

# COVER SHEET

A 9 4 0 0 8 8 1 1

S.E.C. Registration Number

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

(Company's Full Name)

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

(Business Address No. Street City/Town/Province)

Alan T. Ascalon

(Contact Person)

8 7 0 - 0 1 0 0

(Company Telephone Number)

1 2    3 1  
 Month    Day  
 (Fiscal Year)

**SEC FORM 20-IS**

(Form Type)

0 4    1 0  
 Month    Day  
 (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

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 To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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Letter  
 (Form Type)

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STAMPS



**TRANS-ASIA**  
PETROLEUM

March 3, 2017

**Securities and Exchange Commission**

Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay, 1307

Attention: **Hon. Justina F. Callangan**  
*Director, Corporate Governance & Finance Department*



**Philippine Stock Exchange, Inc.**

3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Ms. Janet A. Encarnacion**  
*Head, Disclosure Department*

Gentlemen:

Please be informed that at today's Meeting, the Board of Directors of **Trans-Asia Petroleum Corporation** (the "Corporation") approved the inclusion of the following items in the Agenda of the Annual Shareholders Meeting on April 10, 2017:

1. Amendment of Articles of Incorporation
  - a. Corporate Name
  - b. Primary Purpose and Secondary Purpose
2. Amendment of By-Laws (Corporate Name)

Accordingly, the Corporation amended the *Agenda and Explanation of Each Item on the Agenda* previously disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. to include the aforementioned matters.

Attached is a copy of the revised *Notice and Explanation of Each Item on the Agenda*.

Very truly yours,

**ALAN T. ASCALON**  
*Assistant Corporate Secretary*

Trans-Asia Petroleum Corporation  
A Subsidiary of PHINMA Energy

11/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200  
Tel. (632) 870-0100 Fax. No. (632) 870-0433  
[www.phinmaenergy.com](http://www.phinmaenergy.com)



**TRANS-ASIA**  
PETROLEUM

## NOTICE OF ANNUAL SHAREHOLDERS MEETING

TO ALL SHAREHOLDERS:

Please be advised that at the annual meeting of the shareholders of **TRANS-ASIA PETROLEUM CORPORATION** will be held on **Monday, 10 April 2017**, at 10:30 in the morning at the Manila Peninsula Hotel, Makati City.

The Agenda of the Meeting is as follows:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management and Confirmation of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting
5. Amendment of Articles of Incorporation
  - a. Corporate Name
  - b. Primary Purpose and Secondary Purpose
6. Amendment of By-Laws (Corporate Name)
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

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

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is on March 20, 2017.

Very truly yours,

**ALAN T. ASCALON**

*Assistant Corporate Secretary*

Trans-Asia Petroleum Corporation  
A Subsidiary of PHINMA Energy

11/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200  
Tel. (632) 870-0100 Fax. No. (632) 870-0433  
[www.phinmaenergy.com](http://www.phinmaenergy.com)

**Annex "A"**

**TRANS-ASIA PETROLEUM CORPORATION**

**ANNUAL SHAREHOLDERS MEETING**

*10 April 2017, 10:30 a.m.*

**Explanation of Each Item on the Agenda**

1. Call to Order

The Chairman, Mr. Ramon R. del Rosario, Jr., will formally open the Annual Shareholders Meeting of Trans-Asia Petroleum Corporation (the "Corporation"). He will also state that shareholders will be given an opportunity to ask questions or raise their concerns regarding each item on the agenda.

2. Proof of Notice and Determination of Quorum

The Assistant Corporate Secretary, Atty. Alan T. Ascalon, will certify the date when the notice of meeting and information statement were sent to the shareholders of record as of March 20, 2017 and to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE).

Atty. Ascalon will likewise certify as to the existence of quorum. The owners of a majority of the shares issued and outstanding either in person or by proxy shall constitute a quorum for the transaction of business at any meeting of the shareholders.

3. Minutes of Previous Meeting

Copies of the minutes of the Annual Shareholders Meeting held on April 12, 2016 will be distributed to the shareholders before the meeting and will be presented to the shareholders during the meeting for approval.

