

SEC Number ASO94-8811
File Number

TRANS-ASIA PETROLEUM CORPORATION
(Company's Full Name)

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

870-0100
(Telephone Number)

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

17-A
(Form Type)

Amendment Designation (If Applicable)

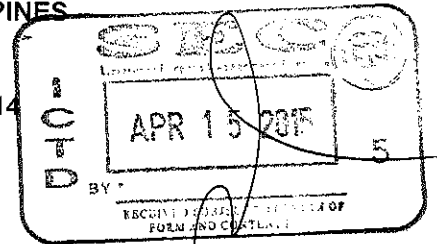
December 2014
(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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



1. For the fiscal year ended **December 31, 2014**
2. SEC Identification Number **AS094-8811**
3. BIR Tax Identification No. **004-500-964-000**
4. Exact name of issuer as specified in its charter **TRANS-ASIA PETROLEUM CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code **(SEC Use Only)**
7. Address of principal office **Level 11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1210**
8. Issuer's telephone number, including area code **(632) 870-0100**
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- Number of shares of common stock outstanding **250,000,000 shares**
Amount of debt outstanding **NIL**
11. Are any or all of these securities listed on a Stock Exchange.
- Yes No
- Stock exchange **Philippine Stock Exchange**
Classes of securities listed **Common**

12. Check whether the issuer:

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

Yes No

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

Yes No

Yes No

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

NA

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

NA

15. Documents incorporated by reference

- (a) Any annual report to security holders
- (b) Any information statement filed pursuant to SRC Rule 20

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1: BUSINESS

Background

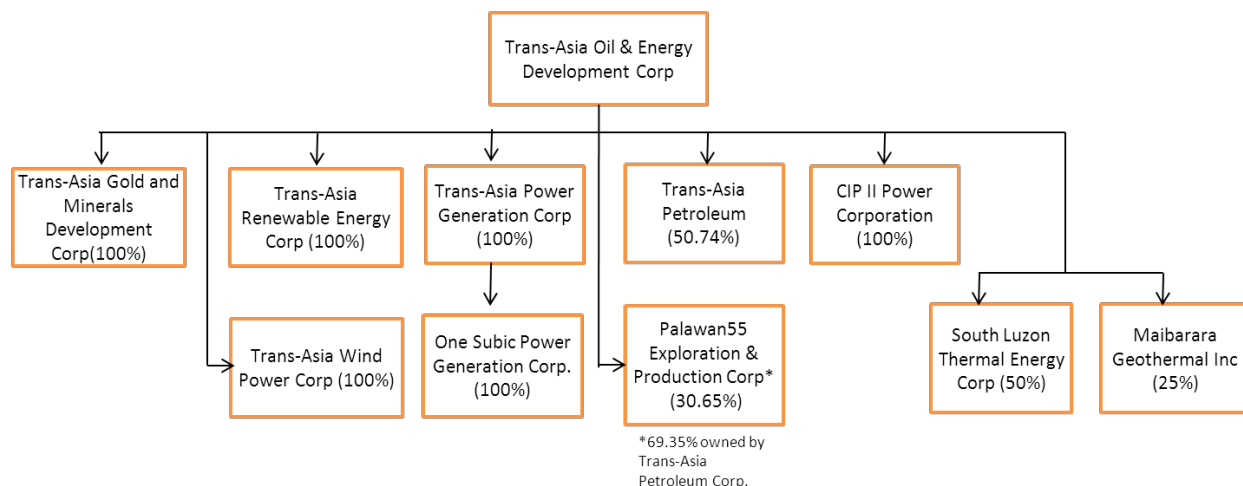
Trans-Asia Petroleum Corporation (“TA Petroleum”) is a Philippine corporation organized on 28 September 1994 as a wholly owned subsidiary of Trans – Asia Oil and Energy Development Corporation (TA Oil). The Company’s Articles of Incorporation and Bylaws were amended on 28 August 2012, to focus the primary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

Petroleum exploration involves the search for commercially exploitable subsurface deposits of oil and gas through geological, geophysical and drilling techniques. 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 (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.

Material dates

| | |
|--------------------|--|
| November 2012 | SEC approves increase of capital and restructuring of TA Petroleum. |
| November 2012 | TA Oil subscribes to 24 billion new shares at par value of ₱0.01. ¹ |
| November 2012 | Palawan55, a subsidiary of TA Petroleum and TA Oil, is incorporated. |
| December 2012 | TA Petroleum and TA Oil sign a Memorandum of Agreement and Deeds of Assignment for the transfer of SC 6 (Block A and B), SC 51 and SC 69; Palawan 55 and TA Oil sign a Memorandum of Agreement and Deed of Assignment for the transfer of SC 55. |
| February 2013 | TA Oil requests DOE approval of the assignment contracts. |
| April 23, 2013 | The DOE approves the assignment of the entire participating interests of TA Oil in: 1) SC 6 Block A, SC 6 Block B, SC 51 and SC 69 to TA Petroleum Corporation, and 2) in SC 55 to Palawan55. |
| May 31, 2013 | SEC approves the increase in par value of TA Petroleum from ₱0.01 to ₱1.00 per share. |
| September 27, 2013 | SEC approves the amendment to include the Lockup Requirements in accordance with the PSE’s Listing Rules for Main and SME Boards. |

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



Petroleum Exploration and Production

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 deepwaters 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 28 active petroleum SCs in the Philippines:

| No. | PSC NO. | Operator | Location/Area (hectares) |
|-----|---------|--|------------------------------|
| 1 | 6 | Blade Petroleum | NW Palawan / 3,397.186 |
| 2 | 6A | Pitkin Petroleum Plc. | NW Palawan / 108,146.587 |
| 3 | 6B | The Philodrill Corp. | NW Palawan / 53,293.945 |
| 4 | 14 | The Philodrill Corp. / Galoc Production Co./ Pitkin Petroleum Ltd. | NW Palawan / 70,887.52 |
| 5 | 37 | Philippine National Oil Co. – Exploration Corporation | Cagayan / 36,000.00 |
| 6 | 38 | Shell Philippines Exploration B. V. | NW Palawan / 83,000 |
| 7 | 40 | Forum Exploration Inc. | North Cebu / 458,000.00 |
| 8 | 44 | Gas To Grid Pte. Ltd. | Central Cebu / 75,000 |
| 9 | 47 | Philippine National Oil Co. – Exploration Corp. | Offshore Mindoro / 1,466,700 |
| 10 | 49 | China International Mining Petroleum Co., Ltd. | South Cebu / 265,000 |
| 11 | 50 | Frontier Oil Corporation | Calait, NW Palawan / 128,000 |
| 12 | 51 | Otto Energy Investments Ltd. | East Visayan Basin / |

| | | | |
|----|----|--|---|
| | | | 332,000 |
| 13 | 52 | Frontier Oil Corporation | Piat San Jose, Cagayan / 96,000 |
| 14 | 53 | Pitkin Petroleum Ltd. | Onshore Mindoro / 660,000 |
| 15 | 54 | Nido Petroleum Phils. Pty. Ltd | NW Palawan (Area A / B = 401,616.15 / |
| 16 | 55 | Otto Energy Investments Ltd. | West Palawan Ultra Deepwater / 900,000 |
| 17 | 56 | Mitra Energy (Philippines) Ltd. | Sulu Sea / 862,000 |
| 18 | 57 | Philippine National Oil Co. – Exploration Corp. | Calamian Block, NW Palawan / 712,000 |
| 19 | 58 | Nido Petroleum Phils. Pty. Ltd. | West Calamian Block, NW Palawan / 1,344,000 |
| 20 | 59 | BHP Billiton Petroleum (Philippines) Corporation | West Balabac, SW Palawan/ 1,476,000 |
| 21 | 63 | Philippine National Oil Co. – Exploration Corp. | SW Palawan / 1,056,000 |
| 22 | 64 | Ranhill Bhd. | Sulu Sea / 1,264,940 |
| 23 | 69 | Otto Energy | Visayan Basin / 704,000 |
| 24 | 70 | Polyard Petroleum International Co. Ltd. | Central Luzon Basin / 684,000 |
| 25 | 72 | Forum (GSEC101) Ltd. | Reed Bank / 1,063,000 |
| 26 | 73 | Otto Energy Philippines, Inc. | Mindoro Cuyo/844,000 |
| 27 | 74 | Pitkin Petroleum Plc and The Philodrill Corporation | Northwest Palawan/426,800 |
| 28 | 75 | Philex Petroleum Corp./Philippine National Oil Co. – Exploration Corp./Petroenergy Resources Corporation | Northwest Palawan/616,000 |

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 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, a substantial financial incentive is given to consortia with at least 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.

TA Petroleum 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).

TA Petroleum 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, TA Petroleum remains a strong competitor in the local exploration and production industry.

Suppliers and Customers

TA Petroleum's exploration business is not dependent on a single supplier nor on a single customer.

Related Party Transactions

TA Petroleum's exploration business is not dependent on related parties, nor were there any transactions involving related parties.

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:

P.D. 87, as amended, or The Oil Exploration and Development Act of 1972

P.D. 87, as amended, 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 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 70% of gross production proceeds. If, in any year, the operating expenses exceed 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 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 15% Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of 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 15 % on their Philippine income.

A service contract has a maximum exploration period of 10 years and a maximum development and production period of 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 deepwater 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 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 prorata basis. There is a ready market for oil produced locally inasmuch as imported oil which comprised about 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 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.

R.A. 8371 or The Indigenous Peoples' Rights Act of 1997

R.A. 8371 or "The Indigenous Peoples' Rights Act of 1997" requires the free and prior informed consent of IPs who will be affected by resource exploration and extraction activities. Under the IPRA, IPs is 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. The CP states that the free, prior and informed consent ("FPIC") has been obtained from the concerned IPs. For areas not occupied by IPs, a certificate of nonoverlap 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 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) expansion in the use of natural gas; and
- (5) adoption of energy efficiency promotion strategies.

In support of this legislation, TA Petroleum 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 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 No. ("AO") 42 in 2002. It provided for the streamlining of the ECC application processing and approval procedures. Pursuant to AO 42, the DENR promulgated DENR AO 200330, also known as the Implementing Rules and Regulations for the Philippine EIS System ("IRR"), 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 groundbreaking, 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 (SCs) 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 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 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 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 prorata 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 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.

TA Petroleum 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 Service Contracts, the Company as the Contractor is the exclusive party to conduct petroleum operations in the covered Contract Area. TA Petroleum, as a Contractor, is solidarily liable with other Contractors to the Philippine government to perform the obligations under the Service Contracts. The Philippine Government may require the performance of any or all obligations under the Service Contracts by any or all of the Contractors. As a Contractor, TA Petroleum has the right and obligation to participate actively in the exploration, development, and production of petroleum resources within the contract area. The Service Contracts provide for minimum work commitments and minimum exploration expenditures which must be complied with by any or all of the Contractors. TA Petroleum's 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. TA Petroleum's rights under the Service Contracts 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 TA Petroleum has participating interests, as of date February 28, 2015 are as follows:

| Contract | Location | Interest | Issue Date | Commercial Terms | Partners | Work Program 2015 |
|------------------------------|-----------------------|---------------------------------------|-------------------|-------------------------|---|--|
| SC 51 (oil & gas) | Eastern Visayas | 6.67% | 8 July 2005 | A | Otto Energy Investments, Cosco Capital Inc., PetroEnergy Resources Corp. Operator: Otto Energy Investments | Awaiting DOE approval of transfer of interest post withdrawal of Otto. |
| SC 55 (oil & gas) | Offshore West Palawan | 6.82% (carried free in up to 2 wells) | 5 August 2005 | A, B | Otto Energy Philippines, Otto Energy Investments Operator: Otto Energy Investments | Preparations for drilling in 2015, farmout |

| Contract | Location | Interest | Issue Date | Commercial Terms | Partners | Work Program 2015 |
|-------------------------------------|------------------------------|--|-------------------|-------------------------|--|---|
| SC 6 Block A (oil & gas) | Northwest Palawan | 2.334% (carried free in up to 2 wells) | 1 September 1973 | A | Pitkin Petroleum, Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, Anglo Philippine Holding, Alcorn Gold Resources Operator: Pitkin Petroleum | Geological and geophysical studies. Awaiting transfer of interest post withdrawal of Pitkin |
| SC 6 Block B (oil) | Northwest Palawan | 14.063% | 1 September 1973 | A | Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum & Minerals Corp. Operator: Philodrill Corp. | Geological and Geophysical studies |
| SC 69 (oil & gas) | Camotes Sea, Eastern Visayas | 50.00% | 7 May 2008 | A | Otto Energy, Frontier Gasfields Pty. Ltd. Operator: Otto Energy | Data review |

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 6.82% interest in SC 55 is owned by Palawan55, a 69.35% owned subsidiary of TA Petroleum.

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

SC 6 A

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

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

The DOE granted a 15year 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 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, TA Oil 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, TA Oil 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 (hitherto named “Octon Discovery”) was made in Block A, but such field has not been developed to this date.

On 9 May 1988, an Operating Agreement was entered into by and among Balabac, Oriental, TA Oil 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 SC 6.

On 7 March 2007, SC 6 Block A consortium entered into a Farm-In Agreement with Vitol GPC Investments S.A. of Switzerland. Under this agreement, Vitol shall undertake, at its sole cost and risk, geological, geophysical and engineering studies over a one (1) year period. At the end of the study period, Vitol shall decide whether to acquire 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 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 2 September 2013, the Palawan Council for Sustainable Development issued a Strategic Environmental Plan clearance for the programmed 500sq km 3D seismic survey.

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

On 28 August 2014, Pitkin notified partners of its withdrawal from SC 6 Block A effective 31 December 2014. The transfer of Pitkin Petroleum's interest to the no withdrawing parties awaits approval of the Department of Energy..

Pitkin completed all its work obligations under the first phase of the Farm-In Agreement by 31 December 2014

The remaining partners submitted a work program and budget for 2015, which was subsequently approved by the DOE. The Company's share in the budget is around ₱630,000.

SC6 B

The SC 6 Block B consortium members, excluding Nido Petroleum, signed on 4 February 2011 a Farm-In Agreement with Peak Oil and Gas Philippines Limited (Australia), Blade Petroleum Philippines Limited (Australia) and Venturoil Philippines Inc. Under said Agreement, the Farm-Inees (Peak, Blade and Venturoil) have the option to acquire 70% of the farmors' 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 farmors up to the production of first oil in the block. Following the exercise of the option by the Farm-Inees, the Parties signed on 2 December 2011 an Amended Deed of Assignment transferring 64.5316% participating interest of the farmors 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 SC 6 Block B for the 5th year of extension period. Geological and geophysical program commenced in October 2013 and was completed in February 2014.

The consortium submitted a work program and budget for 2015, which was subsequently approved by the DOE. The Company's share in the budget is some ₱4 million.

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

SC6 Block A

| | |
|------------------|--------------------|
| Pitkin | 70.000% (Operator) |
| PetroEnergy | 5.001% |
| Philodrill | 15.495% |
| Anglo | 3.333% |
| TA Petroleum | 2.334% |
| Forum | 1.668% |
| Philex Petroleum | 1.668% |
| Cosco | 0.501% |

Note: Under the Farm-In Agreement with Pitkin, Pitkin acquired 70% of TA Petroleum's original 7.78% participating interest in exchange for Pitkin carrying the share of TA Petroleum in the cost of a 500km 3D seismic program and the drilling of up to two (2) wells.

Pitkin Petroleum, the Operator, notified partners that it shall not exercise its option under the Farm-In Agreement dated July 11, 2011 to drill a well in the block and has withdrawn from block by year end. However, the reassignment of its interest will only be effective upon DOE approval.

SC6 Block B

| | |
|---------------------------------|--------------------|
| Nido Petroleum Phils. Pty. Ltd. | 7.812% |
| Phoenix | 28.125% |
| TA Petroleum | 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 TA Petroleum in SC 6 Block B. The farmout to Peak, Blade and Venturoil which would have reduced TA Petroleum's interest by 70% did not materialize because the proposed Farm-In of the three (3) companies were disapproved by the DOE.

SC 51 East Visayas

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

The consortium committed to undertake a new 250km 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 18 months of the contract term. The 2D seismic program was designed to pick the drilling location for the Argao prospect and to upgrade a neighboring lead to drillable status. The Villaba engineering study aimed to determine whether the sub-commercial Villaba gas discovery could be developed on a standalone basis using minimalist options or whether additional reserves from neighboring prospects would be necessary or enough to ensure commerciality. The partners have successive options to drill exploratory wells during the balance of the seven (7) year exploration period.

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

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

The DOE approved the consortium's entry into the 3rd Sub Phase of the exploration period (from February 8, 2008 to March 7, 2009), which involves a commitment to drill one (1) exploratory well. The consortium completed a GeoMicrobial Survey. The governor of Cebu province issued Executive Order

No. 10 on 29 May 2009 revoking Executive Order No. 9 which ordered the DOE to cease and desist from conducting oil exploration surveys in the coastal waters of the municipalities of Argao and Sibonga.

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

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

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

The remaining local partners of the South Block executed a Farm-In option agreement with Frontier Oil Corporation, giving the latter an option to acquire an 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 100km 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 mid2013. 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 postwell 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 SC 51.

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 26 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 SC 51 and end on the date the DOE approves the transfer of Otto Energy's participating interest in SC 51 to the remaining partners.

As of 31 December 2014, the DOE has not acted on Otto Energy's request for approval of the Duhat2 drilling as fulfillment of Sub Phase 5 obligation and the request of the remaining partners for suspension of Sub Phase 5.

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

| | |
|--------------|-------------------|
| Otto Energy | 80.00% (Operator) |
| Cosco | 9.32% |
| TA Petroleum | 6.67% |
| PetroEnergy | 4.01% |

SC 55 West Palawan

SC 55 was awarded by the DOE on August 5, 2005. The exploration period is valid for seven (7) years, extendible for three (3) years, and the production period is valid for 25 years. The members of the consortium and their corresponding interests are Otto Energy (Operator) with 85% and TA Oil with 15%. TA Oil has a Participation Agreement with the predecessor's interest of Otto Energy which provides that the latter will shoulder TA Oil's share of costs up to the drilling of the first exploratory well. In addition, TA Oil has the option to acquire 5% interest from Otto Energy after the drilling of the first well under the SC.

SC 55 covers 900,000 hectares in offshore West Palawan. It is a deepwater 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 18 months of the contract term. The partners have successive options to drill up to four (4) wells during the balance of the seven (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 deepwater well. Processing and interpretation of 954 km of 2D seismic data acquired in June 2007 were already completed, but due to no availability of a suitable rig, the DOE approved the consortium's request to swap work commitments for the 2nd and 3rd Sub Phases of the exploration period to allow the drilling of the first commitment well by August 4, 2010 instead of August 4, 2009.

The consortium requested and the DOE agreed to the substitution of a 2D 3D seismic program for one (1) ultra deepwater well commitment under the 3rd Sub Phase of the exploration period (from 5 August 2009 to 5 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 5 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 3 June 2010, TA Oil signed an Option Agreement with Frontier Gasfields Pty. Ltd. of Australia which granted the latter the option to acquire the 5% interest that TA has the option to acquire from Otto Energy after the drilling of the first well in the area.

On 3 February 2011, TA Oil signed an Agreement with Otto Energy assigning TA Oil'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 60% participating interest in SC 55 from Otto Energy and committed to drill one deepwater 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 deepwater well by 5 August 2012.

The revised work schedule is shown below:

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

The DOE granted a one year extension of the 4th Sub Phase until 5 August 2013 to enable BHP Billiton to procure a suitable drilling rig that could drill an identified deepwater prospect. On 3 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 4 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 14month extension of the current Sub Phase considering the length of the Force Majeure period.

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

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

On 14 October 2014, the DOE granted Otto Energy’s request for extension of Sub Phase 4 to 23 December 2015. The term of Sub Phase 5 was likewise adjusted to 23 December 2015 23 December 2016.

The Operator, Otto Energy, is currently undertaking preparations for the drilling of a deepwater exploratory well.

TA Petroleum’s stake in SC 55 is held through Palawan55. TA Petroleum owns 69.35% of Palawan55, while the remaining 30.65% is owned by TA Oil.

TA Petroleum believes that its share of any additional investments in SC 55 through Palawan55 will be minimal in 2015 due to the latter’s carried position.

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

| | |
|-------------------------|-------------------|
| Otto Energy Philippines | 60.00% |
| Otto Energy | 33.18% (Operator) |
| Palawan55 | 6.82% |

SC 69 Camotes Sea

SC 69 covers an area in the Camotes Sea, Eastern Visayas. The DOE awarded SC 69 (formerly, Area 8 of the 2006 Philippine Energy Contracting Round) on 7 May 2008 to a consortium composed of TA Oil (with 30% interest) and Otto Energy Philippines Inc. (“Otto Philippines”, formerly NorAsian Energy Philippines, Inc.) (with 70% interest). SC 69 has an exploration period of seven (7) years, divided into five (5) Sub Phases and extendible for three (3) years, and a production period of 25 years. While the area is

underexplored, initial indications show that it has significant petroleum potential in view of gas discoveries in onshore Northern Cebu and offshore Northwest Leyte.

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

The consortium elected to enter the 2nd Sub Phase of the exploration period (from 7 May 2009 to 6 November 2010), which entails a commitment to conduct either a minimum of a 50square kilometer 3D seismic survey or a minimum of 750line 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 7 February 2011 to enable completion of interpretation of the newly acquired 900 km of 2D seismic data.

On 3 June 2010, TA Oil signed a Farm-In Option Agreement with Frontier Gasfields Ltd. ("Frontier") which granted the latter the option to acquire 15% of TA Oil's interest in SC 69. Frontier exercised its option on 3 February 2011 for a total consideration of US\$ 395,000. The consortium elected to enter the 3rd Sub Phase (7 February 2011 to 7 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 \$2 MM or \$3 MM, respectively.

On 3 February 2011, TA Oil signed an Agreement with Otto Philippines assigning an additional 9% of TA Oil'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.

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 4 April 2013 the DOE granted the consortium's request for 9month extension of the 3rd Sub Phase to 7 May 2013, and a subsequent extension to 6 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 SC 69.

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

The DOE approved the transfer of the interest of Otto Philippines to the Company and Frontier.

The remaining partners requested and the DOE approved the extension of Sub Phase 3 to 7 May 2015. TA Petroleum estimates that its share of costs in SC 69 in 2013 will be minimal.

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

| | |
|--------------|-------------------|
| Frontier | 50.00% (Operator) |
| TA Petroleum | 50.00% |

Options to Acquire Participating Interests

TA Petroleum may acquire participating interests in the following Service Contracts :

SC 50 Offshore Northwest Palawan

SC 50 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 Calait and Calait South finds. PNO Exploration Corporation re-entered the Calait1B discovery well in 1997 and conducted extended tests, flowing up to 9,500 barrels of oil per day (bopd), but with significant amounts of water. Calait South1 flowed 3,286 bopd when tested in 1992. The oil reservoir in both fields is the fractured Nido Limestone, which is the main producing reservoir in other nearby fields.

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

TA Petroleum has agreed to acquire 10% participating interest in SC 50 from FEL.

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

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

SC 52 (Cagayan Province)

SC 52 was awarded on 8 July 2005 to a consortium composed of Frontier Oil Corporation ("Frontier Oil"), Frontier and E. F. Durkee and Associates, Inc. It covers a 96,000hectare onshore area in Cagayan province.

