfer of Otto Energy's participating interests in SC51 to the Filipino Partners. PPG's participating interest was adjusted from 6.67% to 33.34%. On 04 July 2018, the SC51 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. SC51 term extension, revision of work program), notified the DOE of their decision to relinquish SC51 block, to withdraw from SC51 and to waive their rights to Otto Energy's interest.

The SC51 Consortium met with DOE in several occasions to craft the best way forward in SC51. 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.

SC55 (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 26 March 2018, the DOE approved the transfer of participating interests from Otto Energy to the continuing partners, Palawan55, Century Red Pte. Ltd. and Pryce Gases, Inc. As a result of the transfer, the Company's 6.82% participating interest in SC55 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 23 August 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 10 September 2018 and is still ongoing as of 28 February 2019.

On 24 June 2019, Palawan55 notified the DOE that Palawan55 is entering into the 5th sub-phase of Service Contract No. 55 (SC55), which covers a deepwater exploration block off southwest Palawan, effective 26 August 2019. This is without prejudice to Palawan55's option to enter the Appraisal Period of SC55 no later than the said date. The 5th sub-phase carries a commitment to drill one ultradeepwater (water depth beyond 1,500 meters) well in the second quarter of 2020. In 2015, the SC55 Consortium drilled the Hawkeye-1 well in 1,700 meters of water at a cost of US\$23.5 million. The well discovered natural gas at the crest of the target structure but the estimated volume of the accumulation was deemed by the former Operator to be non-commercial on a stand-alone basis. Palawan55 is currently undertaking quantitative interpretation of over 1,000 sq. km. of recently reprocessed 3D seismic data over the greater Hawkeye area and a large carbonate reef prospect.

SC69 (Central Visayas) (50%)

The Consortium invoked a Force Majeure event under SC69 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 04 June 2018, the SC69 Consortium notified the DOE of its relinquishment of SC69 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.

SC50 (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 SC50 continues. Also, approval of the assignment of 10% participating interest in SC50 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 31 December 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 31 December 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 SC50 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 31 December 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 31 December 2017, property and equipment are fully depreciated.
- Deferred exploration costs dropped due to the provision for probable losses in SC6B 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.

SC 6 (Offshore Northwest Palawan)

Block A

CY 2016 work program pertinent geophysical program, which commenced in November 2015, was completed by 31 December 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 01 March 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 28 February 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 20 February 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.

SC51 (Northwest Leyte/Cebu Strait)

On 11 May 2015, DOE approved the request for an extension of Sub Phase 5 to 08 July 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 SC51 would be adjusted to 33.34% upon DOE approval of the withdrawal of Otto Energy.

SC55 (Offshore West Palawan)

The DOE extended the term of SC55 until 23 December 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 SC55.

SC69 (Camotes Sea)

On 30 June 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 SC69 due to Force Majeure. The approval of the aforementioned extension remains pending with the DOE. The Company's participating interest in SC69 is 50%.

SC50 (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 SC50 continues. Also, approval of the assignment of 10% participating interest in SC50 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 31 December 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 SC50 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 SC69.
- 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 31 December 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 SC50.
- 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 SC55 as it remains optimistic of petroleum prospectivity of the area where subcommercial gas was discovered in 2015.

FOR CALENDAR 2015**SC 6 (Offshore Northwest Palawan)*****Block A***

Philodrigill, The Operator, engaged a contractor to perform the programmed seismic data processing and quantitative interpretation. The consortium completed its CY 2015 work program consisting of geological and geophysical evaluation in third quarter of 2015.

The DOE approved the consortium's CY 2016 work program consisting of specialized geophysical studies. The project commenced in the fourth quarter of 2015.

PHINMA Petroleum and Geothermal Inc.'s participating interest reverted to 7.78% following the withdrawal of farminee, Pitkin Petroleum.

Block B

The consortium completed seismic interpretation and satellite gravity studies Seismic reprocessing of 400 sq. km. 3D seismic data continued. The project is about 75% complete as of end 2015.