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

The annual report for the preceding fiscal year will be presented to the shareholders for approval. The acts of the Board of Directors and Management of the Corporation since the last Annual Shareholders Meeting will likewise be presented to the shareholders for confirmation.

5. Amendment of Articles of Incorporation

a. Corporate Name

The proposal to change the Corporate Name from "Trans-Asia Petroleum Corporation" to "PHINMA Oil and Geothermal, Inc." will be presented to the shareholders for approval.

b. Primary Purpose and Secondary Purpose

Amendments to the Primary Purpose and Secondary Purposes of the Corporation will be presented to the shareholders for approval. The proposed amendments reflect the Corporation's entry into geothermal resource exploration and development as an additional line of business, thus:

**PRIMARY PURPOSE**

To engage in the business of exploration, prospecting, discovery, development, extraction, production, and exploitation crude oil, natural gas, natural gas liquids, and other forms of petroleum, the products and by-products thereof, **and geothermal fluids, and** to process, manufacture, refine, prepare for market, buy, sell, and transport or otherwise deal in the same in crude, raw or refined condition; to buy, sell, exchange, lease, acquire interests through Service Contracts, Participating Agreements and all other forms of contracts or concessions dealing in lands, mines and mineral rights and claims and exploration rights and to conduct all businesses appertaining thereto; to purchase, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, sell or dispose of petroleum, gas and oil, **geothermal fluids,** concessions, leases, royalties and permits, lands and real estate of all kinds, and the oil, gas, **geothermal** and mineral rights and interests therein, to develop such lands, concessions, lease, rights and interests by and to enter into, acquire, carry out and execute contracts for drilling wells, laying of pipes and installation of rigs, platforms, machinery and equipment, and to engage generally, as may be permitted by law, in the business of either directly or through equity investment in companies engaged in **power generation,** mining, manufacturing, contracting and servicing, in addition to oil **and geothermal** exploration **and production.**

**SECONDARY PURPOSE**

1. To purchase or otherwise acquire, assemble, install, construct, equip, repair, remodel, maintain, operate, hold, own, lease, rent, mortgage, charge, sell, convey, **import** or otherwise dispose of, any and all kinds of gas works, mills, factories, installations, plants, shops, laboratories, terminals, office buildings and other buildings and structures, roads, railroads, cars, railroad equipment, garages, motor and road equipment, aircraft equipments, aviation fields, telephone and telegraph lines, transmission lines, wireless facilities, water works, reservoirs, dams, canals, waterways, bridges, ports, docks, piers, wharves, marine equipment, and any and all kinds of machinery, apparatus, instruments, fixtures and appliances. *(As amended during the meeting of the Board of Directors held on March 3, 2017)*
2. To construct and maintain conduits, pipelines and lines of tubing for general purposes as well as for the use of said corporation, and to lay rig, buy, lease, sell by wholesale, and otherwise contract for, and operate said conduits, pipelines and lines of tubings, as well as **loading and unloading facilities,** storage tanks, **processing plants,** trailways, tramways, roadways and tracks, for the purpose of **importing,** transporting and storing oil and gas, **fuels and liquefied natural gas,** and of operating a general pipeline and storage **and distribution** business; to buy, sell, charter, operate and maintain tank steamers and other vessels of all kinds for the transportation of merchandise dealt in by the corporation; *(As amended during the meeting of the Board of Directors held on March 3, 2017)*
3. To acquire by purchase, lease, contract, concession or otherwise any and all real estate, lands, land patents, options, grants, concessions, franchises, water and other rights, privileges, easements, estates, interest and properties of every kind and description

whatsoever; or any other business in which the corporation may lawfully engage, and to own, hold, operate, improve, develop reorganize, manage, grant, lease, sell, exchange or otherwise dispose of all, the whole or any part thereof; to purchase, drill for or otherwise acquire and to use, store, transport, distribute, sell or otherwise dispose of, water; and to acquire by purchase, lease, or otherwise and to erect, construct, enlarge, own, hold, maintain, use and operate water works and water systems for supplying water and water power for any and all uses and purposes; to purchase, create, generate or otherwise acquire, use, sell, supply or otherwise dispose of, electric current steam and hot water and water power of every kind and description, and to sell, supply or otherwise dispose of, light, heat, water and power of every kind and description; *(As amended during the meeting of the Board of Directors held on March 3, 2017)*