The block hosts the Nassiping Dome prospect located in Gattaran, Cagayan, about 50 km north of Tuguegarao. The Nassiping2 well was drilled by PetroCanada in 1994 to a depth of 3,725 meters and was abandoned due to drilling problems. The well was not flow tested although gas shows were recorded then. The first exploratory well on the prospect, the Nassiping1 well drilled in 1961, also yielded gas shows. The Cagayan Valley is a proven hydrocarbon province with the PNO's San Antonio gas field in Isabela producing 3.6 billion cubic feet of gas from 1994 until 2008.

TA Oil and Frontier Oil executed on 12 January 2012 a Farm-In Option Agreement which granted Trans-Asia the option to acquire 10% participating interest in SC 52 from Frontier Oil, which may be exercised after completion of re-entry and testing of the Nassiping2 well.

Frontier Oil re-entered the Nassiping2 well in February 2012 to evaluate gas shows above 3,000 meters that were encountered in the well. The well flowed gas to the surface, but at unstable rates. Frontier Oil suspended the well for future re-entry after confirming the presence of movable gas in the target interval. Technically, the Nassiping2 re-entry would be classified as a discovery well.

TA Oil and Frontier Oil signed an Amendment Agreement extending the former's option to 90 days after completion of programmed retesting operations on the Nassiping2 well.

The Department of Energy approved the consortium's entry into Sub Phase 4 (8 July 2012 to 8 July 2013) with the Nassiping2 Stimulation and Testing Program as work commitment. This Stimulation and Testing was intended to be an appraisal of the gas discovery made earlier.

Frontier Oil attempted to perform an acid stimulation and testing program on the zones of interest in November 2012, but suspended operations in December 2012 due to down hole equipment problems.

Consequently, Frontier Oil elected to enter Sub Phase 5 (ending July 2014) with the commitment to deepen the Nassiping2 well and test all prospective gas bearing intervals in the borehole.

TA Oil and Frontier Oil signed a Second Amendment to their Farm-In Option Agreement in July 2013 that extended the option period and expanded the coverage of TA Oil's option to include the untested deeper prospective gas bearing intervals identified in the well.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping2 well. Preparations for the drilling are underway.

On 21 November 2014, Frontier Oil filed a request for six month extension of Sub Phase 5 which was due to expire on 8 January 2015. On 10 February 2015, Frontier Oil requested Force Majeure for its work commitments under Sub Phase 5. In a letter dated 16 February 2015, the DOE informed Frontier Oil that the term of SC 52 shall expire on 8 July 2015 if the work obligation is not fulfilled by then.

Pursuant to the amended Farm in Option Agreement, TA Oil shall evaluate the results of the operations within 90 days of completion and decide whether to exercise its option or not. If the option to acquire 10% interest in SC 52 is exercised, TA Oil will cause Frontier Oil to assign said interest directly to TA Petroleum.

Holdings in Upstream Oil & Gas Companies

Palawan55 Exploration & Production Corporation

Palawan55 is an upstream oil and gas company which holds participating interest in SC 55.

Other Material Agreements

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

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

Memorandum of Agreement between TA Petroleum and TA Oil.

Under this Memorandum of Agreement, TA Oil agreed to assign to TA Petroleum, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil as follows:

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

Memorandum of Agreement between TA Oil and Palawan55.

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

Deed of Assignment between TA Petroleum and TA Oil.

Under this Deed of Assignment, TA Oil assigned to TA Petroleum, a Subsidiary of TA Oil, and the SC Participating Interests of TA Oil as follows:

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

Deed of Assignment between TA Oil and Palawan55.

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

Manpower

TA Petroleum's total regular employees as of December 31, 2014 are 3.

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**

This Prospectus includes estimates made by third parties of oil and gas reserves and resources. Estimates of reserves and resources should be regarded only as estimates that 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 estimates presented herein.

As of the date of this Prospectus, the Company has not independently verified the estimates provided by third parties. 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 AlQaeda terrorist network. There can be no assurance that the Philippines will not be subject to further acts of terrorism in the future, and violent acts arising from, and leading to, instability and unrest may have a material adverse effect on the Company's business, results of operations and financial condition.

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

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

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

The Philippines has experienced a number of major natural catastrophes in recent years, including typhoons, volcanic eruptions, earthquakes, mudslides, droughts, floods and other weather related events. Natural catastrophes may disrupt the Company's business operations, lead to disruptions in the electrical supply to the Company's project sites and impair the economic conditions in the affected areas, as well as the Philippine economy. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes, including possible business interruptions.

Risks related to the Shares

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

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

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

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

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

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

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

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

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

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

The Company's ability to declare dividends in relation to the Company's Shares will also depend on the Company's future financial performance, which, in turn, depends on successfully implementing the Company's strategy, and on financial, competitive, regulatory, and other factors, general economic conditions, demand and prices for the Company's petroleum and other future products, costs of raw materials and other factors specific to the Company's industry or specific projects, many of which are beyond the Company's control. The receipt of dividends from the Company's subsidiary and affiliates may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the

interpretation or implementation of existing laws and regulations and other events outside the Company's control. Philippine law requires that dividends be paid only out of unrestricted retained earnings calculated according to Philippine accounting principles. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or its subsidiary may enter into in the future may also restrict the ability of the Company's subsidiary to make contributions to the Company and the Company's ability to receive distributions or distribute dividends.

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

Subsidiary

Palawan 55 Exploration & Production Corporation (“Palawan55”)

Palawan55 is a subsidiary with 69.35% of its shares owned by the Company. This corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 16, 2012. Palawan55 is engaged in the exploration, development and production of crude oil, natural gas, natural gas liquids and other forms of petroleum. It holds a 6.82% interest in Service Contract No. 55. The corporation has not started its commercial operation.

ITEM 2: PROPERTIES

Service Contracts

A summary of the existing projects and the Service Contracts where TA Petroleum has participating interests, as of date of this Prospectus are as follows:

| Contract | Location | Interest | Issue Date | Commercial Terms | Partners | Work Program 2015 |
|--------------------------|-----------------------|---------------------------------|------------------|------------------|--|---|
| SC 51 (oil & gas) | Eastern Visayas | 6.67% | 8 July 2005 | A | Otto Energy Investments, Cosco Capital Inc., PetroEnergy Resources Corp. | Awaiting transfer of Operator's interest. |
| SC 55 (gas) | Offshore West Palawan | 6.82% (carried free in 2 wells) | 5 August 2005 | A, B | Otto Energy Philippines, Otto Energy Investments | Preparations for drilling , |
| SC 6 Block A (oil & gas) | Northwest Palawan | 7.78% | 1 September 1973 | A | Pitkin Petroleum, Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, Anglo Philippine Holding, Alcorn Gold Resources | Geological and geophysical studies, |
| SC 6 Block B (oil) | Northwest Palawan | 14.063% | 1 September 1973 | A | Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum & Minerals Corp. | Geological and Geophysical studies |

| Contract | Location | Interest | Issue Date | Commercial Terms | Partners | Work Program 2015 |
|------------------------------|------------------------------|-----------------|-------------------|-------------------------|------------------------------|--------------------------|
| SC 69 (oil & gas) | Camotes Sea, Eastern Visayas | 50.00% | 7 May 2008 | A | Frontier Gasfields Pty. Ltd. | Farmout; data review |

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 6.82% interest in SC 55 is owned by Palawan55, a 69.35% owned subsidiary of TA Petroleum.

All of TA Petroleum'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.

These constitute the principal properties of the Company. For a more detailed discussion, see the section "Statement of Active Business Pursuits" in this Prospectus.

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 continued activities.

ITEM 3: LEGAL PROCEEDINGS

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

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

As of February 23, 2015, there were 250,000,000 shares of TA Petroleum common stock outstanding and entitled to vote at the Annual Stockholders' Meeting. Only holders of the Company's stock of record at the close of business on March 6, 2015 acting in person or by proxy on the day of the meeting are entitled to notice and to vote at the Annual Stockholders' Meeting to be held on April 7, 2015.

Cumulative voting is allowed for election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by

him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

PART II – FINANCIAL INFORMATION

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

Market Price

TA Petroleum common shares (symbol: TAPET) were listed with the Philippine Stock Exchange on August 28, 2014. Below are the high and low sales prices as of February 28, 2015 and for the calendar year 2014:

| PERIOD | HIGH | HIGH ADJ. | LOW | LOW ADJ. |
|----------------|-------------|------------------|------------|-----------------|
| Calendar 2015 | | | | |
| February 28 | 3.98 | | 3.67 | |
| January 31 | 4.59 | | 3.80 | |
| Calendar 2014 | | | | |
| Fourth Quarter | 5.49 | | 3.90 | |
| Third Quarter | 9.00 | | 4.30 | |

Stockholders

As of February 28, 2015, the Company has 3,006 shares. 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 March 6, 2015.

| NO. | NAME OF STOCKHOLDER | CITIZENSHIP | NUMBER OF SHARES HELD | % OF OWNERSHIP |
|------------|---------------------------------------|--------------------|------------------------------|-----------------------|
| 1 | PCD NOMINEE CORPORATION | Filipino | 245,372,166 | 98.15% |
| 2 | EMAR Corporation | Filipino | 950,740 | 00.38% |
| 3 | PCD NOMINEE CORPORATION (NONFILIPINO) | Foreign | 653,470 | 00.26% |
| 4 | FRANCISCO GENARO OZAMIZ LON | | 423,300 | 00.17% |
| 5 | FRANCISCO L. VIRAY | Filipino | 114,193 | 00.05% |
| 6 | ALBERT MENDOZA &/OR JEANNIE MENDOZA | Filipino | 76,193 | 00.03% |
| 7 | ALBERT AWAD | Filipino | 74,260 | 00.03% |
| 8 | PHIL. REMNANTS CO. INC. | American | 71,431 | 00.03% |
| 9 | PETER MAR OR ANNABELLE C. MAR | Filipino | 52,020 | 00.02% |
| 10 | RAMON R. DEL ROSARIO JR. | Filipino | 45,467 | 00.02% |
| 11 | VICTOR JUAN DEL ROSARIO | Filipino | 41,453 | 00.02% |
| 12 | RENATO O. LABASAN | Filipino | 38,760 | 00.02% |
| 13 | TERESITA A. DELA CRUZ | Filipino | 38,306 | 00.02% |

| NO. | NAME OF STOCKHOLDER | CITIZENSHIP | NUMBER OF SHARES HELD | % OF OWNERSHIP |
|-----|---|-------------|-----------------------|----------------|
| 14 | BELEK INC. | Filipino | 37,842 | 00.02% |
| 15 | RIZALINO G SANTOS | Filipino | 36,643 | 00.01% |
| 16 | JOSEPH D. ONG | Filipino | 35,640 | 00.01% |
| 17 | WILLIAM HOW &/OR BENITO HOW | Chinese | 34,003 | 00.01% |
| 18 | ALEXANDER J. TANCHAN &/OR DOLORES U. TANCHAN | Filipino | 27,358 | 00.01% |
| 19 | BENJAMIN S. AUSTRIA | Filipino | 26,086 | 00.01% |
| 20 | VICTOR J. DEL ROSARIO OR MA. RITA S. DEL ROSARIO | Filipino | 24,342 | 00.01% |

Dividends

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

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

Recent Sales of Unregistered or Exempt Securities (including recent issuance of securities constituting an exempt transaction)

On 28 August 2012, the Board and stockholders representing at least two-thirds of the Company's outstanding capital stock approved the increase of the Corporation's authorized capital stock from Forty Million Pesos (₱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, TA Oil 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 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.

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

Plan of Operation

TA Petroleum is currently a participant in four (4) petroleum Service Contracts with the Government of the Republic of the Philippines, namely: SC 6, SC 51, SC 69 and SC 55 (through its subsidiary, Palawan55 Exploration & Production Corporation).

TA Petroleum intends to maintain its participation in the aforementioned service contracts over the next twelve (12) months. All these contracts are in the exploratory stage, i.e. without any commercial production. The Company is carried in the expenditures related to the 2014 work programs under SC 6 Block A, SC 51, SC 69, SC 50 and SC 55, and has a minimal share in the cost of the work program under SC 6 Block B.

Calendar Year 2014

SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Plc, the Operator, notified partners that it shall not exercise its option under the Farm-In Agreement dated 11 July 2011 to drill a well in the block at its sole cost, and shall withdraw from SC 6 Block A effective 31 December 2014.

By yearend, 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 Department of Energy ("DOE") approved the 2015 work program submitted by the non-withdrawing parties consisting of geological and geophysical studies.

Upon reassignment of Pitkin's 70% participating interest, TA Petroleum's holdings shall revert from 2.334% to 7.78%

Block B

The DOE disapproved the assignment of 70% of the Farm-In parties' ("Farmors" which includes Trans-Asia) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farm-Inees") due to the Farm-Inees' failure to satisfy the DOE's requirements for service contractors .

Under the Farm-In Agreement dated February 4, 2011, the Farm-Inees were supposed to shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil. In view of this development, original consortium members proposed to the DOE the conduct of a geological and geophysical program designed to evaluate two prospects in the block. The DOE subsequently approved the proposed 2014-15 work program.

Trans-Asia, through its wholly owned subsidiary, TA Petroleum, holds 2.334% and 14.063% participating interests in Block A and Block B, respectively.

SC 51 (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 Duhat 2 well.

The Duhat 2 well was plugged and abandoned in 3Q 2013 when it failed to reach its reservoir objective due to drilling problems.

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

Otto requested the DOE to reconsider its decision not to accept the drilling of the Duhat 2 well as fulfillment of the work obligation under Sub-Phase 5.

As of yearend, the DOE has not acted upon Otto's plea.

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 SC 51, until the DOE approves the transfer of Otto's interest to the Filipino partners.

Upon DOE approval of the reassignment of interests, TA Petroleum's participating interest will be adjusted from 6.67% to 33.34%.

SC 55 (Offshore West Palawan)

Following the withdrawal of BHP Billiton Petroleum (Philippines) Corporation ("BHPB") from SC 55, Otto Energy Investments, Ltd. ("OEL") reassumed operatorship.

The Department of Energy ("DOE") approved the consortium's request for extension of exploration Sub-Phase 4 from 5 August 2011 to 23 December 2015 and a revised work program consisting of the drilling of the Hawkeye prospect with a budget of US \$ 49 MM.

As part of the exit settlement under their farm-in agreement, BHPB paid Otto US \$ 3 MM and committed to contribute US \$ 24.5 MM towards the drilling of the first well in the area.

Preparations for the drilling of the Hawkeye1 well are underway.

Palawan55 Exploration & Production Corporation, 69% owned subsidiary of TA Petroleum, holds 6.82% participating interest in SC 55 that is carried free in the cost of drilling of two (2) wells in the block.

Palawan55 Exploration & Production Corporation, a subsidiary of Trans-Asia, holds 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

Following an unsuccessful campaign to farm out its participating interest, Otto Energy Philippines, Inc. ("Otto Philippines") notified the partners of its withdrawal from SC 69..

On 17 October 2014, the DOE approved the transfer of Otto Philippines' interest to TA Petroleum (50%) and Frontier Gasfields Pty. Ltd. ("Frontier Gasfields") (50%)

TA Petroleum and Frontier Gasfields jointly requested the DOE an extension of the term of exploration Sub-Phase 3 to 7 May 2015. The DOE approved said request on 3 December 2014.

SC 50 (Offshore North Palawan)

In 2013, the Company commenced negotiations with Frontier Energy Limited, the Operator, regarding a Farm-In Agreement that would provide for the Company's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-In Agreement, the Company has committed to subscribe to 136 million in Frontier Oil Corporation shares through the latter's forthcoming initial public offering.

On August 22, 2014, the Parent Company entered into a Memorandum of Agreement with Frontier Energy Limited and Frontier Oil Corporation where the Parent agreed to extend a financial accommodation to Frontier Oil Corporation amounting to ₱20 million subject to certain terms and conditions.

On October 16, 2014, the Parent Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm In Agreement with Frontier Energy Limited and Frontier Oil Corporation.

2. Deed of Assignment with Frontier Energy Limited
3. Loan Agreement with Frontier Oil Corporation

The assignment of 10% participating interest in SC 50 to the Parent is subject to the approval of the DOE.

Financial Performance

2014 compared with 2013

Income and Expenses

The material change in financial income in the Consolidated Statements of Income for the year ended December 31, 2014 and 2013 is as follows:

| | 2014 | 2013 | Increase (Decrease) | |
|------------------------|--------------------|--------------------|---------------------|--------------|
| | | | Amount | % |
| Interest income | P130,486 | P798,288 | (P667,802) | (83.65%) |
| Cost and expenses | 14,498,337 | 9,380,729 | 5,117,608 | 54.46% |
| Other income (charges) | 729,425 | (4,739,255) | 5,468,680 | (115.39%) |
| Loss before income tax | 13,638,426 | 13,321,696 | 316,730 | 2.38% |
| Income tax | (69,193) | 320 | (69,513) | (21,723%) |
| Net loss | P13,569,233 | P13,322,016 | P247,217 | 1.86% |

- Decrease in interest income was driven by lower investments in Unit Investment Trust Fund (“UITFs”) during the year.
- Cost and Expenses increased due to additional expenses incurred related to the Company’s listing activities in the PSE and engagement of professional services.
- Other income of in 2014 mainly comprises unrealized gain from changes in fair value of investments held for trading, a reversal from loss in 2013.
- Benefit from income tax is from NOLCO of Palawan55, which is expected to be utilized in the coming year.
- Above movements resulted to a minimal increase in consolidated net loss for the company.

Assets

The following are the material changes in asset accounts of the Consolidated Balance Sheets between December 31, 2014 and December 31, 2013:

| | 2014 | 2013 | Increase (Decrease) | |
|-------------------------------|----------------|----------------|----------------------|-----------------|
| | | | Amount | % |
| <i>(Amounts in thousands)</i> | | | | |
| Current Assets | | | | |
| Cash & cash equivalents | P42,809 | P21,030 | P 21,779 | 103.56% |
| Investment held for trading | 70,472 | 138,411 | (67,939) | (49.08%) |
| Receivables | 895 | 3 | 892 | 29,733% |
| Total Current Assets | 114,176 | 159,444 | (45,268) | (28.39%) |

| | 2014 | 2013 | Increase (Decrease) | |
|--------------------------------|-----------------|-----------------|---------------------|----------------|
| | | | Amount | % |
| Noncurrent Assets | | | | |
| Receivables | 20,000 | – | 20,000 | – |
| Property, plant and equipment | 330 | – | 330 | – |
| Deferred tax asset | 69 | – | 69 | – |
| Deferred exploration cost | 85,967 | 74,736 | 11,231 | 15.03% |
| Total Noncurrent Assets | 106,366 | 74,736 | 31,630 | 29.74% |
| Total Assets | P220,542 | P234,180 | (P13,638) | (5.82%) |

- The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- Investment held for trading dropped by half from the call-in of its investments during the year.
- The Parent Company has a current receivable from Otto Energy arising from return of cash call relating to SC 6.
- Noncurrent receivable is from the Memorandum of Agreement of the Parent Company with Frontier Energy Limited and Frontier Oil Corporation where the Parent Company agreed to extend a financial accommodation to Frontier Oil Corporation amounting to P20 million subject to certain terms and conditions.
- Property, plant and equipment are newly acquired office equipment and miscellaneous assets.
- Deferred tax asset represents recognized NOLCO of Palawan55 incurred during the year.
- Deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with Department of Energy. The increase during the year is from the Company's participation in SC 50 (Offshore North Palawan).

Details of deferred exploration costs are as follows:

| | 2014 | 2013 |
|---|-------------------------------|---------|
| TA Petroleum: | <i>(Amounts in thousands)</i> | |
| SC 51/Geophysical Survey and Exploration Contract (GSEC) 93 (East Visayas) | P32,666 | P32,666 |
| SC 69 (Camotes Sea) | 15,085 | 15,972 |
| SC 6 (Northwest Palawan): | | |
| Block A | 18,805 | 18,805 |
| Block B | 1,979 | 1,580 |
| SC 50 (Northwest Palawan) | 11,719 | – |
| | 80,254 | 69,023 |
| Palawan55: | | |
| SC 55 (Southwest Palawan) | 5,713 | 5,713 |
| | P85,967 | P74,736 |

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. Exploration budgets for each service contract are as follows:

| Contract | Period Covered | Budget (100%) In US\$ Million |
|--------------|----------------|----------------------------------|
| SC 6 Block A | 2015 | 0.18 |
| SC 6 Block B | 2015 | 0.62 |
| SC 51 | 2015 | * |
| SC 55 | 2015 | 48 |
| SC 69 | 2015 | - |

*No budget for 2015 pending transfer of interest of withdrawing party

The Company's committed amounts as of this date are minimal. The Company has commitments for DOE training under SC 6 Block A and SC 69, a commitment for geological and geophysical work under SC 6 Block B once the work program for the next 2 years is approved by the DOE, but these will also be a small amount. The Company is carried free in current programs for SC 51, SC 55 and SC 69. There are no additional expected contributions required from the Company in these Service Contracts.

Disclosure of the estimated total cost of exploration to complete is not feasible in this industry unlike for construction related contracts.

Liabilities

Current liabilities as at 31 December 2014 amounted to ₱688,636 from ₱757,700 in 2013, mainly due to accrual of expenses for the year.

Equity

Total Equity decreased by 6% to ₱219.9 million as at 31 December 2014 from ₱233.4 million in 2013. Deficit almost doubled to ₱32.7 million from ₱19.2 million in 2013 due to the 2014 Net Loss attributable to the Parent Company of ₱13.5 million. Non-controlling Interests decreased to ₱2.5 million as at 31 December 2014, reduced by its proportionate share in the Consolidated Net Loss of the Company.

Cash Flows

Net Cash Used in Operating Activities amounted to ₱36.1 million for the year 2014 and ₱2.4 million for the same period in 2013. Net Cash Provided in Investing Activities, mainly transactions from Investments Held for Trading and Deferred Exploration Costs, amounted to ₱57.9 million in 2014 compared to Net Cash Used of ₱142.4 million in 2013. No Financing Activities occurred in 2014 and 2013.

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

| Key Performance Indicators | Formula | Years Ended December 31 | | Increase (Decrease) | |
|--|--|-------------------------|--------|----------------------|-----------|
| | | 2014 | 2013 | Amount | % |
| Liquidity Ratios Current ratio | Current assets | 165.80 | 210.52 | 15.68 | 7.45% |
| | Current liabilities | | | | |
| Acid test ratio | Cash + Short-term investments + Accounts Receivables + Other liquid assets | 165.80 | 210.52 | 46.03 | 21052.00% |
| | Current liabilities | | | | |
| Solvency Ratios Asset-to Equity Ratio | Total Liabilities | - | - | - | - |
| | Total Equity | | | | |
| | Total Assets | 1.00 | 1.00 | - | 0.00% |
| | 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 & cash equivalents | N/A | N/A | N/A | N/A |
| | Total equity | | | | |

| Key Performance Indicators | Formula | Years Ended December 31 | | Increase (Decrease) | |
|-----------------------------|------------------------------|-------------------------|--------|----------------------|-------|
| | | 2014 | 2013 | Amount | % |
| | | | | | |
| Profitability Ratios | | | | | |
| Return on equity | Net income after tax | -5.99% | -5.71% | 0.46% | 8.06% |
| | Average stockholders' equity | | | | |
| Return on assets | Net income before taxes | -6.18% | -5.69% | 0.46% | 8.08% |
| | 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 decreased from 210.52 in 31 December 2013 to 165.80 in 31 December 2014, due to cash used for operating expenses.