The DOE approved a six - month extension of the current Sub-Phase to 28 August 2016. The Company holds 7.78% and 14.063% participating interests in Block A and Block B, respectively.

SC51 (Northwest Leyte/Cebu Strait)

The DOE granted a six month extension of Sub-Phase 5 to 31 July 2014 to enable the Operator, Otto, to complete its post well evaluation of the results of the Duhat2 well. The Duhat2 well was plugged and abandoned in 3Q 2013 when it failed to reach its reservoir objective due to drilling problems.

On 05 May 2014, Otto Energy notified the Company and the other partners in the consortium that it has elected to withdraw from SC51. Otto Energy's withdrawal from SC51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

The remaining Filipino partners opted to continue exploration work in the area, but requested the DOE suspension of the term of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC51, until the DOE approves the transfer of Otto's interest to the Filipino partners.

The DOE denied Otto's request that Duhat-2 well be credited as a compliant well under Sub-Phase 5, but Otto has contested the DOE's ruling. The partners are in discussion with the DOE on how to address this issue.

The Company owns 6.67% participating interest in SC51 which will become 33.34% upon DOE approval of the withdrawal of Otto Energy.

SC55 (Offshore West Palawan)

Otto Energy, the Operator, completed the drilling of the Hawkeye – 1 well 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 22 December 2015, the consortium requested the DOE a 2 - year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye - 1 on the remaining prospectivity of the area. As at 23 February 2016, the DOE has not approved the request for moratorium.

Palawan55 holds 6.82% participating interest in SC55.

SC69 (Camotes Sea)

Following DOE approval of the assignment of Otto Philippines' interests to the Company and Frontier Gasfields, the Company's participating interest in SC69 was adjusted from the current 6% to 50%.

On 17 March 2014, the Parent Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC69 until 31 December 2014. The DOE extended the term of Sub-Phase 3 to 07 May 2015 to enable the remaining parties to proceed with planned exploration activities.

As at 17 April 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 SC69 to November 2016.

SC50 (North Palawan)

Frontier Oil, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the counterparty.

On 05 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. Frontier requested a 2-year moratorium on contract obligations in January 2016.

FUTURE PROSPECTS

In March 2017, *Trans-Asia Petroleum Corporation*, amended its corporate name to *PHINMA Petroleum and Geothermal Inc. in line with the parent company's name change* and to include exploring and developing geothermal resources in its portfolio. Among the projects the Company is looking at is the Mabini Geothermal Service Contract Number 8 located in San Teodoro, Mabini, Batangas, undertaken by PHINMA Energy and Basic Energy Corporation. Prior initial pre-feasibility studies projected the area to yield a resource of between 20 to 60 MW. Subsequently, however, in April 2017 the Mabini local government ordered the partners to cease further exploration, attributing local earthquake activity to the exploration, despite assurances from PHIVOLCS to the contrary. The Mabini partners hope to soon arrive at an agreement with the LGU in order to continue the project. Other projects under study are possible interests in cycle gas turbine (CCGT) plants currently undertaken by PHINMA Energy, including a 383-MW Sta. Ana CCGT power plant in Port Irene, Sta. Ana, Cagayan; a 383-MW Sual CCGT floating power plant in Brgy. Baquioen, Sual, Pangasinan; and a 138 MW Argao floating CCGT power plant in Brgy. Bulasa, Argao, Cebu. The projects, all in the pre-development stage, have been cleared by the DoE for conduct of grid impact

Despite a slight recovery in oil prices in 2017, PHINMA Petroleum and Geothermal remains challenged by low oil prices which have dampened global exploration activity. The company remains ready to resume activities once conditions permit, with the conviction that resource exploration and development play a key role in pursuing energy self-reliance for the country.