6. Amendment of By-laws (Corporate Name)

Amendments to the By-laws to change the name of the Corporation from “Trans-Asia Petroleum Corporation” to “PHINMA Oil and Geothermal, Inc.” will be presented to the shareholders for approval.

7. Election of Directors

The members of the Board of Directors shall be elected by plurality vote. The Assistant Corporate Secretary will present the nominees qualified for election to the Board of Directors, including the independent directors. A comprehensive description of the qualifications and business experience of the nominees for election to the Board of Directors will be included in the information statement.

Voting shall be by raising of hands or *viva voce*. In case of any objection to the manner of casting votes, voting shall be done in writing by secret ballot which shall be counted thereafter by the Assistant Corporate Secretary in the presence of Sycip Gorres Velayo & Co. to be able to validate the counting. Each shareholder may cast as many votes s he or she has shares of stock, multiplied by eleven (11), or the number of board seats provided in the Articles of Incorporation.

8. Appointment of External Auditors

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

9. Other Matters

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

10. Adjournment

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

# PROXY

The undersigned stockholder of **TRANS-ASIA PETROLEUM CORPORATION** (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as *attorney and proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **April 10, 2017** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting.  
 Yes  No  Abstain
2. Approval of annual report  
 Yes  No  Abstain
3. Ratification of all acts of the Board of Directors and Management since the last annual shareholders' meeting  
 Yes  No  Abstain
4. Election of Directors  
 Vote for all nominees listed below:  
Ramon R. Del Rosario, Jr.  
Oscar J. Hilado  
Magdaleno B. Albarracin, Jr.  
Francisco L. Viray  
Victor J. Del Rosario  
Roberto M. Laviña  
Raymundo A. Reyes, Jr.  
Edward S. Go (Independent)  
Raphael Perpetuo M. Lotilla  
(Independent)  
Romeo L. Bernardo (Independent)  
Corazon dela Paz Bernardo  
(Independent)
- Withhold authority for all nominees listed above
- Withhold authority to vote for the nominees listed below:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Amendment of Articles of Incorporation to change the Corporate name and amend the business primary and secondary purpose  
 Yes  No  Abstain
6. Amendment of By-Laws to change the Corporate name  
 Yes  No  Abstain
7. Appointment of Sycip Gorres Velayo & Co. as external auditors.  
 Yes  No  Abstain
8. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.  
 Yes  No  Abstain

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDERS

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

\_\_\_\_\_  
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MARCH 31, 2017**, THE DEADLINE FOR SUBMISSION OF PROXIES.

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

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



**Securities and Exchange Commission**

**SEC Form 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box

\_\_\_\_\_ Preliminary Information Statement

  **X**   Definitive Information Statement

2. Name of Registrant as specified in its charter:

**TRANS-ASIA PETROLEUM CORPORATION**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **ASO94-008811**

5. BIR Tax Identification Number **004-500-964**

6. Address of Principal Office **Level 11, PHINMA Plaza  
39 Plaza Drive,  
Rockwell Center, Makati City 1200**

7. Telephone Number **(632) 870-0100**

8. Date, time and place of the meeting of security holder:

**APRIL 10, 2017  
10:30 AM  
Manila Peninsula Hotel  
Ayala Avenue, Makati City**

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

**March 20, 2017**

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

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

Amount of debt **0**

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

Yes   **X**   No \_\_\_\_\_

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

**Philippine Stock Exchange – common shares**

## TRANS-ASIA PETROLEUM CORPORATION

### INFORMATION STATEMENT

This Information Statement is dated as of March 20, 2017 and is being furnished to stockholders of record of TRANS-ASIA PETROLEUM CORPORATION (TA Petroleum) as of March 20, 2017 in connection with its Annual Stockholders Meeting.