Debt to equity ratio

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

Asset to equity ratio

Asset to equity ratio remained at 1.00 from 31 December 2014, 2013 and 2012 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 posted negative returns because it has not started commercial operations and accumulated net losses during the periods covered.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations yet as March 6, 2015

During the calendar year 2014

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.

- The company had only one (1) reportable segment which is petroleum and mining exploration.
- 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 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.
- The Company's material commitment for capital expenditure is its subscription in FOC shares, in the event of a successful Initial Public Offering of FOC.
- The uncertainty on the price of FOC shares, if listed, and any termination of the Company's Service Contract(s), are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, or can cause a material change in the relationship between costs and revenues.
- There are no significant elements of income or loss that did not arise from the Company's operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Calendar Year 2013

SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Plc., the Operator, completed a geophysical review of the block.

Partners 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 your Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two (2) wells, in exchange for the assigned 70% participating interest.

Block B

Approval of the assignment of 70% of the Farm-Ing out parties' ("Farmors" which includes Trans-Asia) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farm-Inees") remains pending with the Department of Energy.

Under the Farm-In-Agreement dated February 4, 2011, the Farm-Inees shall shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil.

Trans-Asia holds 2.334% and 4.2189% participating interests in Block A and Block B, respectively.

SC 14 Block B1 (Offshore Northwest Palawan)

The North Matinloc field produced 10,517 barrels of oil in year 2012. Trans-Asia has 6.103% participating interest in the block.

SC 51 (Northwest Leyte/Cebu Strait)

In April 2012, the Operator, Otto Energy Investments Ltd. (formerly "NorAsian Energy Ltd.") commenced a 100km 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, whose reservoir objective was not reached by the Duhat1 and Duhat1A wells in 2011.

In mid May 2012, the seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the Department of Energy granted 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 yearend.

The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat2 well in northwest Leyte as work commitment.

Swan Oil and Gas Ltd. withdrew from SC 51 in September 2013 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto, and as between Otto and the Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-In Option Agreement with Frontier Oil Corporation over the South Block on October 23, 2012. Under said Agreement, Frontier has the option to acquire 80% participating interest in the area by undertaking to drill the Argao1 well at its sole cost during Sub Phase 6 of SC 51 (January 31, 2014 to July 8, 2015). Frontier may exercise its option no later than January 31, 2013.

Trans-Asia owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The Department of Energy approved a 12month extension of exploration Sub Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation, the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco1 well.

The Cinco1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Trans-Asia's 6.82% participating interest will be carried in the drilling cost of Cinco1 under its Participation Agreement dated March 15, 2005 with the predecessor interest of Otto Energy Investments Ltd.

SC 69 (Camotes Sea)

Interpretation of the 229 sq. km. 3D seismic data acquired in June 2011 generated three (3) drillable prospects.

The DOE granted the consortium's request for a 9month extension of the current Sub Phase 3 to May 7, 2013 to allow completion of technical studies.

SC 52 (Cagayan Province)

Trans-Asia and Frontier Oil Corporation ("Frontier") executed on January 12, 2012 a Farm-In Option Agreement which granted Trans-Asia the option to acquire 10% participating interest from Frontier, which may be exercised after completion of re-entry and testing of the Nassiping2 well.

The Nassiping2 well was drilled by Petro Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

Trans-Asia and Frontier signed an Amendment Agreement extending the former's option to 90 days after completion of programmed retesting operations on the Nassiping2 well.

The Department of Energy approved the consortium's entry into Sub Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping2 Stimulation and Testing Program as work commitment.

Frontier suspended the Stimulation and Testing Program in December 2013 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Preparations are underway for the testing of the well in the second quarter of 2013.

Financial Performance

2013 compared with 2012

Income and Expenses

Following are the material changes in the Consolidated Income Statement for the years ended December 31, 2013 and December 31, 2012:

| | 2013 | 2012 | Increase (Decrease) | |
|------------------------|--------------------|-------------------|----------------------|----------------|
| | | | Amount | % |
| Interest income | P798,288 | P263,418 | P534,870 | 203.05% |
| Costs and expenses | 9,380,729 | 3,294,285 | 6,086,444 | 184.76% |
| Other charges | (4,739,255) | – | (4,739,255) | – |
| Loss before income tax | 13,321,696 | 3,030,867 | 10,290,829 | 339.53% |
| Income tax | 320 | – | 320 | – |
| Net loss | P13,322,016 | P3,030,867 | P10,291,149 | 339.54% |

- Increase in interest income is from higher investments in Unit Investment Trust Fund (“UITFs”) during the year.
- Higher costs and expenses are from expenses incurred related to the Company's listing activities in the PSE and engagement of professional services.
- Other charges increased due to losses on changes in fair value of investment held for trading.
- Income tax is from realized tax on foreign exchange gains.
- Above movements resulted to a higher consolidated net loss for the company.

Assets

Following are the material changes in the asset accounts of the Consolidated Balance Sheets between December 31, 2013 and December 31, 2012:

| | 2013 | 2012 | Increase (Decrease) | |
|--------------------------------|-----------------|-----------------|----------------------|----------------|
| | | | Amount | % |
| <i>(Amounts in thousands)</i> | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | ₱21,030 | ₱165,898 | (₱144,868) | (87.32%) |
| Investments held for trading | 138,411 | – | 138,411 | – |
| Advances to a related party | – | 8,666 | (8,666) | (100%) |
| Other receivables | 3 | 9 | (6) | (66.67%) |
| Total Current Assets | 159,444 | 174,573 | (15,129) | (8.67%) |
| Noncurrent Assets | | | | |
| Deferred exploration costs | 74,736 | 72,219 | 2,517 | 3.49% |
| Total Noncurrent Assets | 74,736 | 72,219 | 2,518 | 3.49% |
| TOTAL ASSETS | ₱234,180 | ₱246,792 | (₱12,612) | (5.11%) |

- Decrease in cash and cash equivalents were mainly driven by the Company's additions to investments held for trading.
- Advances to a related party (Trans-Asia Oil) were fully paid during the year.
- Deferred exploration costs went up due to the Company's participation in SC 69 and SC 6 Block B.

Liabilities

Current liabilities as at 31 December 2013 amounted to ₱757,700 from ₱46,935 in 2012, mainly due to accrual of expenses for the year.

Equity

Total Equity decreased by 5% to ₱233.4 million as at December 31, 2013 from ₱246.7 million in 2012. Deficit tripled to ₱19.2 million from ₱6.3 million in 2012 due to the 2013 Net Loss attributable to the Parent Company of ₱12.9 million. Noncontrolling Interest decreased to ₱2.6 million as at December 31, 2013, reduced by its proportionate share in the Consolidated Net Loss of the Company.

Cash Flows

Net Cash Used in Operating Activities amounted to ₱2.4 million for the year 2013 and ₱11.7 million for the same period in 2012. Cash Used in Investing Activities, mainly additions to Investments Held for Trading and Deferred Exploration Costs, amounted to ₱142.4 million in 2013 compared to ₱72.2 million in 2012. No Financing Activities occurred in 2013. In 2012, Net Cash Provided from Financing Activities amounted to ₱249.8 million with ₱240.0 million from subscription of stocks, ₱6.7 million collection of subscription receivable and ₱3.1 million advances from a related party.

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

| Key Performance Indicators | Formula | Years Ended December 31 | | Increase (Decrease) | |
|----------------------------|--|-------------------------|----------|----------------------|--------|
| | | 2013 | 2012 | Amount | % |
| Liquidity Ratios | | | | | |
| Current ratio | Current assets | 210.52 | 3,719.45 | (3,508.93) | 94.34% |
| | Current liabilities | | | | |
| Acid test ratio | Cash + Short-term investments + Accounts Receivables | 210.52 | 3,719.45 | (3,508.93) | 94.34% |
| | + Other liquid assets Current liabilities | | | | |
| Solvency Ratios | | | | | |
| Debt/Equity ratio | Total Liabilities | 0.00 | 0.00 | N/A | N/A |
| | Total Equity | | | | |
| Asset to equity ratio | Total Assets | 1.00 | 1.00 | N/A | N/A |
| | 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 & cash equivalents | N/A | N/A | N/A | N/A |
| | Total equity | | | | |

| Key Performance Indicators | Formula | Years Ended December 31 | | Increase (Decrease) | |
|----------------------------|-------------------------|------------------------------|--------|----------------------|---------|
| | | 2013 | 2012 | Amount | % |
| Profitability Ratios | | | | | |
| | Return on equity | Net income after tax | -5.71% | -2.46% | -3.25% |
| | | Average stockholders' equity | | | |
| Return on assets | Net income before taxes | -5.69% | -1.23% | -4.46% | 362.60% |
| | 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 significantly decreased from 3,719.45 in 31 December 2012 to 210.52 in 31 December 2013, due to increase in current liabilities.

Debt to equity ratio

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

Asset to equity ratio

Asset to equity ratio remained at 1.00 from 31 December 2013 and 2012 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. Capital infusion in 2012 significantly increased return on equity and return on assets.

Asset turnover

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

During the calendar year 2013

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The company had only one (1) reportable segment which is petroleum and mining exploration.
- 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 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 material trends, demands, commitments, events or uncertainties known to the Company that would likely affect the liquidity of the Company except for those mentioned above
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current year except for those mentioned above.
- There are no significant elements of income or loss that did not arise from the Company's operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Calendar Year 2012

SC 6 (Offshore Northwest Palawan)

Block A

Pitkin Petroleum Plc., the Operator, completed a geophysical review of the block.

Partners 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 your Company and the other non-operating consortium members in the costs of said seismic program and the drilling of two (2) wells, in exchange for the assigned 70% participating interest.

Block B

Approval of the assignment of 70% of the Farm-Ing out parties' ("Farmors" which includes Trans-Asia) combined participating interests to Peak Oil and Gas Philippines, Ltd., Blade Petroleum Philippines, Ltd. and Venturoil Philippines, Inc. ("Farm-Inees") remains pending with the Department of Energy.

Under the Farm-In Agreement dated February 4, 2011, the Farm-Inees shall shoulder all the Farmors' share of exploration and development expenditures in the block up to the production of first oil.

Trans-Asia holds 2.334% and 4.2189% participating interests in Block A and Block B, respectively.

SC 14 Block B1 (Offshore Northwest Palawan)

The North Matinloc field produced 10,517 barrels of oil in year 2012.

Trans-Asia has 6.103% participating interest in the block.

SC 51 (Northwest Leyte/Cebu Strait)

In April 2012, the Operator, Otto Energy Investments Ltd. (formerly "NorAsian Energy Ltd.") commenced a 100km 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, whose reservoir objective was not reached by the Duhat1 and Duhat1A wells in 2011.

In mid May 2012, the seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

In view of said development, the Department of Energy granted 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 yearend.

The consortium elected to enter Sub Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat2 well in northwest Leyte as work commitment.

Swan Oil and Gas Ltd. withdrew from SC 51 in September 2013 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto and Filipino partners, respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto, and as between Otto and the Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-In Option Agreement with Frontier Oil Corporation over the South Block on October 23, 2012. Under said Agreement, Frontier has the option to acquire 80% participating interest in the area by undertaking to drill the Argao1 well at its sole cost during Sub Phase 6 of SC 51 (January 31, 2014 to July 8, 2015). Frontier may exercise its option no later than January 31, 2013.

Trans-Asia owns 6.67% participating interest in SC 51.

SC 55 (Offshore West Palawan)

The Department of Energy approved a 12month extension of exploration Sub Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation, the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco1 well.

The Cinco1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Trans-Asia's 6.82% participating interest will be carried in the drilling cost of Cinco1 under its Participation Agreement dated March 15, 2005 with the predecessor in interest of Otto Energy Investments Ltd.

SC 69 (Camotes Sea)

Interpretation of the 229 sq. km. 3D seismic data acquired in June 2011 generated three (3) drillable prospects.

The DOE granted the consortium's request for a 9month extension of the current Sub Phase 3 to May 7, 2013 to allow completion of technical studies.

SC 52 (Cagayan Province)

Trans-Asia and Frontier Oil Corporation ("Frontier") executed on January 12, 2012 a Farm-In Option Agreement which granted Trans-Asia the option to acquire 10% participating interest from Frontier, which may be exercised after completion of re-entry and testing of the Nassiping2 well.

The Nassiping2 well was drilled by Petro Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

Trans-Asia and Frontier signed an Amendment Agreement extending the former's option to 90 days after completion of programmed retesting operations on the Nassiping2 well.

The Department of Energy approved the consortium's entry into Sub Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping2 Stimulation and Testing Program as work commitment.

Frontier suspended the Stimulation and Testing Program in December 2013 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed.

Preparations are underway for the testing of the well in the second quarter of 2013.

Financial Performance

2012 compared with 2011

Income and Expenses

For the year 2012, the Company earned consolidated interest income of ₱263 thousand higher than previous year income of ₱32 thousand. The increase is driven by higher cash and cash equivalents from equity call. Cost and Expenses increased to ₱3.3 million in 2012 from ₱36 thousand in 2011 due to increase in filing and registration fees of ₱1.9 million and taxes of ₱1.2 million incurred related to the Company's increased in authorized capital stock.

Above movements resulted to a consolidated net loss amounting to ₱3 million in 2012, compared to ₱36 thousand in 2011.

Assets

As at 31 December 2012, the Company's Total Assets amounted to ₱246.8 million against ₱8 thousand as at end of 2011. The increase was primarily due to participation in Service Contracts, namely SC 51, SC 69, SC 6 and SC 55. Of the total assets, ₱174.5 million is Current Assets with ₱165.9 million in Cash and cash equivalents and Advances to Trans-Asia Oil of ₱8.7 million.

Noncurrent Assets is mainly composed of Deferred exploration costs representing the Company's share in the expenditures incurred under petroleum SCs with DOE. Details of deferred exploration costs are as follows:

SC 51 ₱32.6 million (2012)
SC 69 ₱14.7 million (2012)
SC 6 ₱19.2 million (2012)
SC 55 ₱5.7 million (2012)

Liabilities

Current liabilities as at 31 December 2012 amounted to ₱46 thousand mainly due to accrual of expenses for the year.

Equity

As at December 31, 2012, Total Equity amounted to ₱246.7 million in 2012 from ₱8 thousand in 2011. The Company's Capital Stock totaled ₱250 million from ₱10 million in 2011 from the additional capital infusion of ₱240 million from TA Oil. Deficit double to ₱6.3 million in 2012 from ₱3.3 million in 2011 due to the year's Net Loss attributable to the Parent Company of ₱3.0 million. Noncontrolling Interest of ₱3.0 million resulted from the acquisition of Palawan55 in 2012.

Cash Flows

Net Cash Used in Operating Activities amounted to ₱11.6 million for the year 2012 and ₱36 thousand for the same period in 2011. Cash Used in Investing Activities, mainly additions to Investments for Deferred Exploration Costs amounted to ₱72.2 million in 2012 and nil in 2011. Financing Activities occurred in 2012 are stock subscription of ₱240 million and collection of subscription receivable of ₱6.7 million.

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

| Key Performance Indicators | Formula | December 2012 | December 2011 |
|----------------------------|--|---------------|---------------|
| Liquidity Ratios | | | |
| | Current ratio | | |
| | Current assets | 3,719.45 | N/A |
| | Current liabilities | | |
| Acid test ratio | | | |
| | | | |
| | Cash + Short-term investments + Accounts Receivables | 3,719.45 | N/A |
| | + Other liquid assets | | |
| | Current liabilities | | |
| Solvency Ratios | | | |
| | Debt/Equity ratio | | |
| | Total Liabilities | - | - |
| | Total Equity | | |
| Asset to equity ratio | | | |
| | | | |
| | Total Assets | 1.00 | 1.00 |
| | Total Equity | | |

| Key Performance Indicators | Formula | December 2012 | December 2011 |
|-----------------------------------|---------------------------------------|----------------------|----------------------|
| Interest coverage ratio | Earnings before interest & tax (EBIT) | N/A | N/A |
| | Interest expense | | |
| Net Debt to Equity Ratio | Debt - Cash & cash equivalents | N/A | N/A |
| | Total equity | | |
| Profitability Ratios | | | |
| | Return on equity | | |
| | Net income after tax | -2.46% | -446.34% |
| | Average stockholders' equity | | |
| Return on assets | Net income before taxes | -1.23% | -459.38% |
| | Total assets | | |
| Asset turnover | Revenues | N/A | N/A |
| | Total assets | | |

The Company has no existing liabilities as of December 31, 2008 to December 31, 2011.

Current ratio and Acid test ratio

Current ratio and Acid test increased significantly due to cash received from financing activities. These ratios were not applicable in 2011 because the Company has no liabilities.

Debt-to-equity ratio

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

Asset-to-equity ratio

Asset-to-equity ratio remained at 1.00 from 31 December 2012 and 2011 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. Capital infusion in 2012 significantly increased return on equity and return on assets.

Asset turnover

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

During the calendar year 2012

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The company had only one (1) reportable segment which is petroleum and mining exploration.
- 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 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 material trends, demands, commitments, events or uncertainties known to the Company that would likely affect the liquidity of the Company except for those mentioned above
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current year except for those mentioned above.
- There are no significant elements of income or loss that did not arise from the Company's operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.

ITEM 7: FINANCIAL STATEMENTS

The consolidated financial statements of TA Petroleum and a subsidiary included in the 2014 Annual Report to Stockholders are incorporated herein for reference.

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

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

There was no change in the Company's independent accountants since the Company's incorporation in 1994, except for the changes in audit engagement partner.

There were no disagreements with any accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, nor was there any resignation or dismissal of any accountant who was previously engaged as the principal accountant to audit the Company's financial statements, or an independent accountant who was previously engaged to audit a significant subsidiary and on whom the principal accountant expressed reliance in its report.

PART III – CONTROL AND COMPENSATION INFORMATION

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

Board of Directors

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

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

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

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

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

| Directors | Age | Citizenship | Position |
|------------------------------|------------|--------------------|--|
| Ramon R. del Rosario, Jr. | 70 | Filipino | Chairman |
| Oscar J. Hilado | 77 | Filipino | Director |
| Magdaleno B. Albarracin, Jr. | 78 | Filipino | Director |
| Francisco L. Viray | 66 | Filipino | Director, President and CEO |
| Victor J. del Rosario | 66 | Filipino | Director |
| Roberto M. Laviña | 64 | Filipino | Director |
| Pythagoras L. Brion, Jr. | 62 | Filipino | Director, EVP Treasurer and CFO |
| Raymundo A. Reyes, Jr. | 62 | Filipino | Director, Executive Vice President & COO |
| Edward S. Go | 76 | Filipino | Independent Director |
| Raphael Perpetuo M. Lotilla | 56 | Filipino | Independent Director |
| Romeo L. Bernardo | 60 | Filipino | Independent Director |

Ramon R. del Rosario, Jr. was elected as Chairman of the Board of the Company and is the Vice Chairman of Trans-Asia Oil and Energy Development Corporation since April 16, 2008. He obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude*) from De La Salle University and Masters in Business Administration degree from Harvard Business School. He is the President and CEO of Philippine Management-Investment (PHINMA) Inc. and PHINMA Corporation, Chairman of Trans-Asia

Power Generation Corporation, Trans-Asia Renewable Energy Development Corporation, Microtel Inns and Suites (Pilipinas), Inc. and One Subic Power Generation Corporation. He is also the Chairman of the Boards of Trustees of Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He is a director of several PHINMA-managed companies and currently serves as a member of the Boards of Directors of Ayala Corporation and Holcim (Phils.), Inc. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of the Makati Business Club, Philippine Business for Education, and De La Salle Philippines Inc. He is the brother of Mr. Victor J. del Rosario. He has been a Director of the Company since 2002.

Oscar J. Hilado is the Chairman of the Board of Trans-Asia Oil and Energy Development Corporation and has held said position since April 16, 2008. Mr. Hilado obtained his Bachelor of Science in Commerce degree from De La Salle College (Bacolod) in 1958 and Masters Degree in Business Administration from the Harvard Graduate School of Business in 1962. He was the Chairman & CEO of PHINMA Inc. (January 1994 to August 2005), Chairman of the Board & Chairman of the Executive Committee of PHINMA Corporation; Chairman of the Board of PHINMA Property Holdings Corporation, Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Director of One Subic Power Generation Corporation, Manila Cordage Corporation (1986 to present), Seven Seas Resorts & Leisure, Inc., First Philippine Holdings Corporation (Nov. 1996 to present), A. Soriano Corporation (April 1998 to present), Philex Mining Corporation (December 2009 to present), Smart Communications, Inc. and Digital Telecommunications Phils., Inc. (May 2013 to present).

Magdaleno B. Albarracin, Jr. joined the PHINMA Group in 1971 as a consultant. He obtained his Bachelor of Science in Electrical Engineering degree from the University of the Philippines and Master of Science in Electrical Engineering degree from the University of Michigan. He finished his Masters in Business Administration from the University of the Philippines and Doctorate in Business Administration from Harvard University. Dr. Albarracin is a Director of Trans-Asia Oil and Energy Development Corporation since 1986. He is the Chairman of the Board of Trustees of the University of San Carlos in Cebu City. He is also Vice Chairman of Araullo University, Cagayan De Oro College, University of Iloilo and University of Pangasinan. He is currently the Vice-Chairman of the Board of PHINMA Inc. and Chairman of its Executive Committee. He is also a member of the Board of Directors of PHINMA Foundation, Union Galvasteel Corporation, Trans-Asia Power Generation Corporation, PHINMA Property Holdings Corp. and AB Capital and Investment Corporation. He is also the former President of Holcim (Phils.), Inc. He is the former Chairman of UP Engineering Research and Development Foundation and a member of the Board of Directors of the UP Board of Regents.

Francisco L. Viray is the President and Chief Executive Officer of the Company. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He obtained his Bachelor of Science and Masters in Electrical Engineering degrees from the University of the Philippines and his Doctorate in Engineering degree from West Virginia University. He is concurrently the President and Chief Executive Officer of Trans-Asia Oil and Energy Development Corporation, Trans-Asia Power Generation Corporation and Trans-Asia Renewable Energy Corporation. He is the Vice Chairman of the Board of One Subic Power Generation Corporation. He is also at present a member of the Board of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network, and Chairman, Pangasinan Medical Center, Inc. Dr. Viray served on the Board of Directors of Manila Electric Company, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

Victor J. del Rosario was elected as Director of the Company on August 08, 2013. He is an Economics and Accounting graduate of De La Salle University and holds a Master of Business Administration degree from Columbia University. He is the Vice-Chairman of Union Galvasteel Corporation and is also the Executive Vice President and Chief Strategic Officer of PHINMA Inc. He is Executive Vice President and Chief Finance Officer of PHINMA Corporation. He is also a member of the Board of Directors of

PHINMA Inc. and various PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr.

Roberto M. Laviña has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management degree from Asian Institute of Management. He finished his Program for Management Development at Harvard School of Business in 1988. He is the President and a Member of the Board of T-O Insurance Brokers, Inc. In 2005, he became PHINMA Inc.'s Senior Executive Vice President/Chief Operating Officer and is concurrently the Chief Financial Officer of the PHINMA Group and a Member of the Board. He is also a Member of the Board and Executive Vice President/Chief Financial Officer/Treasurer of Trans-Asia Renewable Energy Corporation. He is the Senior Vice President/Chief Financial Officer/Treasurer of Trans-Asia Power Generation Corporation and a member of the Board and Senior Vice President and Treasurer of PHINMA Corporation. He is also Treasurer and Board Member of PHINMA Property Holdings Corporation, CIP II Power Corporation, Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He has been the Chief Financial Officer and Treasurer of the Company for 18 years. He became the Executive Vice President on April 2, 2004 and was elected as a Director of the Trans-Asia Oil and Energy Development Corporation on April 12, 2005.