FINANCIAL PERFORMANCE

2015 compared with 2014

Consolidated Statements of Income

	For the year ended December 31		Increase (Decrease)	
	2015	2014	Amount	%
Interest income	₱69,058	₱130,486	(₱61,428)	-47%
Cost and expenses	11,908,116	14,498,337	(2,590,221)	-18%
Other income (loss)				
Gain on changes in fair value of investments held for trading - net	1,245,176	734,986	510,190	69%
Foreign exchange losses	(35,299)	(5,561)	(29,738)	-535%
	1,209,877	729,425	480,452	66%
Loss before income tax	(10,629,181)	(13,638,426)	(3,009,245)	-22%
Provision for (benefit from) income tax	65,433	(69,193)	134,626	-
Net loss	(₱10,694,614)	(₱13,569,233)	(₱2,874,619)	-21%

The Company posted a lower 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 31 December 2015 and 2014:

- Interest income decreased due to transfer of financial assets from cash to unit investments trust funds (UITFs) during the second quarter of 2015.
- Cost and expenses declined due to lower professional fees and filing and registration fees paid during the year. Prior year's expenses were related to the Company's listing activities with PSE.
- Other income increased due to higher gain on changes in fair value of investments held for trading
- Provision for income tax resulted from the reversal of previously recognized deferred tax asset in 2014.

Consolidated Statements of Financial Position

	2015	2014	Increase (Decrease)	
			Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents	₱4,456,177	₱42,808,622	(₱38,352,445)	-90%
Investments held for trading	95,837,558	70,471,867	25,365,691	36%
Receivables	20,056,945	895,389	19,161,556	2140%
Prepaid expense	55,732	-	55,732	-
Total Current Assets	120,406,412	114,175,878	6,230,534	5%
Noncurrent Assets				
Receivable from a third party	-	20,000,000	(20,000,000)	-100%
Property and equipment	216,912	330,084	(113,172)	-34%
Deferred exploration costs	89,129,867	85,967,118	3,162,749	4%
Deferred income tax asset	3,440	68,873	(65,433)	-95%
Total Noncurrent Assets	89,350,219	106,366,075	(17,015,856)	-16%
TOTAL ASSETS	₱209,756,631	₱220,541,953	(₱10,785,322)	-5%

The following are the material changes in asset accounts in the Consolidated Statements of Financial Position as at 31 December 2015 and 31 December 2014:

- In 2015, the Company repositioned its financial assets from cash and cash equivalents to investments held for trading.
- Receivables went up due to the reclassification of ₱20 Million receivable from Frontier Oil Corporation from current to non-current.
- Prepaid expense pertains to license paid in advance used by the Company in its technical reviews.
- Decrease in property and equipment is attributed to annual depreciation.
- Deferred income tax asset declined due to the reversal of previously recognized net operating loss carry over (NOLCO). Remaining deferred income tax asset pertains to foreign currency movements.
- Deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with DOE. The increase during the year is from the Company's participation in SC 6 (Northwest Palawan).

Details of deferred exploration costs are as follows:

	2015	2014	Increase (Decrease)	
			Amount	%
PHINMA Petroleum and Geothermal, Inc.:				
SC51 (East Visayas)	₱32,665,864	₱32,665,864	₱-	-
SC69 (Camotes Sea)	15,085,259	15,085,259	-	-
SC 6 (Northwest Palawan):				
Block A	19,083,683	18,804,924	278,759	1%
Block B	4,862,765	1,978,775	2,883,990	146%
SC50 (Northwest Palawan)	11,719,086	11,719,086	-	-
	83,416,657	80,253,908	3,162,749	4%
Palawan55:				
SC55 (Southwest Palawan)	5,713,210	5,713,210	-	-
	₱89,129,867	₱85,967,118	₱3,162,749	4%

Deferred exploration costs include mainly expenditures for geological and geophysical studies and, in some instances, exploratory drilling costs. The service contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Cash calls are made by the service contract operator in accordance with the work program and budget for the particular phase of the service contract as approved by the DOE.