#### ***WE ARE NOT SOLICITING YOUR PROXY.***

#### **1) Date, Time and Place of Meeting of Security Holders**

Date	:	April 10, 2017
Time	:	10:30 a.m.
Place	:	PENINSULA MANILA HOTEL Ayala Avenue, Makati City
Principal Office	:	Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City, Philippines

This Information Statement will be first sent or given to security holders on March 20, 2017.

#### **2) Dissenter's Right of Appraisal**

There are no matters to be taken up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 81 of the Corporation Code of the Philippines governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this code; and
3. In case of merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code and in case the corporation sells or disposes of all or substantially all of its properties and assets as provided for in Section 40 of the Corporation Code.

As provided under Section 82 of the Corporation Code, this appraisal right may be exercised by **any stockholder who shall have voted against such corporate action** by making a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Corporation, terminate his appraisal rights

If the corporate action is implemented, the Corporation shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

### **3) Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than elections to office.

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

### **4) Voting Securities and Principal Holders Thereof**

As of March 20, 2017, 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 20, 2017 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 10, 2017.

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.

#### **a) Security Ownership of Certain Record and Beneficial Owners**

The table below shows the persons or groups known to TA Petroleum as of February 28, 2017 to be directly or indirectly the record and/or beneficial owners of more than 5% of the company's voting securities:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Philippine Depository and Trust Corporation <sup>1</sup> MSE Bldg. Ayala Avenue, Makati City Stockholder		Filipino 98.24% Foreign 0.29%	246,327,468	98.53%

**b) Security Ownership of Management**

None of the directors and officers owns five percent (5%) or more of the outstanding capital stock of TA Petroleum. The table below shows the securities beneficially owned by all directors' nominees and executive officers of TA Petroleum as of February 28, 2017:

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	0.45%
			682,015	Indirect	-
Common	Oscar J. Hilado	Filipino	168,301	Direct	0.07%
Common	Magdaleno B. Albarracin, Jr.	Filipino	53	Direct	0%
Common	Francisco L. Viray	Filipino	214,959	Direct	0.09%
Common	Roberto M. Laviña	Filipino	106,933	Direct	0.04%
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	0.31%
			682,015	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	Filipino	30,000	Direct	0.01%

<sup>1</sup> **Philippine Depository and Trust Corporation (PDTTC)** is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD) which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients.

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

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

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

Common	Mariejo P. Bautista	Filipino	11,047	Direct	0%
Common	Alan T. Ascalon	Filipino	1,818	Direct	0%
Common	Cecille B. Arenillo	Filipino	2,550	Direct	0%
Common	Danielle R. del Rosario	Filipino	2,000	Direct	0%
Common	Arthur R. Villacorte	Filipino	858	Direct	0%
<b>Total Directors and Officers</b>			<b>2,461,458</b>		<b>0.98%</b>

**c) 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.

**d) 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.

**5) Directors and Executive Officers**

**a) 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.

<b>Directors</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Ramon R. del Rosario, Jr.	72	Filipino	Chairman
Oscar J. Hilado	79	Filipino	Director
Magdaleno B. Albarracin, Jr.	80	Filipino	Director
Francisco L. Viray	68	Filipino	Director, President and CEO
Victor J. del Rosario	68	Filipino	Director
Roberto M. Laviña	66	Filipino	Director
Pythagoras L. Brion, Jr.	64	Filipino	Director, EVP Treasurer & CFO

Raymundo A. Reyes, Jr.	64	Filipino	Director, EVP & COO
Edward S. Go	78	Filipino	Independent Director
Raphael Perpetuo M. Lotilla	58	Filipino	Independent Director
Romeo L. Bernardo	62	Filipino	Independent Director