Pythagoras L. Brion was elected Senior Vice President and Chief Financial Officer of the Company in 2012. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from University of the Philippines. He is concurrently SVP/Treasurer of PHINMA Inc. and PHINMA Corporation and serves various executive posts in the PHINMA-managed companies including Union Galvasteel Corp and PHINMA Property Holdings Corp. He joined the PHINMA group in 1992.

Raymundo A. Reyes, Jr. 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. 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 seconded to the Department of Energy and its predecessor agencies. He was elected Executive Vice President of the Company in 2012. He is also currently the Senior Vice President, Energy Resources Development, of Trans-Asia Oil and Energy Development Corporation. He is also the President of Palawan55 Exploration and Production Corporation, Senior Vice President of Trans-Asia Renewable Energy Corporation, Vice President of Trans-Asia Gold and Minerals Development Corporation and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company, since 2010.

Edward S. Go has a Bachelor of Arts degree from the Ateneo de Manila University, and his past positions include having served as Chairman & CEO of United Coconut Planters Bank and China Bank and Banking Corporation, and President & CEO of AsiaBank Corporation, The Philippine Banking Corporation and Philippine Bank of Communications. His present positions include serving as the Chairman of the Board of Directors of Hyundai Asia Resources, Inc. and Chairman of the Boards of Trustees of Ateneo De Manila University and the PLDT Beneficial Trust Fund. Mr. Go also serves as a member of the Boards of Directors of Metro Pacific Investment Corporation, PLDT Communications and Energy Ventures, Inc. ABC Development Corporation, Mediaquest Holdings, Inc., AB Capital & Investment Corporation, and Vicsal Investment Corporation. He is also an honorary Consul of the Republic of Senegal.

Raphael Perpetuo M. Lotilla has a strong background in law, legislation, ocean law and marine affairs, energy, power sector reform, privatization, sustainable development, and justice and development. He is currently a Fellow in Residence of the Philippine Center for Economic Development at the University of the Philippines School of Economics. He also serves as an independent director of several private companies, and is a Board Member & Research Fellow, Center for Advancement of Trade Integration and Facilitation. Mr. Lotilla also served as the Secretary of the Department of Energy from 2005 to 2007.

Romeo L. Bernardo has a Bachelor of Science degree in Business Economics from the University of the Philippines and a Masters Degree in Development Economics from Williams College, Mass. USA. He co-founded Lazaro Bernardo Tiu and Associates, Inc. in 1997. His public sector work spans teaching finance at the state university, a career in the Department of Finance rising to the Undersecretary post and working in multilateral institutions such as the IMF and the World Bank, based in Washington DC, as well as the ADB in Manila. Presently, he is a Director in leading listed Philippine companies such as ALFM family of funds (Chairman), Bank of the Philippine Islands, Globe Telecom, Aboitiz Power, RFM Corporation, National Reinsurance Corporation of the Philippines, Institute of Development and Econometric Analysis, Inc. and an independent director of PHINMA Inc. His past positions include Alternate Director in Asian Development Bank, Finance Attache for the Philippine Mission to the United Nations in Geneva, Switzerland, as well as an Assistant Chief for the technical staff. He has also written and co-written economics-related articles that were prepared for The World Bank and ADB. He also does/has done policy advisory for multilateral and bilateral institutions and the Philippine government in public finance, capital markets, public-private partnership, pension reform, economic governance. He is the lead Philippine partner/advisor to Global Source Partners, a global network of independent analysts.

Independent Directors

The following independent directors are not officers or substantial shareholders of TA Petroleum:

1. Edward S. Go
2. Raphael Perpetuo M. Lotilla
3. Romeo L. Bernardo

Executive Officers

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

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

| Executive Officers | Age | Citizenship | Position |
|---------------------------|-----|-------------|--|
| Ramon R. del Rosario, Jr. | 70 | Filipino | Chairman |
| Francisco L. Viray | 66 | Filipino | President and CEO |
| Raymundo A. Reyes, Jr. | 62 | Filipino | Executive Vice President and COO |
| Pythagoras L. Brion, Jr. | 62 | Filipino | EVP Treasurer and CFO |
| Mariejo P. Bautista | 49 | Filipino | Senior Vice President – Finance and Controller |
| Juan J. Diaz | 83 | Filipino | Corporate Secretary |
| Alan T. Ascalon | 40 | Filipino | VP Legal/Assistant Corporate Secretary |
| Benjamin S. Austria | 69 | Filipino | Senior Adviser |
| Cecille B. Arenillo | 57 | Filipino | VP-Compliance Officer |

Ramon R. del Rosario, Jr. was elected as Chairman of the Board of the Company and is the Vice Chairman of Trans-Asia Oil and Energy Development Corporation since April 16, 2008. He obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude*) from De La Salle University and Masters in Business Administration degree from Harvard Business School. He is the President and CEO of Philippine Management-Investment (PHINMA) Inc. and PHINMA Corporation, Chairman of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Development Corporation, Microtel Inns and Suites (Pilipinas), Inc. and One Subic Power Generation Corporation. He is also the Chairman of the Boards of Trustees of Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He is a director of several PHINMA-managed companies and currently serves as a member of the Boards of Directors of Ayala Corporation and Holcim (Phils.), Inc. and as Chairman of

United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of the Makati Business Club, Philippine Business for Education, and De La Salle Philippines Inc. He is the brother of Mr. Victor J. del Rosario. He has been a Director of the Company since 2002.

Francisco L. Viray is the President and Chief Executive Officer of the Company. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He obtained his Bachelor of Science and Masters in Electrical Engineering degrees from the University of the Philippines and his Doctorate in Engineering degree from West Virginia University. He is concurrently the President and Chief Executive Officer of Trans-Asia Oil and Energy Development Corporation, Trans-Asia Power Generation Corporation and Trans-Asia Renewable Energy Corporation. He is the Vice Chairman of the Board of One Subic Power Generation Corporation. He is also at present a member of the Board of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network, and Chairman, Pangasinan Medical Center, Inc. Dr. Viray served on the Board of Directors of Manila Electric Company, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

Raymundo A. Reyes, Jr. 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. 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 seconded to the Department of Energy and its predecessor agencies. He was elected Executive Vice President of the Company in 2012. He is also currently the Senior Vice President, Energy Resources Development, of Trans-Asia Oil and Energy Development Corporation. He is also the President of Palawan55 Exploration and Production Corporation, Senior Vice President of Trans-Asia Renewable Energy Corporation, Vice President of Trans-Asia Gold and Minerals Development Corporation and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company, since 2010.

Pythagoras L. Brion was elected Senior Vice President and Chief Financial Officer of the Company in 2012. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from University of the Philippines. He is concurrently SVP/Treasurer of PHINMA Inc. and PHINMA Corporation and serves various executive posts in the PHINMA-managed companies including Union Galvasteel Corp and PHINMA Property Holdings Corp. He joined the PHINMA group in 1992.

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

Juan J. Diaz is a member of the Philippine Bar and has a Master of Laws degree from Harvard Law School. He is the Corporate Secretary of the Company and the PHINMA Group.

Alan T. Ascalon 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. He was elected Assistant Corporate Secretary of the Company in 2012. He was also the Assistant Legal Counsel of PHINMA, Inc. from 2005 to 2008 and is currently the Assistant Vice President of Trans-Asia Oil and Energy Development Corporation. He is a Director of Palawan55 Exploration & Production Corporation and Trans-Asia Renewable Energy Corporation. He is also the Corporate Secretary of Trans-Asia Renewable Energy Corporation, Trans-Asia Wind Power Corporation and One Subic Power Generation Corporation. He is

the Assistant Corporate Secretary of Trans-Asia Oil and Energy Development Corporation, Trans-Asia Gold & Minerals Development Corporation, Trans-Asia Power Generation Corporation and CIP II Power Corporation.

Benjamin S. Austria retired on May 31, 2011 from the University of the Philippines (U.P.) as Professor of Geology after 45 years of service teaching courses in Economic Geology, Geochemistry and Crystallography. He was Director of the UP National Institute of Geological Sciences from 1987 to 1993. In oil and mineral exploration, Dr. Austria started as Consultant of Trans-Asia Oil & Energy Development Corporation in 1974 and was serving as Executive Vice President of the said Corporation by the time he retired in 2003.

Cecille B. Arenillo is a Certified Public Accountant with a Bachelor of Science in Commerce degree from the University of Sto. Tomas. She is currently the Vice President-Treasury and Compliance Officer of PHINMA Corporation, Vice President-Compliance Officer of Trans-Asia Petroleum Corporation and PHINMA Property Holdings Corporation, Vice President & Compliance Officer of PHINMA Inc. and Assistant Treasurer of Union Galvasteel Corporation. She was elected as the Vice President and Compliance Officer of the Company on August 1, 2009.

Significant Employee

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

Family Relationships

Mr. Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario.

Involvement in Certain Legal Proceedings

As of January 31, 2015, to the knowledge and/or information of the Company, the nominees for election as directors of the Company, present members of the Board of Directors and the Executive Officers are not, presently or during the last five (5) years, in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition, and none of its directors and senior executives has been subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign; (c) to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

As of February 23, 2015, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of the property of the Company or that of its subsidiaries is the subject.

Item 10 : Executive Compensation

For the calendar years ended December 31, 2014 & 2013, the total salaries, allowances and bonuses paid to the directors and executive officers, as well as estimated compensation of directors and executive officers for calendar year 2015 are as follows:

| Name/Position | Year | Salaries | Bonus | Others |
|---|------------|-----------|-------|---------|
| President & CEO and Top 4 Most Highly Compensated Officers | | | | |
| Francisco L. Viray, President and CEO | | | | |
| Ramon R. Del Rosario, Jr, Chairman & Director | | | | |
| Raymundo A. Reyes, Jr., Executive Vice President | | | | |
| Benjamin S. Austria, Senior Adviser | | | | |
| Juan J. Diaz, Corporate Secretary | | | | |
| | 2015 (est) | 3,000,000 | - | 552,000 |
| | 2014 | 2,145,000 | - | 350,000 |
| | 2013 | 1,229,943 | - | 60,000 |
| All Other Officers and Directors as a Group (Total Compensation) | | | | |
| | 2015 (est) | - | - | 672,000 |
| | 2014 | - | - | 450,000 |
| | 2013 | - | - | 80,000 |

Compensation of Directors

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

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

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

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

Under Article VI, Section 2 of the Company's By-Laws, the Chairman of the Board, the Vice Chairman, the President, the Vice President(s), the General 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.

Compensatory Plan or Arrangement

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

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

Warrants and Options Outstanding

On 8 August 2013, the Board of Directors of the Company resolved to set aside a total of 50 million shares from the unsubscribed portion of the Company's shares for (a) stock grants in favor of TA Petroleum's officers and managers; and (b) stock options for the Company's directors, officers and employees, under such terms and conditions determined by the Company's Executive Committee. The said resolution was approved by the Company's stockholders as of the said date.

As of March 13, 2015, the Company has not implemented or taken action on the said resolution of the Board and no stock option plan has been prepared or approved by the Company's stockholders. None of the Company's Directors and Executive Officers hold any warrants or options in the Company.

ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below shows the persons or groups known to TA Petroleum as of March 6, 2015 to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities:

| Title of Class of Shares | Name & Address of Record Owner & Relationship with Issuer | Name & Address of Beneficial Owner & Relationship with Record Owner | Citizenship | No. of Shares Held | % Held |
|---------------------------------|---|--|--------------------|---------------------------|---------------|
| Common | Trans-Asia Oil and Energy Development Corporation Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City Stockholder Makati City Stockholder | | Filipino | 126,838,679 | 50.74% |

| 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 | Phil. Investment Management (PHINMA), Inc. ² 12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City | | Filipino | 30,985,111 | 12.39% |
| Common | PHINMA Corporation ³ 12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City | | Filipino | 32,481,317 | 12.99% |
| TOTAL | | | | | 76.12% |

Security Ownership of Management

The table below shows the securities beneficially owned by all directors' nominees and executive officers of Trans-Asia Oil as of March 6, 2015:

| Title of Class | Name of Beneficial Owner | Citizenship | No. of Shares Held | Nature | % of Class |
|----------------|---|-------------|--------------------|----------|------------|
| Common | Ramon R. del Rosario, Jr. | Filipino | 424,155 | Direct | 0.17% |
| | | | 680,952 | Indirect | - |
| Common | Oscar J. Hilado | Filipino | 114,751 | Direct | 0.05% |
| Common | Magdaleno B. Albarracin, Jr. ⁴ | Filipino | 53 | Direct | 0.00% |
| Common | Francisco L. Viray | Filipino | 214,959 | Direct | 0.09% |

² **PHINMA Inc.** was established in 1956 by a group of Filipino industrialists. It has become the management and holding company of some corporations that played a key role in the Philippines' basic industries. These include, among others, the manufacture of cement, steel, and other construction materials, paper and packaging, energy, trading, education, and property development. PHINMA's mission is to create and manage enterprises in development-oriented industries in order to foster economic development while guided by a commitment to care for the community and for the environment.

³ **PHINMA Corp.** was incorporated on March 12, 1957. Its principal activity is investment in shares of various subsidiaries and affiliates engaged in the manufacture of galvanized and pre-painted coils and sheets, property development, power and energy development and education. The ultimate parent company of PHINMA Corp. and its subsidiaries is PHINMA, Inc. PHINMA Corp. is listed in the Philippine Stock Exchange. The principal stockholders of PHINMA Corp. are PHINMA, Inc. and Philippine Depository and Trust Corporation.

⁴ Based on Form 23-B (Statement of Changes in Beneficial Ownership of Securities) announced on January 29, 2015.

| Title of Class | Name of Beneficial Owner | Citizenship | No. of Shares Held | Nature | % of Class |
|-------------------------------|----------------------------------|--------------------|---------------------------|---------------|-------------------|
| Common | Roberto M. Laviña | Filipino | 327,933 | Direct | 0.13% |
| Common | Raymundo A. Reyes, Jr. | Filipino | 32,230 | Direct | 0.01% |
| Common | Raphael Perpetuo M. Lotilla | Filipino | 1 | Direct | 0% |
| Common | Victor J. del Rosario | Filipino | 92,320 | Direct | 0.04% |
| | | | 170,238 | Indirect | - |
| Common | Pythagoras L. Brion, Jr. | Filipino | 10,201 | Direct | 0% |
| Common | Edward S. Go | Filipino | 1 | Direct | 0% |
| Common | Romeo L. Bernardo | Filipino | 1 | Direct | 0% |
| Common | Benjamin S. Austria ⁵ | Filipino | 40,000 | Direct | 0.02% |
| Common | Mariejo P. Bautista | Filipino | 11,047 | Direct | 0.01% |
| Common | Juan J. Diaz | Filipino | 1,688 | Direct | 0% |
| Common | Alan T. Ascalon | Filipino | 1,818 | Direct | 0% |
| Common | Cecille B. Arenillo | Filipino | 2,550 | Direct | 0% |
| Common | Giles R. Katigbak | Filipino | 0 | Direct | 0% |
| Total Direct Ownership | | | 1,273,705 | | 0.52% |

Voting Trust Holders of 5% or more

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

Changes in Control

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

ITEM 12: CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2014 and 2013, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year

⁵ Based on Form 23-B (Statement of Changes in Beneficial Ownership of Securities) announced on March 09, 2015.

through examining the financial position of the related party and the market in which the related party operates.

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

| As at and for the Year Ended December 31, 2014 | | | | | |
|---|-------------------|-------------------|------------------------|------------------|-------------------------------|
| Company | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Other Related parties</i> | | | | | |
| TO Insurance Brokers, Inc. | | | | | |
| Trade and other and payable | ₱2,130 | Insurance expense | ₱- | On demand; | Unsecured noninterest-bearing |
| PHINMA corp. | | | | | |
| Expenses | 30,800 | Shared expenses | - | On demand; | Unsecured noninterest-bearing |
| Training expense | | | | | |
| <i>Ultimate parent Company</i> | | | | | |
| PHINMA Inc. | 810,148 | Professional fees | 3,748 | 30-60 day terms; | Unsecured noninterest-bearing |
| Management and professional fees | | | | | |

| As at and for the Year Ended December 31, 2013 | | | | | |
|---|-------------------|-------------------|------------------------|--------------------------------------|------------|
| Company | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Intermediate Parent Company -</i> | | | | | |
| TA Oil | | | | | |
| Advances from a related party | ₱1,339,793 | Advances | ₱- | On demand non-interest-bearing | Unsecured |
| Management and professional fees | 156,800 | Professional fees | - | 30-60 day terms; noninterest-bearing | Unsecured |
| <i>Ultimate Parent Company -</i> | | | | | |
| PHINMA | | | | | |
| Management and professional fees | 806,400 | Management fees | - | 30-60 day terms; noninterest-bearing | Unsecured |

In 2013, Trans-Asia Oil and Energy Development Corporation fully paid the outstanding advances to the Company as at December 31, 2012. There were no outstanding advances as at December 31, 2014.

In 2011, the Board of Directors approved the application of the Company's advances from Trans-Asia Oil and Energy Development Corporation amounting to ₱36,251.00 against subscription receivable.

PHINMA Inc.

The Company has a management contract with PHINMA Inc. up to January 31, 2018 renewable thereafter upon mutual agreement of the respective Board of Directors and shareholders of PHINMA Inc. and TAPET and subject to termination by either party upon sixty (60)-day prior notice to the other party. Under this contract, PHINMA Inc. has a general management authority with the corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. As of December 31, 2014, PHINMA Inc. owns 30,985,111 shares which represent 12.39% of total outstanding shares of stock of the Company. Under the existing management agreement, the Parent Company pays PHINMA Inc. a fixed monthly management fee plus an annual incentive bonus based on a certain percentage of the Company's net income. Total management fees, including annual incentives, amounted to ₱806,400.00 both for 2014 and 2013.

PART IV – CORPORATE GOVERNANCE

ITEM 13: CORPORATE GOVERNANCE

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

Compliance Officer

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

The Compliance Officer's duties include monitoring compliance with the provisions and requirements of the Revised Code of Corporate Governance, identifying compliance risks, determining violations and recommending appropriate disciplinary action, if necessary.

Under SEC MC No. 3, Series of 2015, TAPET will make the first submission of the Annual Corporate Governance Report (ACGR) on May 30, 2016

On March 27, 2015, TAPET disclosed to the SEC and the PSE its Corporate Governance Guidelines Disclosure Survey Report for the year 2014.

As of December 31, 2014, TAPET complies with the principles and best practices contained in the Manual on Good Corporate Governance. No sanctions were imposed on any director, officer nor employee for any deviation from the Manual.

Board of Directors

Composition

The Board of Directors consists of 11 members, nominated in accordance with the By-Laws of the Company. In compliance with the requirement of the SEC for publicly-listed corporations, TAPET's Board of Directors includes three (3) independent directors. The independent directors are not officers or substantial shareholders of the company and have no relationship with the company that may hinder their

independence from the company or management or would interfere with their exercise of independent judgment in carrying out their responsibilities.

In order that no director or small group of directors can dominate the decision making process, the Board is a combination of executive and non-executive directors.

The Board of Directors held 11 regular and 1 organizational in 2014. 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 in the board meetings is as follows:

| | 2014 Board Meetings | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|
| | 2/7/2014 | 4/21/2014 | 6/23/2014 | 8/22/2014 | 9/22/2014 |
| Directors | Regular | Regular | Regular | Regular | Regular |
| Mr. Ramon R. del Rosario, Jr. | P | P | P | P | P |
| Mr. Oscar J. Hilado, Chairman | P | P | P | P | P |
| Dr. Magdaleno B. Albarracin, Jr. | P | P | P | P | P |
| Dr. Francisco L. Viray | P | P | P | P | P |
| Mr. Roberto M. Laviña | P | P | P | P | P |
| Mr. Raymundo A. Reyes, Jr. | P | P | P | P | P |
| Mr. Victor J. del Rosario | P | P | P | P | P |
| Mr. Pythagoras L. Brion, Jr. | P | P | P | P | P |
| Mr. Filomeno G. Francisco | P | A | | | |
| Mr. Edward S. Go | P | P | P | P | P |
| Mr. Raphael Perpetuo M. Lotilla | A | P | P | P | P |
| Mr. Romeo L. Bernardo | | A | P | P | P |
| | | | | | |
| | | | | | |
| (April 21 - Filomeno G. Francosco was replaced by Romeo L. Bernardo) | | | | | |

Board Committees

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 2014, the board committees and their members are as follows:

| Directors | Board Committees | | | |
|---|-------------------------|--------------|--------------|-----------|
| | Nomination & Governance | Compensation | Audit & Risk | Executive |
| Mr. Ramon R. del Rosario, Jr. | C | | | M |
| Mr. Oscar J. Hilado | M | | | C |
| Dr. Magdaleno B. Albarracin, Jr. | | C | | M |
| Dr. Francisco L. Viray | M | | | M |
| Mr. Roberto M. Lavina | | M | M | M |
| Mr. Raymundo A. Reyes, Jr. | | | | |
| Mr. Pythagoras L. Brion, Jr. | | | | |
| Mr. Victor J. del Rosario | | | M | |
| Mr. Edward S. Go (Independent) | M | M | C | |
| Mr. Raphael Perpetuo M. Lotilla (Independent) | | | | M |
| Mr. Romeo L. Bernardo (Independent) | | | | |
| | | | | |
| C: Chairman | | | | |
| M: Member | | | | |

Nomination Committee

The Nomination Committee is composed of four (4) directors, one of whom is an independent director. The Nomination Committee pre-screens and shortlists all candidates nominated to become members of the Board of Directors in accordance with the qualification and disqualification guidelines as specified in the Company's Manual on Corporate Governance.

The Nomination Committee, after a review of the qualifications of the candidates, submitted to the Board of Directors the list of qualified nominees.

Compensation Committee

The Compensation Committee is composed of three (3) directors, one of whom is an independent director. The duties and responsibilities of this committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the Company's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

There was no Compensation Committee meeting held in 2014 and none was required.

Audit Committee

The Audit Committee is composed of three (3) members of the Board, one (1) of whom is an independent director. The Audit Committee is responsible for checking all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements. The Committee ensures that the Company's controls are functioning effectively and efficiently. The Committee likewise performs oversight financial management functions, specifically in the areas of crisis management of credit, market, liquidity, operations and legal risks.

In 2014, the Audit Committee held one (1) meeting with full attendance. This was the first and only meeting for 2014 after TAPET's listing on August 2014. The Audit Committee reviewed the interim statements for the quarter September 30, 2014.

On February 18, 2015, the Committee endorsed to the Board of Directors the approval of the 2014 audited financial statements and the nomination of Sycip, Gorres, Velayo and Company (SGV & Co.) as the external auditor for 2015.

EXTERNAL AUDITOR

The External Auditor contributes to the enforcement of good corporate governance through independent examination of the financial records and reports of the Company.

The Company is compliant with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for the calendar year 2014 is Ms. Marydith C. Miguel, an SEC accredited auditing partner of SGV. This is Ms. Miguel's first year as engagement partner for the Company.

Following are the fees for professional services rendered by SGV & Co. for the past 3 years:

| Year | Audit Fees |
|------|--------------|
| 2014 | ₱ 100,000.00 |
| 2013 | ₱ 100,000.00 |
| 2012 | ₱ 50,000.00 |

INTERNAL AUDIT

The Internal Audit group of the Company provides the Board, senior management and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate and faithfully complied with.