Increase (Decrease)

	2015	2014	Amount	%
LIABILITIES AND EQUITY				
Current Liability				
Accounts payable and other current liabilities	₱597,928	₱688,636	(₱90,708)	-13%
Equity				
Attributable to Equity Holders of the Parent Company:				
Capital stock	250,000,000	250,000,000	-	-
Deficit	(43,256,854)	(32,688,443)	10,568,411	32%
	206,743,146	217,311,557	(10,568,411)	-5%
Non-controlling interest	2,415,557	2,541,760	(126,203)	-5%
Total Equity	209,158,703	219,853,317	(10,694,614)	-10%
TOTAL LIABILITIES AND EQUITY	₱209,756,631	₱220,541,953	(₱10,785,322)	-5%

The following are the material changes in liability and equity accounts in the Consolidated Statements of Financial Position as at 31 December 2015 and 31 December 2014:

- Decrease in current liabilities pertains mainly to payment of accrued expenses.
- Deficit increased due to the 2015 net loss attributable to the Parent Company.
- Non-controlling interest was reduced by its proportionate share in the consolidated net loss of the Company.

Consolidated Statements of Cash Flows

	For the year ended December 31		Increase (Decrease)	
	2015	2014	Amount	%
Net cash flows used in operating activities	(₱11,062,025)	(₱14,768,724)	(₱3,706,699)	-25%
Cash flows from (used in) investing activities	(27,238,264)	36,556,215	(63,794,479)	-
Net increase (decrease) in cash and cash equivalents	(38,345,289)	21,787,491	(60,132,780)	-
Effect of exchange rate changes	(7,156)	(8,770)	1,614	18%
Cash and cash equivalents at beginning of year	42,808,622	21,029,901	21,778,721	104%
Cash and cash equivalents at end of year	₱4,456,177	₱42,808,622	(₱38,352,445)	-90%

The following are the material changes in the Consolidated Statements of Cash Flows for the years ended 31 December 2015 and 2014:

- Net cash flows used in operating activities declined in 2015 due to lower expenses incurred during the year.
- Net cash flows used in investing activities in 2015 is from additions to investments held for trading and cash call in SC 6. In 2014, net cash flow provided by investing activities was from the redemption of investments held for trading.
- No financing activities occurred in 2015 and 2014.
- Effect of exchange rate changes is from foreign exchange rate movements.

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

Key Performance Indicator	Formula	2015	2014	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets	201.37	165.80	35.57	21%
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	201.28	165.80	35.48	21%
	Current liabilities				

Key Performance Indicator	Formula	2015	2014	Increase (Decrease)	
				Amount	%
Solvency Ratios					
Debt-to-equity ratio	Total liabilities	0.00	0.00	0.00	-9%
	Total equity				
Asset-to-equity ratio	Total assets	1.00	1.00	0.00	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	-4.99%	-5.99%	-1.00%	-17%
	Average stockholders' equity				
Return on assets	Net income after taxes	-4.97%	-5.97%	-1.00%	-17%
	Average 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 improved due to increase in receivables.

Debt to equity ratio

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

Asset to equity ratio

Asset to equity ratio remained at 1.00 because of minimal 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 2015:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no know trends or any known demands, commitments, events or uncertainties that would likely affect adversely the liquidity of the Company.
- There were no events that trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There were 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.
- Except for the uncertainty of any termination of the Company's Service Contracts, there were no known trends, events or uncertainties that have had or that are reasonably expected to have a material or unfavorable impact on revenues or income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had a material effect on the financial condition or result of operations.
- There were no seasonal aspects that had a material effect on the financial condition or results of operations.