**Ramon R. del Rosario, Jr., 72** was elected as Chairman of the Board of Directors and Chairman of the Executive Committee of the Company on April 16, 2008. He is the President and CEO of PHINMA Inc. and PHINMA Corp. He is also the Chairman of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, CIP II Power Corporation, Trans-Asia Petroleum Corporation, Palawan55 Exploration and Production Corporation, One Subic Power Generation Corp., Trans-Asia Wind Power Corporation, Trans-Asia Gold and Minerals Development Corporation, Microtel Inns and Suites (Pilipinas), Inc. and the Chairman of the Boards of Trustees of Southwestern University, University of Iloilo, University of Pangasinan, Araullo University and Cagayan de Oro College. He is a director of several PHINMA-managed companies and currently serves as a member of the Boards of Directors of Ayala Corp. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude*) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of the National Museum of the Philippines, Ramon Magsaysay Award Foundation and Philippine Business for Education (PBED). He was former Chairman of the Makati Business Club and the Integrity Initiative. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978 and the MAP Management Man of the Year in 2010. He is the brother of Mr. Victor J. del Rosario. He has been a director of the Company since 2002.

**Oscar J. Hilado, 79**, is the Vice-Chairman of the Board of the Company, and has been the Chairman of the Board of PHINMA Energy since April 16, 2008. He has been the Chairman of PHINMA Inc. since January 1994 and has served as CEO thereof from January 1994 to August 2005. He is likewise the Chairman of the Board & Chairman of the Executive Committee of PHINMA Corp., Chairman of the Board of PHINMA Property Holdings Corp., Chairman of Union Galvasteel Corporation, and Vice Chairman of Trans-Asia Power Generation Corp. He is a Director of One Subic Power Generation Corp., Palawan55 Exploration & Production Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Gold and Minerals Development Corporation, Manila Cordage Corp., Seven Seas Resorts & Leisure, Inc., First Philippine Holdings Corporation, A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc. Digital Telecommunications Phils., Inc. (DIGITEL), Rockwell Land Corporation and Roxas Holdings, Inc.. Mr. Hilado received his Bachelor of Science degree in Commerce from De La Salle College-Bacolod in 1958 and his Master's degree in Business Administration from the Harvard Graduate School of Business in 1962.

**Magdaleno B. Albarracin, Jr., 80**, joined the PHINMA Group in 1971 as a consultant. He is currently the Vice-Chairman of PHINMA Inc. and is the Chairman of its Executive Committee. He is also Vice Chairman of PHINMA Education Holdings, Inc. He is a member of the Boards of Directors of PHINMA Foundation, Union Galvasteel Corporation, Trans-Asia Power Generation Corporation, One Subic Power Generation Corp., Trans-Asia Petroleum Corporation, Trans-Asia Renewable Energy Corporation, and PHINMA Property Holdings Corp. Dr. Albarracin received his Bachelor of Science degree in Electrical Engineering from the University of the Philippines and Master of Science degree in Electrical Engineering from the University of Michigan. He received his Master's degree in Business Administration from the University of the Philippines and Doctorate degree in Business Administration from Harvard University. He is the former Chairman of the Board of Trustees of the University of San Carlos in Cebu City, and was a member of the UP Board of Regents. He was formerly Chairman of UP Engineering Research and Development Foundation and President of Holcim Philippines, Inc. He was a director of the Company (Holcim) from 1986 to 2014.

**Francisco L. Viray, 68** has been the President and Chief Executive Officer of the Company. He is concurrently the President & CEO of PHINMA Energy Corporation, Trans-Asia Power

Generation Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Gold and Minerals Development Corporation and Trans-Asia Wind Power Corporation. He is the Vice-Chairman & CEO of CIP II Power Corporation, One Subic Power Generation Corp. and Palawan55 Exploration & Production Corporation. At present, Mr. Viray is a member of the Boards of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering from West Virginia University. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He also served on the Board of Directors of Meralco, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

**Victor J. del Rosario, 68**, is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director of the Company on 08 August 2013. He is the Vice-Chairman of Union Galvasteel Corporation and is the Executive Vice President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp, he is Executive Vice President and Chief Finance Officer. He is also a member of the Boards of Directors of PHINMA Inc. and various PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr.