DISCLOSURE AND TRANSPARENCY

In addition to submitting annual and quarterly financial information and other statutory requirements, the Company promptly discloses to the SEC and the PSE all material information such as key results of operations, execution of contracts, declaration of dividends and investments, among others. Such disclosures are promptly up-loaded at the Company's website for the benefit of the investing public.

CODE OF CONDUCT

The Code of Conduct of the Company contains policies on professional decorum, conflict of interest and penalties for violations.

Employees are required to always act in the best interest of the Company. As a matter of policy, every employee and officer of the Company should avoid any situation that could interfere or appear to interfere with their independent judgment in performing their duties. The policy also prohibits using one's official position to secure a contract of employment for a related party, soliciting gifts or any property for personal gain from any individual or organization that deals with the Company and using Company information for personal gain. No employee may engage in any business or undertaking that is indirectly or directly in competition with or prejudicial to the interests of the Company.

PART V – EXHIBITS AND SCHEDULES

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

List of Exhibits

| | | |
|-----------|---|--|
| Exhibit A | - | Consolidated Audited Financial Statements for the Calendar Year 2014 |
| Exhibit B | - | Supplementary Schedules to the Consolidated Audited Financial Statements |
| Exhibit C | - | Parent Audited Financial Statements for the Calendar Year 2014 |

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during fiscal year 2014 covered by this report:

| Date of Filing | Items Reported |
|-----------------------|--|
| August 29, 2014 | <p>This refers to your request for confirmation of the news article published today in the Philippine Daily Inquirer entitled "Trans-Asia Petroleum to raise P500M from special rights offer". A portion of the article is quoted as follows:</p> <p>"MANILA, Philippines—Trans-Asia Petroleum Corp. targets to raise as much as P500 million from the conduct of a special rights offering between the fourth quarter of this year to the first quarter of 2015, following its debut at the Philippine Stock Exchange (PSE) on Thursday</p> <p>.....</p> <p>In a briefing, Trans-Asia Petroleum CFO Pythagoras L. Brion Jr. explained that proceeds from this fund raising activity will be used to finance the company's engagements, specifically with Service Contracts 50 in offshore northwest Palawan, and SC52 in Cagayan Valley.</p> <p>....."</p> <p>Trans-Asia Petroleum Corporation hereby confirms the accuracy of the news article as published.</p> |
| September 4, 2014 | <p>Service Contract No. 6 Block A</p> <p>Pitkin Petroleum Plc., ("Pitkin"), Operator of Service Contract No. 6 Block A, has notified partners that Pitkin shall not exercise its option under the Farm-in Agreement dated 11 July 2011 ("FIA") to drill a well in the block. Pursuant to the FIA, Pitkin shall re-assign its 70% participating interest prorata to the original partners upon completion of the current work program at the end of this year. The re-assignment of interest shall be subject to the approval of the Department of Energy.</p> <p>Trans-Asia Petroleum currently has 2.334% participating interest in SC 6 Block A.</p> |
| September 30, 2014 | <p>Appointment of Officers</p> <p>Appointment of Ms. Cecille B. Arenillo as Compliance Officer and Mr. Giles R. Katigbak as Investor Relations Officer</p> |
| October 16, 2014 | <p>Service Contract No. 50 Offshore North Palawan</p> <p>Trans-Asia Petroleum Corporation ("TAPET"), signed today the following agreements providing for the Company's acquisition of 10% participating interest in subject service contract:</p> <ol style="list-style-type: none">1. Farm-in Agreement with Frontier Energy Limited ("FEL") and |

Frontier Oil Corporation (“FOC”)

2. Deed of Assignment with FEL

3. Loan Agreement with FOC

The aforementioned agreements were executed pursuant to the Memorandum of Agreement dated 22 August 2014 among TAPET, FEL and FOC.

The assignment of 10% participating interest in and under SC 50 to TAPET is subject to the approval of the Department of Energy.

November 26, 2014

Update on Service Contract No. 69 Camotes Sea, Visayas

Department of Energy notified the Operator, Otto Energy Philippines, Inc. (“OEPI”), of its approval of the assignment of OEPI’s entire participating interest in subject service contract to Trans-Asia Petroleum Corporation (“TAPET”) and the other remaining partner.

TAPET now holds fifty percent (50%) participating interest in SC 69.

November 26, 2014

Update on Service Contract No. 55 Offshore West Palawan

Department of Energy granted an extension of Sub-Phase 4 of subject service contract for a period of twelve (12) months until 23 December 2015.

The Operator, Otto Energy Investments Ltd., is continuing preparations for the drilling of the Hawkeye prospect in 2015.


Palawan55 Exploration & Production Corporation, subsidiary of Trans-Asia Petroleum Corporation, has 6.82% participating interest in SC 55.


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 14, 2015.


Trans-Asia Petroleum Corporation


By:


FRANCISCO L. VIRAY
President and CEO


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


PYTHAGORAS A. BRION, JR.
SVP Treasurer & CFO


MARIEJO P. BAUTISTA
SVP – Finance and Controller

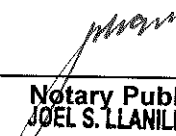

JUAN J. DIAZ
Corporate Secretary

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

APR 15 2015

SUBSCRIBED AND SWORN to before me this 15 day of April, 2015 affiant(s) exhibiting to me his/her Driver's License/Passport/Community Tax Certificates, as follows:

| Name | Driver's License No./ Passport No./ Senior Citizen No. | Date of Issue/Expiration Date |
|--------------------------|---|-------------------------------|
| Francisco L. Viray | EB008400 | June 1, 2015 |
| Raymundo A. Reyes, Jr. | EB2193620 | April 6, 2016 |
| Pythagoras L. Brion, Jr. | EB6637129 | October 23, 2017 |
| Mariejo P. Bautista | N02-96-322934 | May 13, 2017 |
| Dian J. Diaz | 1714595 | March 2002 |



Notary Public
JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 108
Page No. 23
Book No. 2
Series of 2015

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The Board of Directors Trans-Asia Petroleum Corporation

The Audit Committee is composed of one (1) independent director and two (2) executive directors. An independent director chairs the Audit Committee. The Committee has accounting expertise and adequate understanding of the Company's business and industry in which it operates.

We are pleased to report our activities for Calendar Year 2014.

The roles and responsibilities of the Audit Committee are defined in the Audit Committee Charter approved by the Board of Directors. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, internal control system, internal and external auditor's performance, risk management, and compliance with legal and regulatory matters.

The first Audit Committee meeting was conducted on October 21, 2014. This meeting obtained complete attendance and this is the only meeting held during the year 2014. The meeting was timed to review the quarterly financial reporting of the Company. Also, the Committee reviewed the audit plan of the external auditor.

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

ACTIVITIES

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the third quarter of 2014 consolidated financial statements.

Informatively, in our first meeting for 2015 held on February 18, 2015, we likewise reviewed and endorsed to the Board of Directors for approval the 2014 audited consolidated financial statements presented in this 2014 annual report. These activities were performed in the following context:

- Management has the primary responsibility for the financial statements and the financial reporting process.
- SyCip, Gorres, Velayo & Co. (SGV & Co.) is responsible for expressing an opinion on the annual audited consolidated financial statements in accordance with Philippine Financial Reporting Standards.

The related party transactions were also reviewed for potential conflicts of interest. The Audit Committee found these related party transactions to be part of the regular course of business with terms and conditions based on market and in the best interest of the Company.

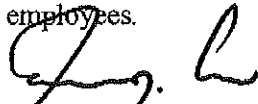
External Audit

We reviewed and approved the Internal Audit plan for 2014 and found them to be appropriate. Based on this plan, the Committee received and reviewed the audit reports submitted by Group Internal Audit and found that the Company's internal control system is adequate and effective. Various audit and control issues including actions taken by management were discussed in the Committee meetings. This is to ensure that management has taken appropriate corrective actions in a timely manner.

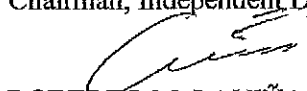
We also reviewed the organization and performance of Group Internal Audit for 2014 and found them to be sufficiently independent and effective

Integrity Assurance Program

We reviewed and approved the Integrity Assurance Program currently rolled out for the Phinma Group, including the appointment of the Integrity Officer and the adoption of a Code of Conduct for its officers and employees.



EDWARD S. GO
Chairman, Independent Director



ROBERTO M. LAVINA
Executive Director



VICTOR J. DEL ROSARIO
Executive Director

EXHIBIT A

Trans-Asia Petroleum Corporation and A Subsidiary
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

Consolidated Financial Statements

December 31, 2014 and 2013
And Years Ended December 31, 2014, 2013 and 2012

Financial Highlights and Key Performance Indicators

| | For the Year Ended December | | |
|------------------------------|-----------------------------|----------------|----------------|
| | 2014 | 2013 | 2012 |
| Current Assets | 114,176 | 159,444 | 174,573 |
| Total Assets | 220,542 | 234,180 | 246,791 |
| Current Liabilities | 689 | 757 | 47 |
| Total Liabilities | 689 | 758 | 47 |
| Total Equity | 219,853 | 233,423 | 246,744 |
| Paid-in Capital | Not applicable | Not applicable | Not applicable |
| Total Revenues | Not applicable | Not applicable | Not applicable |
| Net Loss | 13,569 | 13,322 | 3 |
| Earnings Per Share | 0.05 | 0.05 | 0.10 |
| Current Ratio | 165.8:1 | 210.52:1 | 3,719.45:1 |
| Acid Test Ratio | 165.8:1 | 210.52:1 | 3,719.45:1 |
| Deb/Equity Ratio | Not applicable | Not applicable | Not applicable |
| Asset-to-Equity Ratio | 1:1 | 1:1 | Not applicable |
| Interest Rate Coverage Ratio | Not applicable | Not applicable | Not applicable |
| Net Debt to Equity Ratio | Not applicable | Not applicable | Not applicable |
| Return on Equity | -5.99% | -5.71% | -2.46% |
| Return on Assets | -6.18% | -5.69% | -1.23% |
| Asset Turnover | Not applicable | Not applicable | Not applicable |

(Amounts in thousand pesos except earnings per share and ratios)



TRANS-ASIA
PETROLEUM

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

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

The management of Trans-Asia Petroleum Corporation and Subsidiary (the "Company") is responsible for the preparation and fair presentation of the consolidated balance sheets as of December 31, 2014, December 31, 2013 and January 1, 2013 and the related consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2014 and 2013, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such examination.

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

FRANCISCO L. VIRAY
President & Chief Executive Officer

PYTHAGORAS L. BRION, JR.
Executive Vice President -Treasurer

Signed this 23rd day of February 2015



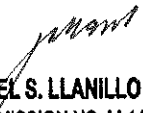
(Page 2 of Statement of Management's
Responsibility for Financial Statements)

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

MAR 09 2015

SUBSCRIBED AND SWORN to before me this _____ affiant(s)
exhibiting to me their Passport and Driver's License, as follows:

| Name | Passport No. | Date of Issue | Place of Issue |
|---------------------------|--------------|-----------------|----------------|
| Ramon R. Del Rosario, Jr. | EB9971711 | 13 January 2014 | Manila |
| Francisco L. Viray | EB0308400 | 2 June 2010 | Manila |
| Pythagoras L. Brion, Jr. | EB6637129 | 24 October 2012 | Manila |


JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
RP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 364
Page No. 75
Book No. 1
Series of 2015.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | | |
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Company Name

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| O | N | | A | N | D | | A | | S | U | B | S | I | D | I | A | R | Y | | | | | | | | | | | |
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Principal Office (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 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 | | | | | | | | | | | | | | | | | | | | | | |
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Form Type

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|---|---|---|---|
| A | A | F | S |
|---|---|---|---|

Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

| |
|--|
| www.transasia-energy.com |
|--|

Company's Telephone Number/s

| |
|-----------------|
| 8700-100 |
|-----------------|

Mobile Number

| |
|--|
| |
|--|

No. of Stockholders

| |
|--------------|
| 3,030 |
|--------------|

Annual Meeting
Month/Day

| |
|--------------|
| 04/23 |
|--------------|

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

| |
|--|
| 11th Flr. PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City |
|--|

Note: 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.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Trans-Asia Petroleum Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited the accompanying consolidated financial statements of Trans-Asia Petroleum Corporation and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

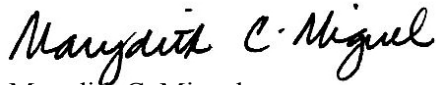
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trans-Asia Petroleum Corporation and its subsidiary as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751303, January 5, 2015, Makati City

February 23, 2015



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
CONSOLIDATED BALANCE SHEETS

| | December 31 | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 4) | ₱42,808,622 | ₱21,029,901 |
| Investments held for trading (Note 5) | 70,471,867 | 138,411,121 |
| Receivables | 895,389 | 3,033 |
| Total Current Assets | 114,175,878 | 159,444,055 |
| Noncurrent Assets | | |
| Receivable from a third party (Note 7) | 20,000,000 | – |
| Property and equipment (Note 6) | 330,084 | – |
| Deferred exploration costs (Note 7) | 85,967,118 | 74,736,195 |
| Deferred income tax asset (Note 11) | 68,873 | – |
| Total Noncurrent Assets | 106,366,075 | 74,736,195 |
| TOTAL ASSETS | ₱220,541,953 | ₱234,180,250 |
| LIABILITIES AND EQUITY | | |
| Current Liability | | |
| Accounts payable and other current liabilities (Note 8) | ₱688,636 | ₱757,380 |
| Noncurrent Liability | | |
| Deferred income tax liability (Note 11) | – | 320 |
| Equity | | |
| Attributable to Equity Holders of the Parent Company: | | |
| Capital stock (Note 10) | 250,000,000 | 250,000,000 |
| Deficit | (32,688,443) | (19,171,733) |
| | 217,311,557 | 230,828,267 |
| Non-controlling interest (Note 13) | 2,541,760 | 2,594,283 |
| Total Equity | 219,853,317 | 233,422,550 |
| TOTAL LIABILITIES AND EQUITY | ₱220,541,953 | ₱234,180,250 |

See accompanying Notes to Consolidated Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|-------------------------|-------------|------------|
| | 2014 | 2013 | 2012 |
| INTEREST INCOME (Note 4) | ₱130,486 | ₱798,288 | ₱263,418 |
| EXPENSES | | | |
| Management and professional fees (Note 9) | 6,792,430 | 4,894,440 | 42,400 |
| Employee costs | 4,724,533 | 3,431,578 | – |
| Filing and registration fees | 1,943,221 | 923,563 | 1,962,440 |
| Supplies | 553,880 | 41,595 | 5,474 |
| Meetings | 194,122 | – | – |
| Transportation | 149,499 | 9,409 | 534 |
| Taxes and licenses | 18,968 | 64,360 | 1,270,586 |
| Depreciation (Note 6) | 9,431 | – | – |
| Insurance (Note 9) | 2,130 | 1,122 | 2,244 |
| Others | 110,123 | 14,662 | 10,607 |
| | 14,498,337 | 9,380,729 | 3,294,285 |
| OTHER INCOME (CHARGES) | | | |
| Gains (losses) on changes in fair value of investments held for trading - net (Note 5) | 734,986 | (4,740,323) | – |
| Foreign exchange gains (losses) | (5,561) | 1,068 | – |
| | 729,425 | (4,739,255) | – |
| LOSS BEFORE INCOME TAX | 13,638,426 | 13,321,696 | 3,030,867 |
| PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX (Note 11) | (69,193) | 320 | – |
| NET LOSS | ₱13,569,233 | ₱13,322,016 | ₱3,030,867 |
| Attributable to: | | | |
| Equity holders of the Parent Company | ₱13,516,710 | ₱12,877,179 | ₱3,005,090 |
| Non-controlling interest (Note 13) | 52,523 | 444,837 | 25,777 |
| | ₱13,569,233 | ₱13,322,016 | ₱3,030,867 |
| Basic Loss Per Share (Note 12) | ₱0.054 | ₱0.052 | ₱0.100 |

See accompanying Notes to Consolidated Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--------------------------------------|-------------------------|-------------|------------|
| | 2014 | 2013 | 2012 |
| NET LOSS | ₱13,569,233 | ₱13,322,016 | ₱3,030,867 |
| OTHER COMPREHENSIVE INCOME | – | – | – |
| TOTAL COMPREHENSIVE LOSS | ₱13,569,233 | ₱13,322,016 | ₱3,030,867 |
| Attributable to: | | | |
| Equity holders of the Parent Company | ₱13,516,710 | ₱12,877,179 | ₱3,005,090 |
| Non-controlling interest (Note 13) | 52,523 | 444,837 | 25,777 |
| | ₱13,569,233 | ₱13,322,016 | ₱3,030,867 |

See accompanying Notes to Consolidated Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

| | Attributable to Equity Holders of the Parent Company | | | | Non-controlling Interest (Note 13) | Total Equity |
|---|--|---|----------------------|---------------------|--|---------------------|
| | Capital Stock (Note 10) | Subscription Receivable (Note 10) | Deficit | Total | | |
| BALANCES AT JANUARY 1, 2014 | ₱250,000,000 | ₱– | (₱19,171,733) | ₱230,828,267 | ₱2,594,283 | ₱233,422,550 |
| Net loss for the year | – | – | (13,516,710) | (13,516,710) | (52,523) | (13,569,233) |
| BALANCES AT DECEMBER 31, 2014 | ₱250,000,000 | ₱– | (₱32,688,443) | ₱217,311,557 | ₱2,541,760 | ₱219,853,317 |
| BALANCES AT JANUARY 1, 2013 | ₱250,000,000 | ₱– | (₱6,294,554) | ₱243,705,446 | ₱3,039,120 | ₱246,744,566 |
| Net loss for the year | – | – | (12,877,179) | (12,877,179) | (444,837) | (13,322,016) |
| BALANCES AT DECEMBER 31, 2013 | ₱250,000,000 | ₱– | (₱19,171,733) | ₱230,828,267 | ₱2,594,283 | ₱233,422,550 |
| BALANCES AT JANUARY 1, 2012 | ₱10,000,000 | (₱6,702,543) | (₱3,289,464) | ₱7,993 | ₱– | ₱7,993 |
| Issuance of capital stock (Note 10) | 240,000,000 | – | – | 240,000,000 | – | 240,000,000 |
| Collection of subscription receivable (Note 10) | – | 6,702,543 | – | 6,702,543 | – | 6,702,543 |
| Non-controlling interest in a newly incorporated subsidiary | – | – | – | – | 3,064,897 | 3,064,897 |
| Net loss for the year | – | – | (3,005,090) | (3,005,090) | (25,777) | (3,030,867) |
| BALANCES AT DECEMBER 31, 2012 | ₱250,000,000 | ₱– | (₱6,294,554) | ₱243,705,446 | ₱3,039,120 | ₱246,744,566 |

See accompanying Notes to Consolidated Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|-------------------------|----------------------|---------------------|
| | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before income tax | (₱13,638,426) | (₱13,321,696) | (₱3,030,867) |
| Adjustment for: | | | |
| Net unrealized losses (gains) on changes in fair value of investments held for trading (Note 5) | (2,060,746) | 1,494,431 | – |
| Interest income (Note 4) | (130,486) | (798,288) | (263,418) |
| Depreciation (Note 6) | 9,431 | – | – |
| Foreign exchange losses (gains) | 4,234 | (1,068) | – |
| Operating loss before working capital changes | (15,815,993) | (12,626,621) | (3,294,285) |
| Decrease (increase) in: | | | |
| Advances to a related party (Note 9) | – | 8,666,268 | (8,666,268) |
| Receivables | (500) | 5,826 | (8,778) |
| Increase (decrease) in accounts payable and other current liabilities | (408,259) | 710,445 | 46,935 |
| Interest income received | 130,268 | 798,207 | 263,418 |
| Net cash flows used in operating activities | (16,094,484) | (2,445,875) | (11,658,978) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from redemption of investments held for trading | 117,650,000 | – | – |
| Advances to a third party (Note 7) | (20,000,000) | – | – |
| Additions to: | | | |
| Investments held for trading | (47,650,000) | (139,905,552) | – |
| Deferred exploration costs (Note 7) | (12,118,025) | (2,517,297) | (72,218,898) |
| Cash flows from (used in) investing activities | 37,881,975 | (142,422,849) | (72,218,898) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Stock subscription | – | – | 240,000,000 |
| Collection of subscription receivable | – | – | 6,702,543 |
| Issuance of shares of stocks of a subsidiary to non-controlling interest | – | – | 3,064,897 |
| Cash flows from financing activities | – | – | 249,767,440 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 21,787,491 | (144,868,724) | 165,889,564 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (8,770) | 1,068 | – |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 21,029,901 | 165,897,557 | 7,993 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4) | ₱42,808,622 | ₱21,029,901 | ₱165,897,557 |
| NONCASH ACTIVITIES | | | |
| Cash call refund not yet received (Note 7) | ₱887,102 | ₱– | ₱– |
| Acquisition of property and equipment on account (Note 6) | (339,515) | – | – |
| Application of advances from a related party to subscription receivable (Note 9) | – | – | 36,251 |

See accompanying Notes to Consolidated Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Trans-Asia Petroleum Corporation (TA Petroleum or the Parent Company) and Palawan55 Exploration & Production Corporation (Palawan55 or the Subsidiary), collectively referred to as “the Company”, 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% owned, respectively, by Trans-Asia Oil and Energy Development Corporation (TA Oil). The ultimate parent company is Philippine Investment Management, Inc. (PHINMA). TA Oil and PHINMA are both incorporated and domiciled in the Philippines. The Company has not yet started commercial operations as at February 23, 2015.

On August 28, 2012, the stockholders of the Parent Company approved the amendment of the Articles of Incorporation changing the name of the Parent Company from Trans-Asia (Karang Besar) Petroleum Corporation to Trans-Asia Petroleum Corporation.

On July 22, 2013, TA Oil declared as property dividends its investments in TA Petroleum. TA Oil distributed the property dividends on August 20, 2014, which reduced TA Oil’s effective interest in TA Petroleum from 100% to 50.74%.

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

The registered office address of the Company is 11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements were approved and authorized for issuance by the Parent Company’s Board of Directors (BOD) on February 23, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) using the historical cost basis, except for investments held for trading, which are measured at fair value through profit or loss (FVPL). The consolidated financial statements are presented in Philippine peso (Peso), which is the Company’s functional and presentation currency, and all values are rounded to the nearest Peso except when otherwise stated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, Palawan55. The financial statements of Palawan55 are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.



Specifically, the Company controls an investee if and only if the Company 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 subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The Parent Company controls an investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

Upon consolidation, all intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Changes in the controlling ownership (i.e., acquisition of non-controlling interest (NCI) or partial disposal of interest over a subsidiary that does not result in a loss of control) are accounted for as an equity transaction.

NCI represents a portion of profit or loss and net assets of the subsidiary not held by the Parent Company, directly or indirectly, and is presented separately in the consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet and statement of changes in equity, separately from the Parent Company's equity. Total comprehensive loss is attributed to the portion held by the Parent Company and to the NCI even if this results in the NCI having a deficit balance.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS that became effective during the year. The adoption of the new standards and amendments as at January 1, 2014 did not have a material effect on the accounting policies, financial position or performance of the Company.

- Philippine Accounting Standard (PAS) 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements*)
- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

Improvements to PFRSs

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have an impact on the Company's financial statements. These include:

- Annual improvements to PFRSs 2010 – 2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011 – 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)



Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Effective after 2015

- PAS 16, *Property and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 16, *Property and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to



apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosures* and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect



of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). The adoption of the final version of PFRS 9, however, is still for approval by Board of Accountancy.