COMPLIANCE PROGRAM

Corporate Governance

The Board of Directors, officers and employees of the Company commit themselves to the principles and best practices embodied in its Manual on Good Corporate Governance. The Company 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 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 SEC. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Compliance Officer's duties include ensuring proper on boarding 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)

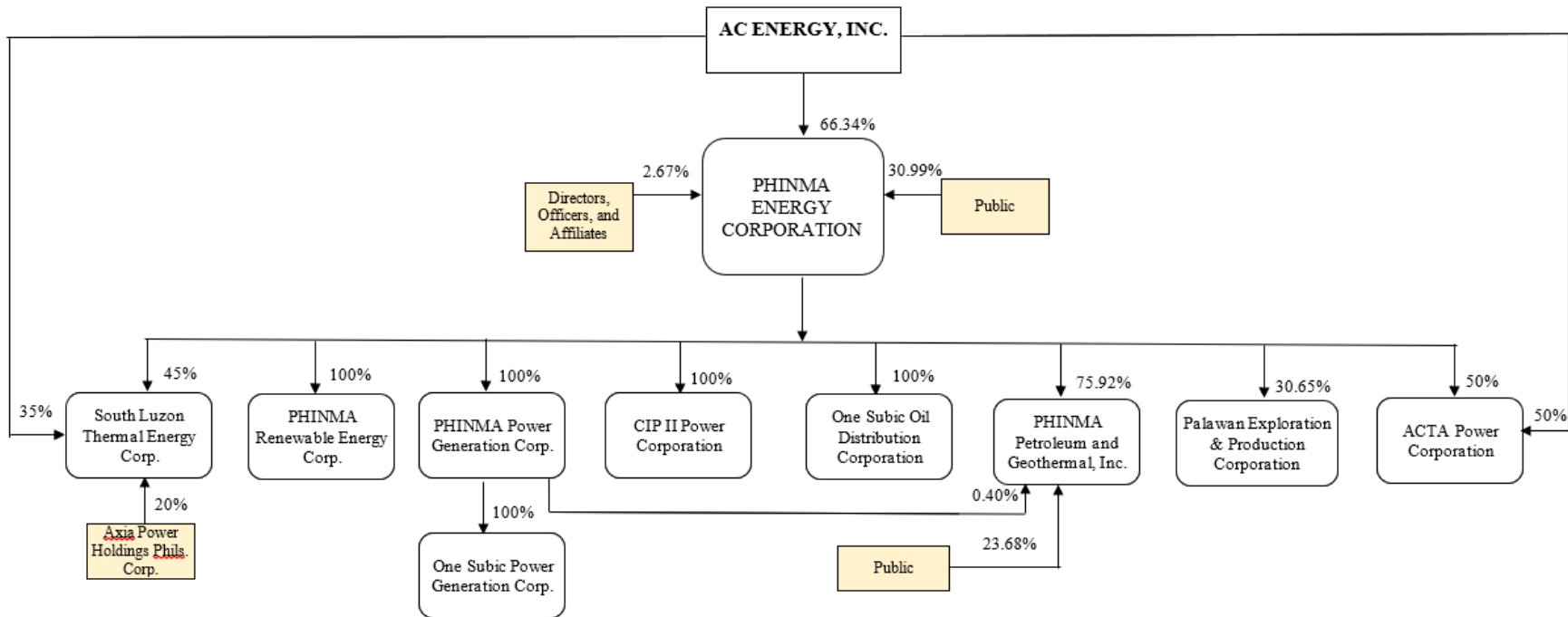
The Company was listed on 28 August 2014 and as mandated by SEC Memorandum Circular No. 3, Series of 2015, the Company submitted its first Annual Corporate Governance Report (ACGR) on 26 May 2016. SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-Listed companies 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 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 30 May 2018. For the fiscal year 2018, the Company submitted its I-ACGR on 30 May 2019.