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's financial statements.

- Annual Improvements to PFRS (2010-2012 Cycle)
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).



- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- PAS 16, *Property and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the



date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

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

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

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in



PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.



The following new standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Cash and Cash Equivalents

Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Fair Value Measurement

The Company measures financial instruments at fair value at the end of reporting period.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Financial Instruments

Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instruments.

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

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

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

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



Financial instruments are classified as either financial asset or liability at FVPL, loans and receivables, held-to-maturity investments, AFS financial assets or other financial liabilities. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, reevaluates this designation at every balance sheet date.

As at December 31, 2014 and 2013, the Company's financial instruments consist of cash and cash equivalents, investments held for trading, receivables and accounts payable and other current liabilities (excluding statutory payables) (see Notes 4, 5 and 8).

Financial Assets Held for Trading. These financial instruments are recorded in the consolidated balance sheet at fair value. A financial asset is classified under this category when any of the following criteria is met:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Changes in fair value relating to the held for trading positions are recognized in profit or loss as net unrealized gains or losses on changes in fair value of investments held for trading.

As at December 31, 2014 and 2013, the Company's investments in unit investment trust fund (UITFs) are classified as financial assets held for trading (see Note 5).

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company's cash and cash equivalents and receivables (see Note 4).

Other Financial Liabilities. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's other financial liabilities as at December 31, 2014 and 2013 include accounts payable and other current liabilities (excluding statutory payables) (see Note 8).



Impairment of Financial Assets

The Company assesses, at each balance sheet 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.

Assets carried at amortized cost

If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

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

For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectibility of financial assets considering the creditors’ capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.



Derecognition of Financial Instruments

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or, (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or, (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a currently legal right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Property and Equipment

Property and equipment, are stated at cost less accumulated depreciation and impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and borrowing costs incurred during the construction period (where applicable) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|----------------------|-----------|
| Office equipment | 3-5 years |
| Miscellaneous assets | 3-5 years |



The useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment 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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Impairment of Property and Equipment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) area. Under this method, all exploration costs relating to each SC are tentatively deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided for with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.



Impairment of Deferred Exploration Costs

The Company assesses at each balance sheet date whether the following impairment indicators exist:

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

If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Interest in Joint Arrangements

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



Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement.

The Company's SCs are joint operations and all under exploration stage. The Company recognizes its share of the related exploration expenses as it is billed through cash calls.

Capital Stock

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

Subscription Receivable

Subscription receivable represents the amount receivable from stock subscriptions.

Deficit

Deficit represents the cumulative balance of net loss.

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the revenue can be measured reliably. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses

Expenses are recognized when incurred.

Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where 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 income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) 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 can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to 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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Non-financial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-financial items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Loss per Share

Basic loss per share is computed based on the weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock splits during the year.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.



Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's financial position at the balance sheet 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 the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The Company's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Company'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.

Judgments

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determining and Classifying a Joint Arrangement. Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
 - a) The legal form of the separate vehicle
 - b) The terms of the contractual arrangement
 - c) 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, 2014 and 2013, the Company's SCs are joint arrangements in the form of a joint operation.



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. 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 uneconomic.

The Company has not recognized any impairment loss on its deferred exploration costs for the years ended December 31, 2014, 2013 and 2012. The carrying value of deferred exploration costs amounted to ₱85,967,118 and ₱74,736,195 as at December 31, 2014 and 2013, respectively (see Note 7).

Realizability of Deferred Income Tax Asset. The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

As at December 31, 2014, the Company recognized deferred income tax asset amounting to ₱68,873. Unrecognized deferred income tax asset as at December 31, 2014 and 2013 amounted to ₱9,058,248 and ₱4,787,297, respectively (see Note 11).

Determination of Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial instruments are to be carried at fair value, which requires the use of accounting judgments and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial instruments would directly affect the consolidated statement of comprehensive income and statement of changes in equity.

Total fair values of financial assets amounted to ₱133,889,714 and ₱159,444,055 as at December 31, 2014 and 2013, respectively, while total fair values of financial liabilities amounted to ₱577,999 and ₱570,534 as at December 31, 2014 and 2013, respectively (see Note 14).

4. Cash and Cash Equivalents

| | 2014 | 2013 |
|---------------------------|--------------------|-------------|
| Cash on hand and in banks | ₱41,468,048 | ₱19,695,738 |
| Short-term deposits | 1,340,574 | 1,334,163 |
| | ₱42,808,622 | ₱21,029,901 |

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income on cash and short term deposits amounted to ₱130,486, ₱798,288 and ₱263,418 for the years ended December 31, 2014, 2013 and 2012, respectively.



5. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱70,471,867 and ₱138,411,121 as at December 31, 2014 and 2013, respectively. The Company's changes in fair value on investments held for trading amounted to a gain of ₱734,986 (includes unrealized gains of ₱2,060,746) and a loss of ₱4,740,323 (includes unrealized losses of ₱1,494,431) in 2014 and 2013, respectively.

6. Property and Equipment

As at December 31, 2014, details and movement of this account follow:

| | Office Equipment | Miscellaneous Assets | Total |
|-------------------------------|---------------------|-------------------------|-----------------|
| Cost | ₱245,000 | ₱94,515 | ₱339,515 |
| Less Accumulated depreciation | 6,806 | 2,625 | 9,431 |
| | ₱238,194 | ₱91,890 | ₱330,084 |

7. Deferred Exploration Costs

The Company and TA Oil executed Deeds of Assignment on December 21, 2012 transferring TA Oil's participating interests in the below SCs to the Company and the corresponding deferred exploration costs incurred.

On April 23, 2013, the Philippine Department of Energy (DOE) approved the assignment of the SCs to the Company.

Details of deferred exploration costs are as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| TA Petroleum: | | |
| SC 51/Geophysical Survey and Exploration Contract (GSEC) 93 (East Visayas) | ₱32,665,864 | ₱32,665,864 |
| SC 69 (Camotes Sea) | 15,085,259 | 15,972,361 |
| SC 6 (Northwest Palawan): | | |
| Block A | 18,804,924 | 18,804,924 |
| Block B | 1,978,775 | 1,579,836 |
| SC 50 (Northwest Palawan) | 11,719,086 | — |
| | 80,253,908 | 69,022,985 |
| Palawan55: | | |
| SC 55 (Southwest Palawan) | 5,713,210 | 5,713,210 |
| | ₱85,967,118 | ₱74,736,195 |



Below is the rollforward analysis of the deferred exploration costs as at December 31, 2014 and 2013:

| | 2014 | 2013 |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | ₱74,736,195 | ₱72,218,898 |
| Additions: | | |
| Farm-in agreement | 11,719,086 | - |
| Cash calls | 398,939 | 2,517,297 |
| Cash call refund | (887,102) | - |
| Balance at end of year | ₱85,967,118 | ₱74,736,195 |

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with the 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.

As at December 31, 2014 and 2013, no impairment loss was recognized on the deferred exploration costs.

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, 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, 2014 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 last August 30, 2013 and is conducting post-well studies. This new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified the Company and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE 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.

As at February 23, 2015, the approval of the aforementioned transfer of interest and request for suspension of Sub-Phase 5 remains pending with the DOE.

The Parent Company owns 6.67% participating interest in SC 51.

b. 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 the current Sub-Phase 2 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 the current Sub-Phase to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to the Parent Company that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to the Parent Company pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified the Parent Company and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 last October 4, 2013. The Parent Company and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which starts on November 7, 2013. An additional extension of the contact term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.



Otto Philippines, the Parent Company and Frontier Gasfields currently hold 79%, 6%, and 15% participating interests in SC 69, respectively. The earlier reassignment of Otto Philippines' 9% participating interests to the Parent Company awaits DOE approval.

Upon DOE approval of the assignment of Otto Philippines' interests to the Parent Company and Frontier Gasfields, the Parent Company's participating interest in SC 69 will be adjusted from the current 6% to 50%.

On March 17, 2014, the Parent Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2015 to enable the remaining parties to proceed with planned exploration activities.

c. SC 6 (Northwest Palawan)

Block A

Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

Partners 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 TA Oil 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. As at February 7, 2014, processing of the seismic data is on-going at a contractor's facility in Vietnam.

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 yearend. By yearend, 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.

Upon re-assignment of Pitkin's 70% participating interest, the Parent Company's holdings shall revert from 2.334% to 7.78%.

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 TA Oil ("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, the Philodrill Corporation, 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 is commenced in October 2013 and was completed in January 2014.

The consortium is formulating a work program for the next five years of the extension period which starts 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. As at February 23, 2015, geophysical studies are ongoing.

The Parent Company holds 2.334% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfilment 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 payment of training assistance, development assistance and scholarship funds to the DOE.

d. SC 50 (Northwest Palawan)

In 2013, the Company commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for the Company's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, the Company has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's forthcoming initial public offering.

On September 1, 2014, the Company made advances to Frontier Oil amounting to ₱20,000,000 pursuant to the Memorandum of Agreement (MOA) 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. On October 16, 2014, the Parent Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

The assignment of 10% participating interest in SC 50 to the Parent is subject to the approval of the DOE. As at February 23, 2015, the DOE has not approved the assignment of participating interest.



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 Cinco-1 under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy.

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. Approval of the reassignment of interest is pending with the DOE.

Otto Energy presented a revised work program to the DOE which 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.

Palawan55 holds 6.82% participating interest in SC 55.



8. Accounts Payable and Other Current Liabilities

This account consists of:

| | 2014 | 2013 |
|------------------------------|-----------------|-----------------|
| Accounts payable | P339,515 | P- |
| Accrued expenses: | | |
| Professional fees | 147,000 | 568,200 |
| Filing and registration fees | 26,400 | 1,000 |
| Withholding taxes | 110,637 | 186,846 |
| Others (Note 9) | 65,084 | 1,334 |
| | P688,636 | P757,380 |

Accounts payable and other current liabilities are noninterest-bearing and will be settled on 30 to 60-day terms.

9. 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, 2014, 2013 and 2012 with related parties are as follows:

| Company | As at and for the Year Ended December 31, 2014 | | | | |
|----------------------------------|--|----------------------|------------------------|---|------------|
| | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Affiliates</i> | | | | | |
| TO Insurance, Inc. | | | | | |
| Other payables | P2,130 | Insurance expense | P- | On demand; noninterest- bearing | Unsecured |
| PHINMA Corporation | | | | | |
| Other payables | 30,800 | Employee cost | - | On demand; noninterest- bearing | Unsecured |
| <i>Ultimate Parent Company -</i> | | | | | |
| PHINMA Inc. | | | | | |
| Other payables (Note 8) | 810,148 | Professional fees | (3,748) | 30-60 day terms; noninterest- bearing | Unsecured |



| As at and for the Year Ended December 31, 2013 | | | | | |
|--|-------------------|-------------------|------------------------|---|-----------------------------|
| Company | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Intermediate Parent Company -</i> | | | | | |
| TA Oil | | | | | |
| Advances from a related party | ₱1,339,793 | Advances | ₱- | On demand; noninterest-bearing | Unsecured |
| Other payables | 156,800 | Professional fees | - | 30-60 day terms; noninterest-bearing | Unsecured |
| <i>Ultimate Parent Company -</i> | | | | | |
| PHINMA | | | | | |
| Other payables | 806,400 | Management fees | - | 30-60 day terms; noninterest-bearing | Unsecured |
| As at and for the Year Ended December 31, 2012 | | | | | |
| Company | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Intermediate Parent Company -</i> | | | | | |
| TA Oil | | | | | |
| Advances to a related party | ₱8,666,268 | Advances | ₱8,666,268 | On demand; noninterest-bearing | Unsecured, no impairment |

In 2013, TA Oil fully paid the outstanding advances to the Company as at December 31, 2012.

10. Capital Stock

Following are the details of the Parent Company's capital stock:

| | Number of Shares | | |
|--|----------------------|---------------|---------------|
| | 2014 | 2013 | 2012 |
| Authorized - ₱1 par value | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Subscribed, issued and outstanding - ₱1 par value: | | | |
| Beginning | 250,000,000 | 250,000,000 | 10,000,000 |
| Issuance | - | - | 240,000,000 |
| Balance at end of year | 250,000,000 | 250,000,000 | 250,000,000 |

On August 28, 2012, the Parent Company's BOD and stockholders approved the increase in the authorized capital stock, subject to the approval of the SEC, from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1.0 billion divided into 100 billion shares with a par value of ₱0.01 per share. The increase in authorized capital stock was approved by the SEC on November 28, 2012.

On April 22, 2013, the Parent Company's BOD and stockholders voted to increase the par value of capital stock from ₱0.01 to ₱1.00 per share, which reduced the number of authorized capital stock from 100 billion to 1 billion and the issued and outstanding shares from 25 billion to 250 million. The increase in par value per share was approved by the SEC on June 3, 2013.



The Parent Company's subscription receivable amounting to ₱6.7 million as at December 31, 2011 was fully paid in 2012.

11. Income Taxes

- a. The reconciliation of the Company's provision for (benefit from) income tax using the statutory tax rate is as follows:

| | 2014 | 2013 | 2012 |
|---|------------------|--------------|------------|
| Income tax at statutory rate | (₱4,091,528) | (₱3,996,509) | (₱909,260) |
| Tax effects of: | | | |
| Increase in NOLCO for which no deferred income tax asset was recognized | 4,281,977 | 3,787,986 | 988,286 |
| Net gains (losses) on changes in fair value of investments held for trading | (220,496) | 448,329 | - |
| Interest income subject to final tax | (39,146) | (239,486) | (79,026) |
| | (₱69,193) | ₱320 | ₱- |

- b. The Company did not recognize deferred income tax asset on the unused NOLCO of ₱30,194,159 and ₱15,957,656 as at December 31, 2014 and 2013, respectively, because management believes that it is not probable that sufficient future taxable income will be available to allow said deferred income tax asset to be utilized.
- c. The details of the Company's NOLCO follows:

| Year Incurred | Year of Expiration | Amount |
|---------------|--------------------|--------------------|
| 2012 | 2015 | ₱3,294,285 |
| 2013 | 2016 | 12,626,621 |
| 2014 | 2017 | 14,498,595 |
| | | ₱30,419,501 |

NOLCO amounting to ₱36,750, ₱36,208 and ₱23,005 expired in 2014, 2013, and 2012, respectively.

- d. As at December 31, 2014, the Company recognized deferred income tax asset of ₱67,603 and ₱1,270 on NOLCO and unrealized foreign exchange loss, respectively. As at December 31, 2013, the Company recognized deferred income tax liability of ₱320 on unrealized foreign exchange gain.



12. Basic Loss Per Share

| | 2014 | 2013 | 2012 |
|---|--------------------|-------------|------------|
| (a) Net loss attributable to equity holders of the Parent Company | ₱13,516,710 | ₱12,877,179 | ₱3,005,090 |
| Common shares at beginning of year | 250,000,000 | 250,000,000 | 10,000,000 |
| Weighted average number of shares issued during the year | - | - | 20,000,000 |
| (b) Weighted average number of common shares outstanding | 250,000,000 | 250,000,000 | 30,000,000 |
| Basic loss per share (a/b) | ₱0.054 | ₱0.052 | ₱0.100 |

Before consideration of the reverse stock split, the basic loss per share for the year ended December 31, 2012 was ₱0.001.

13. Material Partly-Owned Subsidiary

Financial information of Palawan55, a subsidiary that has material non-controlling interest, are provided below:

| | 2014 | 2013 |
|--|-------------------|------------|
| Equity interest held by NCI | 30.65% | 30.65% |
| Accumulated balances of NCI | ₱2,541,760 | ₱2,594,283 |
| Net loss for the year allocated to NCI | 52,523 | 444,837 |

The summarized financial information of Palawan55 are provided below. There were no intercompany transactions and balances for eliminations between the Parent Company and Palawan55.

Statements of Income and Statements of Comprehensive Income

| | 2014 (One Year) | 2013 (One Year) | 2012 (One and a Half Months) |
|----------------------------------|--------------------|--------------------|------------------------------------|
| Revenues | ₱11,375 | ₱14,622 | ₱641 |
| Expenses | 250,342 | 1,465,967 | 84,743 |
| Benefit from deferred income tax | 67,603 | - | - |
| Net loss | ₱171,364 | ₱1,451,345 | ₱84,102 |
| Total comprehensive loss | ₱171,364 | ₱1,451,345 | ₱84,102 |
| Attributable to NCI | ₱52,523 | ₱444,837 | ₱25,777 |



Balance Sheets

| | 2014 | 2013 |
|---|-------------------|------------|
| Total current assets | ₱2,562,576 | ₱2,821,428 |
| Total noncurrent assets | 5,780,813 | 5,713,210 |
| Total current liabilities | 50,200 | 70,085 |
| Total equity | ₱8,293,189 | ₱8,464,553 |
| | | |
| Attributable to equity holders of the Parent Company | ₱5,751,429 | ₱5,870,270 |
| | | |
| NCI | ₱2,541,760 | ₱2,594,283 |

Cash Flow Information

| | 2014 (One Year) | 2013 (One Year) | 2012 (One and a Half Months) |
|---|--------------------|--------------------|------------------------------------|
| Operating | (₱262,269) | (₱734,166) | (₱731,530) |
| Investing | - | - | (5,713,210) |
| Financing | - | - | 10,000,000 |
| Net increase (decrease) in cash and cash equivalents | (₱262,269) | (₱734,166) | ₱3,555,260 |

There were no dividends paid to NCI for the years ended December 31, 2014, 2013 and 2012.

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, managed by the PHINMA Group Treasury, comprise cash and cash equivalents, investments held for trading, receivables and accounts payable and other current liabilities (excluding statutory payables). The main purpose of the financial assets is to invest the Company's excess funds.

The main risks arising from the Company's financial instruments are credit risk, foreign currency risk, and market risk. The BOD reviews and approves policies for managing credit risk, foreign currency risk and market risk.

Credit Risk

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company has assessed the credit quality of cash and cash equivalents as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

The Company's receivables are categorized as high grade since these are transacted with entities that are in good financial condition.

The Company has no concentrations of credit risk.



Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (revenue or expense is denominated in a different currency from the Company's functional currency).

The Company had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. As at December 31, 2014, the Company has receivables denominated in U.S. dollar amounting to \$19,984 or ₱891,639. Exchange rate used was ₱44.617 to \$1.00 in 2014.

Management has determined that the volume of foreign currency-denominated transactions is not significant to the Company and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.

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;
- Updates of the portfolio's local and foreign currency bonds' gains and losses are made as often as necessary;
- "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 Investment Committee or, in cases of high volatility, by the Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

The Company's exposure to market risk is minimal. The underlying financial instruments in the Company's investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.



Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013.

Capital includes all the items appearing in the equity section of the Company's consolidated balance sheets totaling to ₱219,853,317 and ₱233,422,550 as at December 31, 2014 and 2013, respectively.

Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments:

| | 2014 | | 2013 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱42,808,622 | ₱42,808,622 | ₱21,029,901 | ₱21,029,901 |
| Receivables* | 20,895,389 | 20,609,225 | 3,033 | 3,033 |
| FVPL - Investments held for trading | 70,471,867 | 70,471,867 | 138,411,121 | 138,411,121 |
| | ₱134,175,878 | ₱133,889,714 | ₱159,444,055 | ₱159,444,055 |
| Financial Liabilities | | | | |
| Other financial liabilities - | | | | |
| Accounts payable and other current liabilities** | ₱577,999 | ₱577,999 | ₱570,534 | ₱570,534 |

* Includes noncurrent receivable from a third party with a carrying value and fair value of ₱20,000,000 and ₱19,713,836, respectively.

** Excluding statutory payables amounting to ₱110,637 and ₱186,846 as at December 31, 2014 and 2013, respectively.

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables). Due to the short-term nature of these balances, the fair values approximate the carrying values at balance sheet date.

Receivables from a Third Party. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. The Company used a discount rate of 4.04% in 2014.

Investments Held for Trading. Net asset value per unit has been used to determine the fair values of investments held for trading.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.



As at December 31, 2014, the fair value measurement of the Company's investments held for trading is categorized as Level 2. The Company has no financial instruments measured at fair value using the Level 1 and Level 3 hierarchy. Also, there were no transfers between Level 1 and Level 2 fair value measurements.

Offsetting of Financial Instruments

There were no offsetting of financial instruments for the years ended December 31, 2014 and 2013.

15. Segment Information

The Company has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment. As at February 23, 2015, the Company has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱220,541,953 and ₱234,180,250, as at December 31, 2014 and 2013, respectively, are the same as that reported elsewhere in the consolidated financial statements.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Trans-Asia Petroleum Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Trans-Asia Petroleum Corporation and its subsidiary, as at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, and have issued our report thereon dated February 23, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751303, January 5, 2015, Makati City

February 23, 2015



**TRANS-ASIA PETROLEUM CORPORATION
AND A SUBSIDIARY
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AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7**

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| D. Intangible Assets - Other Assets | Attachment V |
| E. Long-Term Debt | Attachment V |
| F. Indebtedness to Related Parties (Long-Term Loans from Related Companies) | Attachment V |
| G. Guarantees of Securities of Other Issuers | Attachment V |
| H. Capital Stock | Attachment V |
| Schedule of Retained Earnings Available for Dividend Declaration | Attachment I |
| Financial Soundness Indicators | Attachment II |
| Map of Relationships of the Companies within the Group | Attachment II |
| Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2014 | |

**These schedules are either not required, not applicable or the information required to be presented is included in the Company’s consolidated financial statements or notes to consolidated financial statements.*

**TRANS-ASIA PETROLEUM CORPORATION
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)**

A. List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2014

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|-------------------|--------------------|-----------------------|
| Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics | | | | |
| PFRSs Practice Statement Management Commentary | | | | |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | X | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | X | | X |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | X |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | X |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | X |
| | Amendments to PFRS 1: Government Loans | | | X |
| | Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs' | X | | X |
| PFRS 2 | Share-based Payment | X | | X |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | X | | X |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | X | | X |
| | Amendments to PFRS 2: Share-based Payment - Definition of Vesting Condition* | Not Early Adopted | | |
| PFRS 3 (Revised) | Business Combinations | X | | |
| | Business Combinations - Accounting for Contingent Consideration in a Business Combination* | Not Early Adopted | | |
| | Business Combinations - Scope Exceptions for Joint Arrangements* | Not Early Adopted | | |
| PFRS 4 | Insurance Contracts | X | | X |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | X | | X |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|-------------------|--------------------|-----------------------|
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | X | | X |
| | Amendments to PFRS 5: Changes in Methods of Disposal* | Not Early Adopted | | |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | X | | |
| PFRS 7 | Financial Instruments: Disclosures | X | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | X | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | X | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | X | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | X | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | X | | X |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | X | | |
| | Amendments to PFRS 7: Disclosures - Servicing Contracts* | Not Early Adopted | | |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* | Not Early Adopted | | |
| PFRS 8 | Operating Segments | X | | |
| | Amendments to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* | Not Early Adopted | | |
| PFRS 9 | Financial Instruments* | Not Early Adopted | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | Not Early Adopted | | |
| PFRS 10 | Consolidated Financial Statements | X | | |
| | Amendments to PFRS 10: Investment Entities | X | | X |
| | Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Not Early Adopted | | |
| PFRS 11 | Joint Arrangements | X | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* | Not Early Adopted | | |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|--|--|-------------------|--------------------|-----------------------|
| PFRS 12 | Disclosure of Interests in Other Entities | X | | |
| | Amendments to PFRS 12: Investment Entities | X | | X |
| PFRS 13 | Fair Value Measurement | X | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | X | | |
| | Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception* | Not Early Adopted | | |
| PFRS 14 | Regulatory Deferral Accounts* | Not Early Adopted | | |
| PFRS 15 | Revenue from Contracts with Customers* | Not Early Adopted | | |
| Philippine Accounting Standards (PAS) | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | X | | |
| | Amendment to PAS 1: Capital Disclosures | X | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | X | | X |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | 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 11 | Construction Contracts | X | | X |
| PAS 12 | Income Taxes | X | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | X | | |
| PAS 16 | Property, Plant and Equipment | X | | |
| | Amendment to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* | Not Early Adopted | | |
| | Amendment to PAS 16: Agriculture - Bearer Plants* | Not Early Adopted | | |
| PAS 17 | Leases | X | | |
| PAS 18 | Revenue | X | | |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|--|-------------------|--------------------|-----------------------|
| PAS 19 (Revised) | Employee Benefits | X | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | X | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions* | Not Early Adopted | | |
| | Amendments to PAS 19: Regional Market Issue Regarding Discount Rate* | Not Early Adopted | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | X |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | X | | |
| | Amendment: Net Investment in a Foreign Operation | | | X |
| PAS 23 (Revised) | Borrowing Costs | X | | X |
| PAS 24 (Revised) | Related Party Disclosures | X | | |
| | Amendments to PAS 24: Key Management Personnel* | Not Early Adopted | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | X |
| PAS 27 (Amended) | Separate Financial Statements | X | | |
| | Amendments to PAS 27: Investment Entities | X | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements* | Not Early Adopted | | |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | X | | X |
| | Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Not Early Adopted | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | X |
| PAS 31 | Interests in Joint Ventures | X | | |
| PAS 32 | Financial Instruments: Disclosure and Presentation | X | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | X | | X |
| | Amendment to PAS 32: Classification of Rights Issues | X | | X |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | X | | |
| PAS 33 | Earnings per Share | X | | |
| PAS 34 | Interim Financial Reporting | X | | |
| | Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report' | Not Early Adopted | | |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|-------------------|--------------------|-----------------------|
| PAS 36 | Impairment of Assets | X | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | X | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | X | | |
| PAS 38 | Intangible Assets | X | | |
| | Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization* | Not Early Adopted | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | X | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | X | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | X | | X |
| | Amendments to PAS 39: The Fair Value Option | X | | X |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | X | | X |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | X | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | X | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | X | | X |
| | Amendment to PAS 39: Eligible Hedged Items | X | | X |
| | Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting | X | | X |
| PAS 40 | Investment Property | X | | |
| | Amendment to PAS 40* | Not Early Adopted | | |
| PAS 41 | Agriculture | | | X |
| | Amendment to PAS 41: Agriculture - Bearer Plants* | Not Early Adopted | | |
| Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | X | | X |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | X |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | X | | X |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | X | | X |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|--|---|-------------------|--------------------|-----------------------|
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | X | | X |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | X |
| IFRIC 8 | Scope of PFRS 2 | X | | X |
| IFRIC 9 | Reassessment of Embedded Derivatives | X | | X |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | X | | X |
| IFRIC 10 | Interim Financial Reporting and Impairment | X | | |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | X | | X |
| IFRIC 12 | Service Concession Arrangements | X | | X |
| IFRIC 13 | Customer Loyalty Programmes | X | | X |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | X | | X |
| | Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement | X | | X |
| IFRIC 15 | Agreements for the Construction of Real Estate* | Not Early Adopted | | |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | X | | X |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | X | | |
| IFRIC 18 | Transfers of Assets from Customers | X | | X |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | X | | X |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | X | | X |
| IFRIC 21 | Levies | X | | |
| SIC-7 | Introduction of the Euro | X | | X |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | X | | X |
| SIC-12 | Consolidation - Special Purpose Entities | X | | X |
| | Amendment to SIC - 12: Scope of SIC 12 | X | | X |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | X | | X |
| SIC-15 | Operating Leases - Incentives | X | | X |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | X | | X |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | X | | X |
| SIC-29 | Service Concession Arrangements: Disclosures | X | | X |

*Standards and interpretations which will become effective subsequent to December 31, 2014.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|--|----------------|--------------------|-----------------------|
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | X | | X |
| SIC-32 | Intangible Assets - Web Site Costs | X | | X |

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

TRANS-ASIA PETROLEUM CORPORATION
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2014

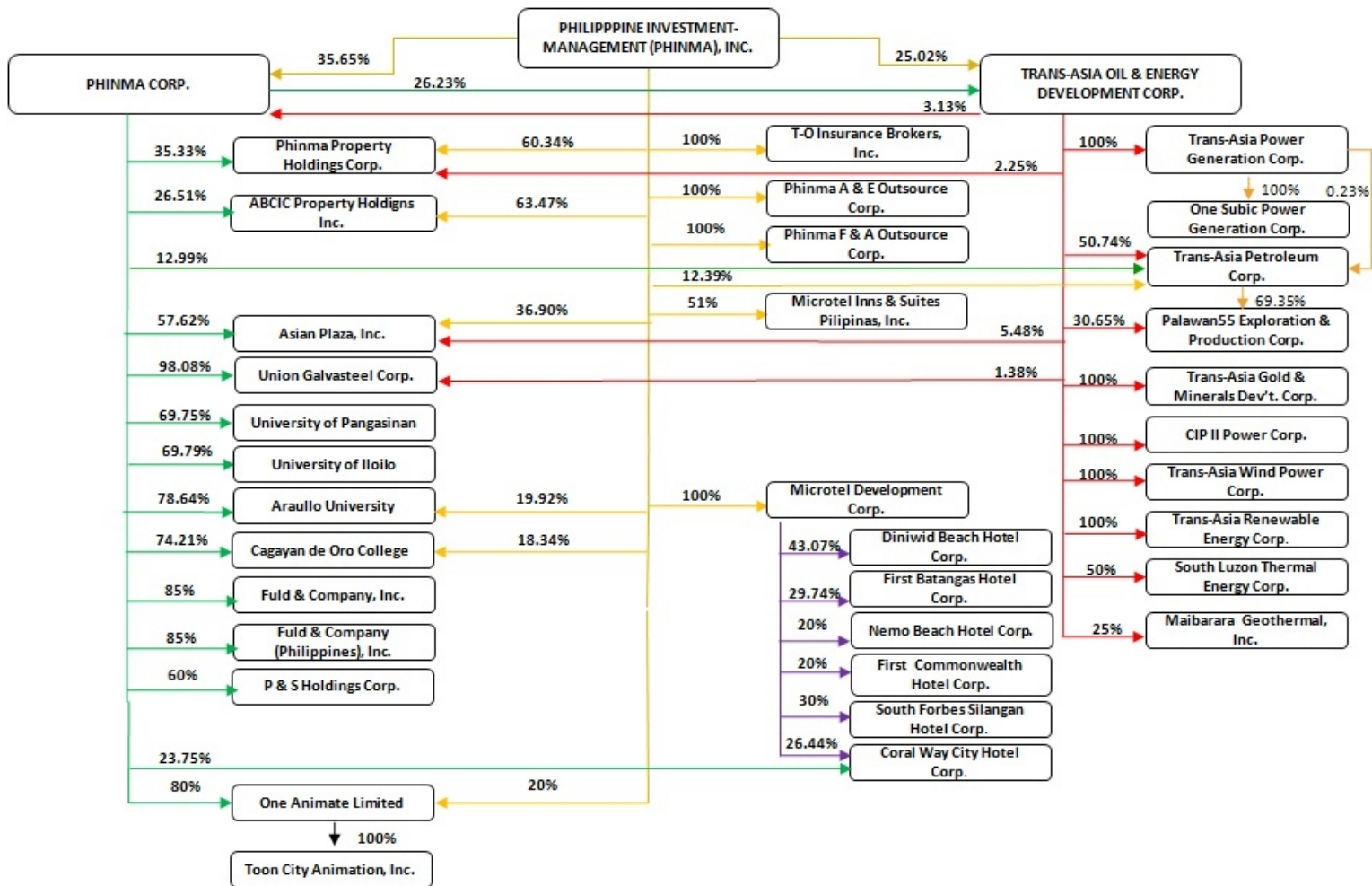
| | Amount |
|---|----------------------|
| Deficit, beginning | (₱18,106,580) |
| Add: Net loss for the year based on the face of Audited Financial Statements | (13,398,188) |
| Unrealized fair value gains on change in fair value of FVPL | 734,986 |
| Increase in deferred income tax asset | 1,270 |
| Deficit, end | (₱30,768,512) |

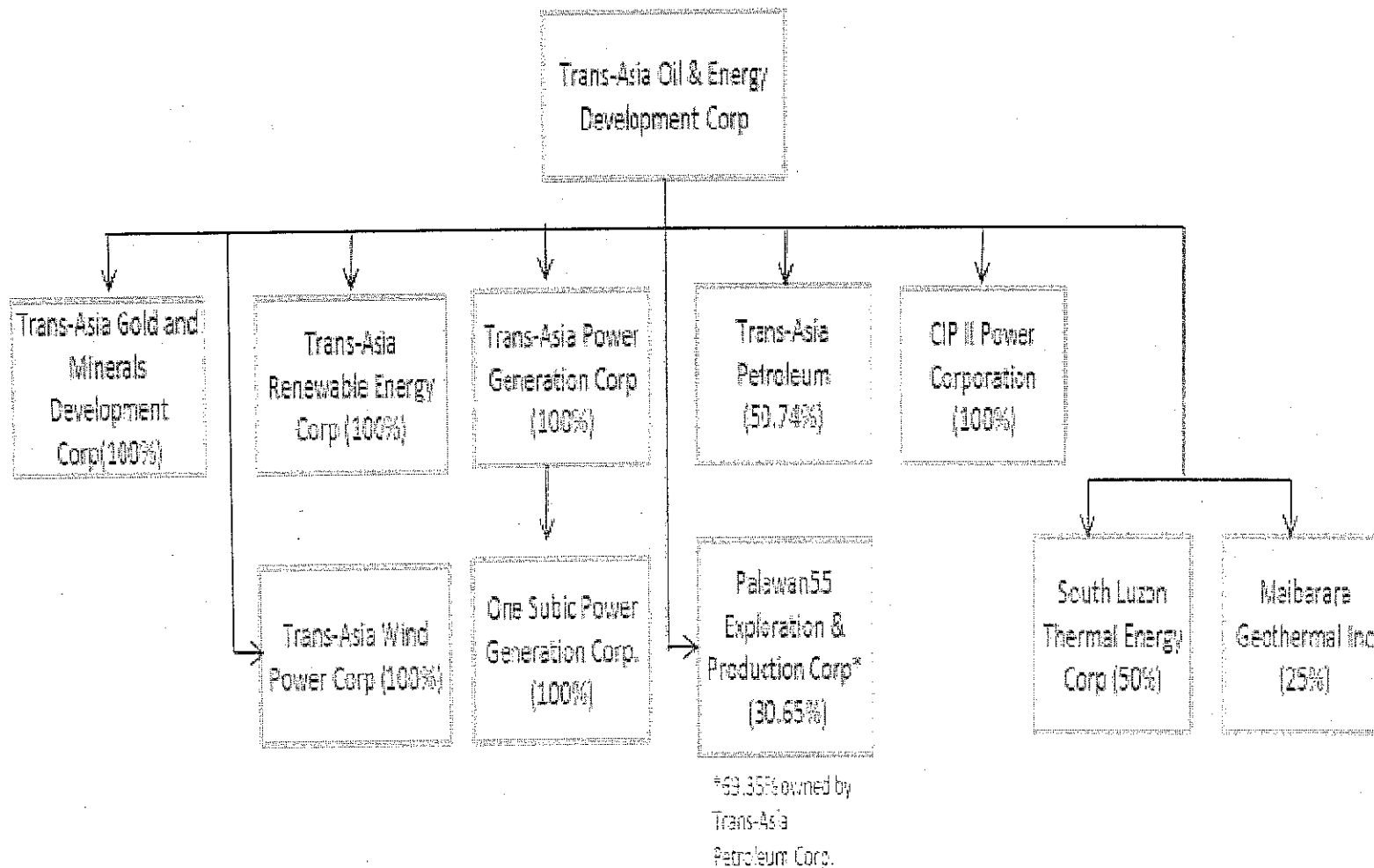
ATTACHMENT II

Page 1 of 1

**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)**

**Conglomerate Map
As of December 31, 2014**





Map of relationships of the Companies within the Group

As of December 31, 2014

ATTACHMENT III

Page 1 of 2

**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)**

Financial Soundness Indicators

| Financial Ratios | Formula | December 31, 2014 | December 31, 2013 | December 31, 2012 |
|-----------------------------|--|------------------------------|------------------------------|------------------------------|
| <u>Liquidity Ratios</u> | | | | |
| a) Current Ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 165.80 | 210.52 | 3,719.45 |
| b) Acid test ratio | $\frac{\text{Cash + Short-term investments +Accounts Receivables +Other liquid assets}}{\text{Current liabilities}}$ | 165.80 | 210.52 | 3,719.45 |
| <u>Solvency Ratios</u> | | | | |
| c) Debt-to-equity ratio | $\frac{\text{Total Liabilities}}{\text{Total Equity}}$ | - | - | - |
| d) Asset-to-equity ratio | $\frac{\text{Total Assets}}{\text{Total Equity}}$ | 1.00 | 1.00 | 1.00 |
| e) Interest coverage ratio | $\frac{\text{Earnings before interest \& tax(EBIT)}}{\text{Interest expense}}$ | N/A | N/A | N/A |
| f) Net debt-to-equity ratio | $\frac{\text{Debt - cash and cash equivalents}}{\text{Total equity}}$ | N/A | N/A | N/A |
| <u>Profitability Ratios</u> | | | | |
| g) Return on equity | $\frac{\text{Net income after tax}}{\text{Average stockholders' equity}}$ | -5.99% | -5.71% | -2.46% |
| h) Return on assets | $\frac{\text{Net income before taxes}}{\text{Total assets}}$ | -6.18% | -5.69% | -1.23% |
| i) Asset turnover | $\frac{\text{Revenues}}{\text{Total assets}}$ | N/A | N/A | N/A |

ATTACHMENT III

Page 2 of 2

Current ratio and Acid test ratio

Current ratio and acid test ratio significantly decreased from 210.52 in December 31, 2013 to 165.80 in December 31, 2014, due to decrease in current assets.

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 from December 31, 2014, 2013 and 2012 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. Capital infusion in 2012 significantly increased return on equity and return on assets.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations yet as at February 23, 2015.

ATTACHMENT V

Page 1 of 3

**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY
Supplementary Schedules Required by Paragraph 6D, Part II
Under SRC Rule 68, As Amended (2011)**

Schedule A. Financial Assets

| 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 quotation at end of reporting period | Realized gain received and Unrealized loss accrued |
|---|---|-----------------------------------|--|--|
| Financial Assets at Fair Value through Profit or Loss (FVPL) | ₱70,471,867 | ₱70,471,867 | ₱70,471,867 | ₱734,986 |
| Available-for-sale (AFS) Financial Assets | Not Applicable. The Company does not have any Available-for-sale Financial Assets as at December 31, 2014. | | | |
| Held-to-Maturity (HTM) investments | Not Applicable. The Company does not have any Held-to Maturity (HTM) Investments as at December 31, 2014. | | | |

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

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of period |
|--|--------------------------------|-----------|-------------------|---------------------|---------|------------|--------------------------|
| Not Applicable. The Company does not have any receivable from directors, related parties and principal stockholders | | | | | | | |

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of period |
|--|--------------------------------|-----------|-------------------|---------------------|---------|------------|--------------------------|
| Not Applicable. The Company has no eliminating entries relating to amounts receivable from related parties as at December 31, 2014. | | | | | | | |

ATTACHMENT V

Page 2 of 3

Schedule D. Intangible Assets – Other Assets

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other charges additions (deductions) | Ending balance |
|----------------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Deferred exploration costs | ₱74,736,195 | ₱12,118,025 | ₱– | ₱– | (₱887,102) | ₱85,967,118 |

Schedule E. Long-Term Debt

| 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 rates, amount or number of periodic installments, and maturity dates |
|---|--------------------------------|---|--|---|
| Not Applicable. The Company has no long-term debt as at December 31, 2014. | | | | |

Schedule F. Indebtedness to Related Parties (Long-term loans from Related Companies)

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|--------------------------------|--------------------------|
| Not Applicable. The Company has no liabilities to related parties as at December 31, 2014. | | |

Schedule G. Guarantees of Securities of Other Issuers

| Name of issuing entity of securities guaranteed by the Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|--|---|---|---|---------------------|
| Not Applicable. The Company has not issued any guarantees as at December 31, 2014. | | | | |

ATTACHMENT V

Page 3 of 3

Schedule H. **Capital Stock**

| Title of Issue | Number of shares authorized | Number of shares issued and outstanding as shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|-----------------------|------------------------------------|---|---|---|--|---------------|
| Common | 1,000,000,000 | 250,000,000 | - | 193,597,065 | 1,388,362 | 55,014,573 |

EXHIBIT C

Trans-Asia Petroleum Corporation
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

Parent Financial Statements

December 31, 2014 and 2013
And Years Ended December 31, 2014, 2013 and 2012



TRANS-ASIA
PETROLEUM

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

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

The management of Trans-Asia Petroleum Corporation (the "Company") is responsible for the preparation and fair presentation of the parent company balance sheets as of December 31, 2014 and December 31, 2013 and the related parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the parent company financial statements and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2014 and 2013, has examined the parent company financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such examination.

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

FRANCISCO L. VIRAY
President & Chief Executive Officer

PYTHAGORAS L. BRION, JR.
Executive Vice President-Treasurer

Signed this 23rd day of February 2015

HELP EARTH
Harnessing Energy Literacy for Planet EARTH



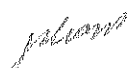
(Page 2 of Statement of Management's
Responsibility for Financial Statements)

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

MAR 09 2015

SUBSCRIBED AND SWORN to before me this _____ affiant(s)
exhibiting to me their Passport and Driver's License, as follows:

| Name | Passport No. | Date of Issue | Place of Issue |
|---------------------------|--------------|-----------------|----------------|
| Ramon R. Del Rosario, Jr. | EB9971711 | 13 January 2014 | Manila |
| Francisco L. Viray | EB0308400 | 2 June 2010 | Manila |
| Pythagoras L. Brion, Jr. | EB6637129 | 24 October 2012 | Manila |


JOEL S. LLANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
11/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 4760172; 1/9/15; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER

Doc. No. 300
Page No. 72
Book No. /
Series of 2015.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| A | S | O | 9 | 4 | - | 8 | 8 | 1 | 1 |
|---|---|---|---|---|---|---|---|---|---|

Company Name

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| T | R | A | N | S | - | A | S | I | A | P | E | T | R | O | L | E | U | M | C | O | R | P | O | R | A | T | I |
| O | N | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Principal Office (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|--|
| 1 | 1 | T | H | F | L | O | O | R | , | 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 | | | | | | | | | | | | | | | | | | | |
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Form Type

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| A | A | F | S |
|---|---|---|---|

Department requiring the report

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Secondary License Type, if Applicable

| | | | |
|--|--|--|--|
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|--|--|--|--|

COMPANY INFORMATION

Company's Email Address

| |
|--|
| www.transasia-energy.com |
|--|

Company's Telephone Number/s

| |
|----------|
| 8700-100 |
|----------|

Mobile Number

| |
|--|
| |
|--|

No. of Stockholders

| |
|-------|
| 3,030 |
|-------|

Annual Meeting
Month/Day

| |
|-------|
| 04/23 |
|-------|

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

| |
|---|
| 11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City |
|---|

Note: 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.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Trans-Asia Petroleum Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Trans-Asia Petroleum Corporation, a subsidiary of Trans-Asia Oil and Energy Development Corporation, which comprise the parent company balance sheets as at December 31, 2014 and 2013, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Trans-Asia Petroleum Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 14 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Trans-Asia Petroleum Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

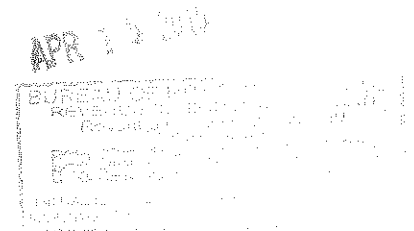
Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751303, January 5, 2015, Makati City

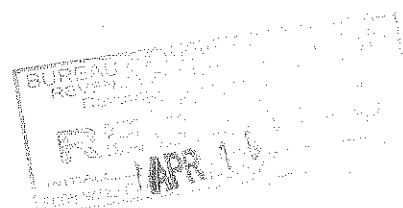
February 23, 2015



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
PARENT COMPANY BALANCE SHEETS

| | December 31 | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current Assets | | |
| Cash in banks | ₱40,249,797 | ₱18,208,807 |
| Investments held for trading (Note 4) | 70,471,867 | 138,411,121 |
| Receivables (Note 7) | 891,639 | 2,700 |
| Total Current Assets | 111,613,303 | 156,622,628 |
| Noncurrent Assets | | |
| Receivable from a third party (Note 7) | 20,000,000 | - |
| Property and equipment (Note 5) | 330,084 | - |
| Investment in a subsidiary (Note 6) | 6,935,103 | 6,935,103 |
| Deferred exploration costs (Note 7) | 80,253,908 | 69,022,985 |
| Deferred income tax asset (Note 11) | 1,270 | - |
| Total Noncurrent Assets | 107,520,365 | 75,958,088 |
| TOTAL ASSETS | ₱219,133,668 | ₱232,580,716 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities (Note 8) | ₱638,436 | ₱687,296 |
| Income tax payable (Note 11) | 21 | - |
| | 638,457 | 687,296 |
| Equity | | |
| Capital stock (Note 10) | 250,000,000 | 250,000,000 |
| Deficit | (31,504,789) | (18,106,580) |
| Total Equity | 218,495,211 | 231,893,420 |
| TOTAL LIABILITIES AND EQUITY | ₱219,133,668 | ₱232,580,716 |

See accompanying Notes to Parent Company Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
PARENT COMPANY STATEMENTS OF INCOME

| | Years Ended December 31 | |
|---|--------------------------------|--------------------|
| | 2014 | 2013 |
| INTEREST INCOME | ₱119,111 | ₱783,666 |
| EXPENSES | | |
| Management and professional fees (Note 9) | 6,767,430 | 4,822,040 |
| Employee cost (Note 9) | 4,510,033 | 2,058,947 |
| Filing and registration fees | 1,943,221 | 923,563 |
| Supplies | 553,350 | 34,986 |
| Meetings | 194,122 | 5,068 |
| Transportation | 148,924 | 9,059 |
| Taxes and licenses | 10,353 | 50,823 |
| Depreciation (Note 5) | 9,431 | — |
| Insurance (Note 9) | 1,008 | 1,122 |
| Others | 110,122 | 9,154 |
| | 14,247,994 | 7,914,762 |
| OTHER INCOME (CHARGES) | | |
| Gains (losses) on changes in fair value of investments held for trading - net (Note 4) | 734,986 | (4,740,323) |
| Foreign exchange gains (losses) | (5,561) | 1,068 |
| | 729,425 | (4,739,255) |
| LOSS BEFORE INCOME TAX | 13,399,458 | 11,870,351 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 11) | | |
| Current | 21 | — |
| Deferred | (1,270) | — |
| | (1,249) | — |
| NET LOSS | ₱13,398,209 | ₱11,870,351 |

See accompanying Notes to Parent Company Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|-----------------------------------|--------------------------------|--------------------|
| | 2014 | 2013 |
| NET LOSS | ₱13,398,209 | ₱11,870,351 |
| OTHER COMPREHENSIVE INCOME | — | — |
| TOTAL COMPREHENSIVE LOSS | ₱13,398,209 | ₱11,870,351 |

See accompanying Notes to Parent Company Financial Statements.