As of 31 December 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. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

**PHINMA PETROLEUM AND GEOTHERMAL, INC.
CORPORATE ORGANIZATIONAL CHART**

As of 31 July 2019



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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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
------------------------------------------------------	--------------------------------------------------	---------------------------------------	-------------------

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

Doc. No.
Page No.
Book No.
Series of

159
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100
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 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
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

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Consolidated Statements of Financial Position as at December 31, 2018 and 2017	Exhibit A
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018 and 2017	Exhibit A
Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017	Exhibit A
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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 Shown 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

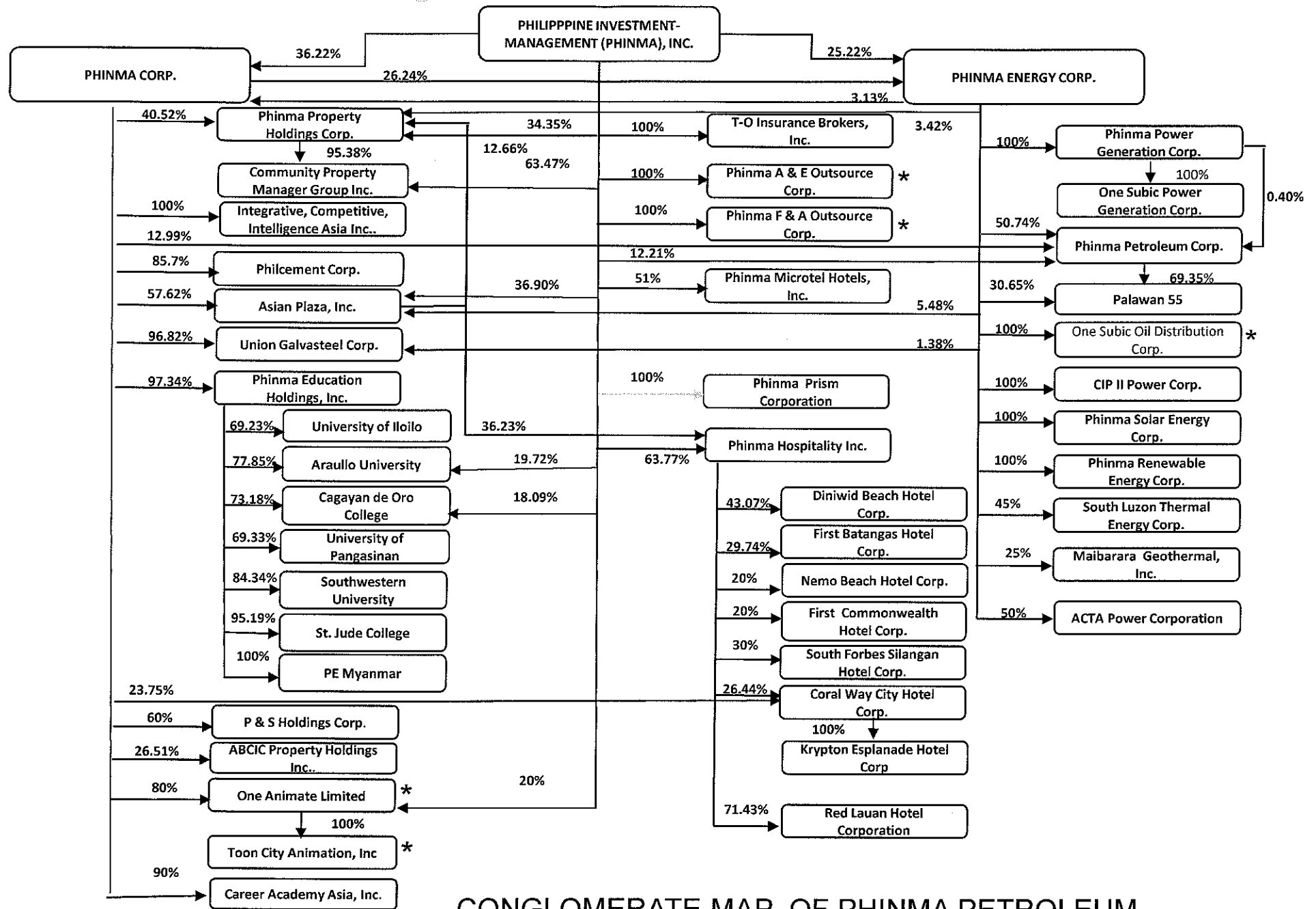
AVAILABLE FOR DIVIDEND DECLARATION

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				



* ceased operation

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