APR 10 2015



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | Capital Stock (Note 10) | Deficit | Total |
|--------------------------------------|----------------------------|----------------------|---------------------|
| BALANCES AT JANUARY 1, 2014 | ₱250,000,000 | (₱18,106,580) | ₱231,893,420 |
| Net loss for the year | – | (13,398,209) | (13,398,209) |
| BALANCES AT DECEMBER 31, 2014 | ₱250,000,000 | (31,504,789) | ₱218,495,211 |
| BALANCES AT JANUARY 1, 2013 | ₱250,000,000 | (₱6,236,229) | ₱243,763,771 |
| Net loss for the year | – | (11,870,351) | (11,870,351) |
| BALANCES AT DECEMBER 31, 2013 | ₱250,000,000 | (₱18,106,580) | ₱231,893,420 |

See accompanying Notes to Parent Company Financial Statements.

APR 1 2015



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|--------------------------------|----------------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (₱13,399,458) | (₱11,870,351) |
| Adjustments for: | | |
| Net unrealized losses (gains) on changes in fair value of investments held for trading (Note 4) | (2,060,746) | 1,494,431 |
| Interest income | (119,111) | (783,666) |
| Depreciation (Note 5) | 9,431 | - |
| Unrealized foreign exchange losses (gains) | 4,234 | (1,068) |
| Operating loss before working capital changes | (15,565,650) | (11,160,654) |
| Decrease (increase) in: | | |
| Receivables | 2,700 | (2,700) |
| Advances to a related party | - | 7,980,683 |
| Increase (decrease) in accounts payable and other current liabilities | (388,376) | 687,296 |
| Interest income received | 119,111 | 783,666 |
| Net cash flows used in operating activities | (15,832,215) | (1,711,709) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from redemption of investments held for trading | 117,650,000 | - |
| Advances to a third party (Note 7) | (20,000,000) | - |
| Additions to: | | |
| Investments held for trading | (47,650,000) | (139,905,552) |
| Deferred exploration costs | (12,118,025) | (2,517,297) |
| Net cash flows from (used in) investing activities | 37,881,975 | (142,422,849) |
| NET INCREASE (DECREASE) IN CASH IN BANKS | 22,049,760 | (144,134,558) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH IN BANKS | (8,770) | 1,068 |
| CASH IN BANKS AT BEGINNING OF YEAR | 18,208,807 | 162,342,297 |
| CASH IN BANKS AT END OF YEAR | ₱40,249,797 | ₱18,208,807 |
| NONCASH ACTIVITIES | | |
| Cash call refund not yet received | ₱887,102 | ₱- |
| Acquisition of property and equipment on account | (339,515) | - |

See accompanying Notes to Parent Company Financial Statements.



TRANS-ASIA PETROLEUM CORPORATION
(A Subsidiary of Trans-Asia Oil and Energy Development Corporation)
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Trans-Asia Petroleum Corporation (the Company) was incorporated on September 28, 1994 in the Philippines to engage in oil and gas exploration, development and production.

The Company is 50.74% owned by Trans-Asia Oil and Energy Development Corporation (TA Oil). The ultimate parent company is Philippine Investment Management, Inc. (PHINMA). TA Oil and PHINMA are both incorporated and domiciled in the Philippines. The Company has not started commercial operations yet as at February 23, 2015.

On August 28, 2012, the stockholders approved the amendment in the Articles of Incorporation changing the name of the Company from Trans-Asia (Karang Besar) Petroleum Corporation to Trans-Asia Petroleum Corporation. The amendment was approved by the Philippine Securities and Exchange Commission (SEC) on November 28, 2012.

On July 22, 2013, TA Oil declared as property dividends its investments in TA Petroleum. TA Oil distributed the property dividends on August 20, 2014, which reduced TA Oil's effective interest in TA Petroleum from 100% to 50.97%.

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

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

The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on February 23, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The accompanying parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) using the historical cost basis, except for investments held for trading, which are measured at fair value through profit or loss (FVPL). The parent company financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and all values are rounded to the nearest Peso except when otherwise stated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS that became effective during the year. The adoption of the new standards and amendments as at January 1, 2014 did not have a material effect on the accounting policies, financial position or performance of the Company.

- Philippine Accounting Standard (PAS) 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)



- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

Improvements to PFRSs

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have an impact on the Company's parent company financial statements. These include:

- Annual improvements to PFRSs 2010 – 2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011 – 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its parent company financial statements.

Effective in 2015

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of



PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The accounting, management, administrative, technical and ancillary process of the Company are being handled by the personnel of TA Oil. No post-employment benefits and other long-term benefits have been incurred for the years ended December 31, 2014 and 2013. Thus, the above revision does not have an impact on the Company's financial position or performance.

Effective after 2015

- PAS 16, *Property and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 16, *Property and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not applicable to the Company.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS



electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard is not applicable to the Company.

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosures*, and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on



the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company will not adopt the standard before the completion of the limited amendments.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's parent company financial statements.

- Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently



measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- PAS 16, *Property and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.



- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.



There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final



Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation is not applicable to the Company.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Cash and Cash Equivalents

Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Fair Value Measurement

The Company measures financial instruments at fair value at the end of reporting period.

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

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

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

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

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

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



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

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

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Financial Instruments

Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

The Company recognizes a financial asset or a financial liability in the parent company balance sheet when it becomes a party to the contractual provisions of the instruments.

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

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

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



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

Financial instruments are classified as either financial asset or financial liability at FVPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets or other financial liabilities. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, reevaluates this designation at every balance sheet date.

As at December 31, 2014 and 2013, the Company's financial instruments consist of cash in banks, investments held for trading, receivables and accounts payable and other current liabilities (excluding statutory payables) (see Notes 4, 7 and 8).

Financial Assets Held for Trading. These financial instruments are recorded in the parent company balance sheet at fair value. A financial asset is classified under this category when any of the following criteria is met:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Changes in fair value relating to the held for trading positions are recognized in profit or loss as net unrealized gains or losses on changes in fair value of investments held for trading.

As at December 31, 2014 and 2013, the Company's investments in unit investment trust fund (UITFs) are classified as financial assets held for trading (see Note 4).

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company's cash in banks and receivables.

Other Financial Liabilities. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.



Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's other financial liabilities as at December 31, 2014 and 2013 include accounts payable and other current liabilities (excluding statutory payables) (see Note 8).

Impairment of Financial Assets

The Company assesses, at each balance sheet 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.

Assets carried at amortized cost

If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income.

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

For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectibility of financial assets considering the creditors' capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.



Derecognition of Financial Instruments

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or, (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or, (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet when there is a currently legal right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, and borrowing costs incurred during the construction period (where applicable) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|----------------------|-----------|
| Office equipment | 3-5 years |
| Miscellaneous assets | 3-5 years |



The useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment 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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

Investment in a Subsidiary

A subsidiary is an entity in which the Company has control. The Company's investment in its subsidiary is carried at cost less accumulated impairment losses. Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary.

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

An investor controls an investee when it 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.

Thus, an investor controls an investee if and only if the investor has all the following:

- power over 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 the amount of the investor's returns.

Impairment of Investment in a Subsidiary and Property and Equipment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

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



such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following assets have specific characteristics for impairment testing:

Investment in a subsidiary. The Company determines at the end of each reporting period whether there is any objective evidence that the investment in a subsidiary is impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and its carrying amount. The amount of impairment loss is recognized in the parent company statement of income.

Property and equipment. For property and equipment, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) area. Under this method, all exploration costs relating to each SC are tentatively deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided for with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Deferred Exploration Costs

The Company assesses at each balance sheet date whether the following impairment indicators exist:

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

If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of



an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Interest in Joint Arrangements

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

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement.

The Company's SCs are all under exploration stage, thus, the Company recognizes its share of the related exploration expenses as it is billed through cash calls.

Capital Stock

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

Subscription Receivable

Subscription receivable represents the amount receivable from stock subscriptions.

Deficit

Deficit represents the cumulative balance of net loss.

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the revenue can be measured reliably. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses

Expenses are recognized when incurred.



Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where 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 income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) 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 can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to 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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

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

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.



Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Non-financial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-financial items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's financial position at the balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The accompanying parent company financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the parent company financial statements and related notes. In preparing the parent company financial statements, management has made its best estimate and judgment of certain amounts, giving due consideration to materiality.

The estimates and judgments used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from such estimates.

Judgments

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determining and Classifying a Joint Arrangement. Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle



- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
 - a) The legal form of the separate vehicle
 - b) The terms of the contractual arrangement
 - c) 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, 2014 and 2013, the Company's SCs are joint arrangement in the form of a joint operation.

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. 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 uneconomic.

The Company has not recognized any impairment loss on its deferred exploration costs. The carrying value of deferred exploration costs amounted to ₱80,253,908 and ₱69,022,985 as at December 31, 2014 and 2013, respectively (see Note 7).

Realizability of Deferred Income Tax Asset. The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

As at December 31, 2014, the Company recognized deferred income tax asset amounting to ₱1,270. Unrecognized deferred income tax asset as at December 31, 2014 and 2013 amounted to ₱7,611,788 and ₱3,348,316 respectively (see Note 11).

Impairment of Investment in a Subsidiary. The carrying value of the investment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. No impairment loss was deemed necessary in 2014 and 2013. The carrying value of the investment in a subsidiary as at December 31, 2014 and 2013 amounted to ₱6,935,103 (see Note 6).

Determination of Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial instruments are to be carried at fair value, which requires the use of accounting judgments and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial instruments would directly affect the parent company statement of comprehensive income and statement of changes in equity.

Total fair values of financial assets amounted to ₱131,327,139 and ₱156,622,628 as at December 31, 2014 and 2013, respectively; while total fair values of financial liabilities amounted to ₱530,999 and ₱520,534 as at December 31, 2014 and 2013 respectively (see Note 12).



4. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱70,471,867 and ₱138,411,121 as at December 31, 2014 and 2013 respectively. The Company's net gain on changes in fair value of investments held for trading in 2014 amounted to ₱734,986 (includes unrealized gains of ₱2,060,746) while net loss of ₱4,740,323 (includes unrealized losses of ₱1,494,431) in 2013.

5. Property and Equipment

The details and movement of this account are shown below:

| | Office Equipment | Miscellaneous Assets | Total |
|-------------------------------|---------------------|-------------------------|-----------------|
| Cost | ₱245,000 | ₱94,515 | ₱339,515 |
| Less accumulated depreciation | 6,806 | 2,625 | 9,431 |
| | ₱238,194 | ₱91,890 | ₱330,084 |

6. Investment in a Subsidiary

In 2012, the Company subscribed to 69.35% of the outstanding shares of stock of Palawan55 Exploration & Production Corporation (Palawan55), a company incorporated on November 16, 2012 in the Philippines and is also 30.65%-owned by TA Oil. Palawan55 is a corporation organized to engage in oil and gas exploration and production. As at December 31, 2014, Palawan55 has not started yet its commercial operations and has net assets of ₱8,293,189.

7. Deferred Exploration Costs

The Company and TA Oil executed Deeds of Assignment on December 21, 2012 transferring TA Oil's participating interests in the below SCs to the Company and the corresponding deferred exploration costs incurred.

On April 23, 2013, the Philippine Department of Energy (DOE) approved the assignment of the SCs to the Company.

Details of deferred exploration costs are as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| SC 51/Geophysical Survey and Exploration Contract (GSEC) 93 (East Visayas) | ₱32,665,864 | ₱32,665,864 |
| SC 69 (Camotes Sea) | 15,085,259 | 15,972,361 |
| SC 6 (Northwest Palawan): | | |
| Block A | 18,804,924 | 18,804,924 |
| Block B | 1,978,775 | 1,579,836 |
| SC 50 (Northwest Palawan) | 11,719,086 | - |
| | ₱80,253,908 | ₱69,022,985 |



Below is the rollforward analysis of the deferred exploration cost as at December 31, 2014 and 2013:

| | 2014 | 2013 |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | ₱69,022,985 | ₱66,505,688 |
| Additions: | | |
| Farm-in agreement | 11,719,086 | – |
| Cash calls | 398,939 | 2,517,297 |
| Cash call refund | (887,102) | – |
| Balance at end of year | ₱80,253,908 | ₱69,022,985 |

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with the 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.

As at December 31, 2014 and 2013, no impairment loss was recognized on the deferred exploration costs.

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, 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, 2014 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 last August 30, 2013 and is conducting post-well studies. This new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified the Company and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE 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.

As at February 23, 2015, the approval of the aforementioned transfer of interest and request for suspension of Sub-Phase 5 remains pending with the DOE.

The Company owns 6.67% participating interest in SC 51.

b. 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 the current Sub-Phase 2 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 the current Sub-Phase to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to the Company that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to the Company pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified the Company and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 last October 4, 2013. The Company and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which started on November 7, 2013. An additional extension of the contact term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.



Otto Philippines, the Company and Frontier Gasfields currently hold 79%, 6%, and 15% participating interests in SC 69, respectively. The earlier reassignment of Otto Philippines' 9% participating interests to the Company awaits DOE approval.

Upon DOE approval of the assignment of Otto Philippines' interests to the Company and Frontier Gasfields, the Company's participating interest in SC 69 will be adjusted from the current 6% to 50%.

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

c. SC 6 (Northwest Palawan)

Block A

Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

Partners 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 TA Oil 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. As at February 7, 2014, processing of the seismic data is on-going at a contractor's facility in Vietnam.

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 yearend. By yearend, 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.

Upon re-assignment of Pitkin's 70% participating interest, the Company's holdings shall revert from 2.334% to 7.78%.

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 TA Oil ("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, the Philodrill Corporation, 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 is formulating a work program the next five years of the extension period which starts 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. As at February 23, 2015, geophysical studies are ongoing.

The Company holds 2.334% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfilment 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 payment of training assistance, development assistance and scholarship funds to the DOE.

d. SC 50 (Northwest Palawan)

In 2013, the Company commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for the Company's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, the Company has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's forthcoming initial public offering.

On September 1, 2014, the Company made advances 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.

On October 16, 2014, the Parent Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

The assignment of 10% participating interest in SC 50 to the Parent is subject to the approval of the DOE. As at February 23, 2015, the DOE has not approved the assignment of participating interest.



8. Accounts Payable and Other Current Liabilities

Details of this account are as follows:

| | 2014 | 2013 |
|------------------------------|-----------------|----------|
| Accounts payable | ₱339,515 | ₱- |
| Accrued expenses: | | |
| Professional fees | 100,000 | 518,200 |
| Filing and registration fees | 26,400 | 1,000 |
| Withholding taxes | 107,437 | 166,762 |
| Others (see Note 9) | 65,084 | 1,334 |
| | ₱638,436 | ₱687,296 |

Accounts payable and other current liabilities are noninterest-bearing and are to be settled on a 30 to 60-day term.

9. 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, 2014 and 2013 with related parties are as follows:

| Company | As at and for the Year Ended December 31, 2014 | | | | |
|----------------------------------|--|-------------------|------------------------|------------------|-------------------------------|
| | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Ultimate Parent Company -</i> | | | | | |
| PHINMA | | | | | |
| Other payables | ₱806,400 | Management fees | ₱- | | |
| Other payables | 3,748 | Share in expenses | (3,748) | 30-60 day terms; | Unsecured noninterest-bearing |
| <i>Affiliates</i> | | | | | |
| TO Insurance, Inc. | | | | | |
| Other payables | 1,008 | Insurance expense | - | | |
| PHINMA Corporation | | | | | |
| Other payables | 30,800 | Employee cost | - | | |



| As at and for the Year Ended December 31, 2013 | | | | | |
|--|-------------------|-------------------|------------------------|-------|------------|
| Company | Amount/ Volume | Nature | Outstanding Balance | Terms | Conditions |
| <i>Intermediate Parent</i> | | | | | |
| <i>Company -</i> | | | | | |
| TA Oil | | | | | |
| Advances from a related party | ₱1,339,793 | Advances | ₱- | | |
| Other payables | 156,800 | Professional fees | - | | |
| <i>Ultimate Parent Company -</i> | | | | | |
| PHINMA | | | | | |
| Other payables | 806,400 | Management fees | - | | |

10. Capital Stock

Following are the details of the Company's capital stock:

| | Number of Shares | |
|---|----------------------|---------------|
| | 2014 | 2013 |
| Authorized capital stock - ₱1.00 par value | 1,000,000,000 | 1,000,000,000 |
| Subscribed, issued and outstanding - ₱1.00 par value: | | |
| Beginning | 250,000,000 | 250,000,000 |
| Issuance | - | - |
| Balance at end of year | 250,000,000 | 250,000,000 |

On April 22, 2013, the Company's BOD and stockholders voted to increase the par value of capital stock from ₱0.01 to ₱1.00 per share, which reduced the number of authorized capital stock from 100 billion to 1 billion and the issued and outstanding shares from 25 billion to 250 million. The increase in par value per share was approved by the SEC on June 3, 2013.

11. Income Taxes

- The Company's current income tax pertains to MCIT of ₱21 in 2014.
- The reconciliation of the Company's benefit from income tax using the statutory tax rate is as follows:

| | 2014 | 2013 |
|---|---------------------|--------------|
| Income tax at statutory rate | (₱4,019,837) | (₱3,561,105) |
| Tax effects of: | | |
| Increase in NOLCO for which no deferred income tax asset was recognized | 4,274,817 | 2,374,108 |
| Net unrealized gains (losses) changes in fair value of investments held for trading | (220,496) | 1,422,097 |
| Interest income subject to final tax | (35,733) | (235,100) |
| | (₱1,249) | ₱- |

The Company did not recognize deferred income tax asset on the unused NOLCO of ₱25,372,557 and ₱11,159,986 as at December 31, 2014, and 2013, respectively, and excess MCIT over RCIT of ₱21 as at December 31, 2014 because management believes that it is not



probable that sufficient future taxable income will be available to allow said deferred income tax asset to be utilized.

- c. The details of the Company's excess MCIT over RCIT and unused NOLCO follow:

| Year Incurred | Year of Expiration | MCIT | NOLCO |
|---------------|--------------------|------|-------------|
| 2012 | 2015 | ₱- | ₱3,209,542 |
| 2013 | 2016 | - | 7,914,762 |
| 2014 | 2017 | 21 | 14,248,253 |
| | | ₱21 | ₱25,372,557 |

NOLCO amounting to ₱36,750 and ₱36,208 expired in 2014 and 2013, respectively.

- d. The Company recognized deferred income tax asset of ₱1,270 as at December 31, 2014.

12. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, managed by the PHINMA Group Treasury, comprise cash in banks investments held for trading, receivables and accounts payable and other current liabilities (excluding statutory payables). The main purpose of the financial assets is to invest the Company's excess funds.

The main risks arising from the Company's financial instruments are credit risk, foreign currency risk, and market risk. The BOD reviews and approves policies for managing credit risk, foreign currency risk and market risk.

Credit Risk

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company has assessed the credit quality of cash in banks as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

The Company's receivables are categorized as high grade since this is transacted with an entity that is in good financial condition.

There are no significant concentrations of credit risk within the Company.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (revenue or expense is denominated in a different currency from the Company's functional currency).

The Company had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. As at December 31, 2014, the Company has receivables denominated in U.S. dollar amounting to \$19,984 or ₱891,639. Exchange rate used was ₱44.617 to \$1.00 in 2014.



Management has determined that the volume of foreign currency-denominated transactions is not significant to the Company and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.

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;
- Updates of the portfolio's local and foreign currency bonds' gains and losses are made as often as necessary;
- "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 Investment Committee or, in cases of high volatility, by the Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

The Company's exposure to market risk is minimal. The underlying financial instruments in the Company's investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013.

Capital includes all the items appearing in the equity section of the parent company balance sheets totaling ₱218,495,232 and ₱231,893,420 as at December 31, 2014 and 2013, respectively.



Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments:

| | December 31, 2014 | | December 31, 2013 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash in banks | ₱40,249,797 | ₱40,249,797 | ₱18,208,807 | ₱18,208,807 |
| Receivables* | 20,891,639 | 20,605,475 | 2,700 | 2,700 |
| FVPL – Investments held for trading | 70,471,867 | 70,471,867 | 138,411,121 | 138,411,121 |
| | ₱131,613,303 | ₱131,327,139 | ₱156,622,628 | ₱156,622,628 |
| Financial Liabilities | | | | |
| Other financial liabilities - | | | | |
| Accounts payable and other current liabilities** | ₱530,999 | ₱530,999 | ₱520,534 | ₱520,534 |

*Includes noncurrent receivable from a third party with a carrying value and fair value of ₱20,000,000 and ₱19,713,836, respectively.

**Excluding statutory payables amounting to ₱107,437 and ₱166,762 as at December 31, 2014 and 2013, respectively.

Cash in Banks, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables). Due to the short-term nature of these balances, the fair values approximate the carrying values at balance sheet date.

Receivables from a Third Party. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. The Company used a discount rate of 4.04% in 2014.

Investments Held for Trading. Net asset value per unit has been used to determine the fair values of investments held for trading.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2014, the fair value measurement of the Company's investments held for trading is categorized as Level 2. The Company has no financial instruments measured at fair value using the Level 1 and Level 3 hierarchy. Also, there were no transfers between Level 1 and Level 2 fair value measurements.

Offsetting of Financial Instruments

There were no offsetting of financial instruments for the years ended December 31, 2014 and 2013.



13. Segment Information

The Company has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment. As at February 23, 2015, the Company has not started commercial operations yet and has no revenue nor gross profit. The total assets of the segment of ₱219,133,668 and ₱232,580,716 as at December 31, 2014 and 2013, respectively, are the same as that reported elsewhere in the parent company financial statements.

14. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with RR No. 15-2010, following are information about the taxes paid or accrued by the Company during the taxable year:

a. Taxes and Licenses

The Company paid the following taxes and license fees:

| | |
|-----------------------------------|---------|
| Business permit fees and licenses | ₱9,853 |
| Registration fee | 500 |
| | <hr/> |
| | ₱10,353 |

b. Withholding Taxes

Details of withholding taxes are as follows:

| | Paid | Accrued |
|--|------------|----------|
| Withholding taxes on compensation and benefits | ₱1,202,179 | ₱91,383 |
| Expanded withholding taxes | 670,361 | 16,054 |
| | <hr/> | <hr/> |
| | ₱1,872,540 | ₱107,437 |

c. Value-Added Taxes (VAT)

The Company has no transaction subject to output VAT and has not recognized any input VAT from its purchases of goods or services for the year ended December 31, 2014.

d. Documentary Stamp Tax (DST)

The Company has not incurred DST on loans and other transactions in 2014.

e. Tax Assessment and Litigation

The Company has neither tax deficiency assessments nor tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies within and outside the Bureau of Internal Revenue as at December 31, 2014.



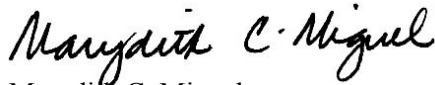
**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN**

The Stockholders and the Board of Directors
Trans-Asia Petroleum Corporation
11th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited the parent company financial statements of Trans-Asia Petroleum Corporation, a subsidiary of Trans-Asia Oil and Energy Development Corporation, as at and for the year ended December 31, 2014, on which we have rendered the attached report dated February 23, 2015.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751303, January 5, 2015, Makati City

February 23, 2015