**Roberto M. Laviña, 66**, has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management from Asian Institute of Management. He finished his Program for Management Development at Harvard University in 1988. He is the Senior Executive Vice President/Chief Operating Officer (COO) of PHINMA Inc. & PHINMA Corp. and concurrently as President & CEO of PHINMA Property Holdings Corp. He is also the Treasurer of PHINMA Energy and is a member of the Board of all the companies in the PHINMA Group which include companies in power generation, education, hotels, steel roofing, property development, oil exploration, strategic consulting and insurance brokerage.

**Pythagoras L. Brion, 64**, was elected Senior Vice President & CFO of the Company in 1992. He received his Bachelor of Science degree in Management Engineering from Ateneo de Manila University and holds a Master's degree in Business Administration from University of the Philippines. He is concurrently EVP/CFO of PHINMA Inc. and SVP/Treasurer of PHINMA Corp.; EVP Treasurer & CFO of Trans-Asia Power Generation Corporation, CIP II Power Corporation, One Subic Power Generation Corp., Trans-Asia Petroleum Corporation and Palawan55 Exploration & Production Corporation. Mr. Brion is the Treasurer & CFO of Trans-Asia Gold and Minerals Development Corporation and the Treasurer of Trans-Asia Renewable Energy Corporation and Trans-Asia Wind Power Corporation. Mr. Brion likewise serves various executive posts in the PHINMA-managed companies in steel building systems, education, hospitality and property. He joined the PHINMA group in 1992.

**Raymundo A. Reyes, Jr., 64**, holds a Bachelor of Science degree in Chemistry and Master of Science degree in Geology 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 subsequently seconded to the Department of Energy and its predecessor agencies. In 1987, he joined the Company as Exploration Manager and in 1994, became its Vice President for Exploration. He is currently PHINMA Energy's Senior Vice President for Energy Resources Development. He is concurrently the President & COO of Palawan55 Exploration and Production Corporation, Executive Vice President & COO of PSE-listed Trans-Asia Petroleum Corporation and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company. He is a Director of the Company (since February 2013), Palawan55 Exploration and Production Corporation (since February 2013) and Maibarara Geothermal, Inc. (since April 2016.)

**Edward S. Go, 79**, currently serves as Chairman of the Board of Hyundai Asia Resources, Inc. and of ASA Philippines Foundation. He is an Independent Director of Metro Pacific Investments Corporation, PLDT Communications and Energy Ventures, Inc. (PCEV) and Filipino Fund Inc. He is also Chairman of the PLDT Beneficial Trust Fund and member of the Board of BTF Holdings, Inc.,

Mediaquest Holdings, Inc., TV5 Network, Inc., Signal TV, Inc., BusinessWorld Publishing Corporation, PhilSTAR Daily, Inc., AB Capital Investment Corporation, Vicsal Investment Corporation, Union Galvasteel Corporation and Trans-Asia Petroleum Corporation. He has over 40 years of management experience in banking and finance, starting as Executive Trainee with Citibank N.A. and became President of Philippine Bank of Communications in 1974 and Chairman and Chief Executive Officer of Chinabank in 1985. Mr. Go is also Chairman of the Audit Committee of MPIC and PCEV. He obtained his Bachelor of Arts Degree (*Magna cum Laude*) and underwent postgraduate studies at the Ateneo de Manila University (Ateneo), where he served as member of the Board of Trustees from 1998 to 2014. He was Chairman of the Board of Ateneo during his last four years in the Board.

**Raphael Perpetuo M. Lotilla, 58**, obtained his degrees in BS Psychology in 1979, and BA in History in 1980 from the UP College of Arts and Sciences Diliman. He graduated from the UP College of Law in 1984, and earned his Master of Laws degree from the University of Michigan, Ann Arbor in 1988. He was an undergraduate scholar of the National Science and Development Board and the Chief Justice Fred Ruiz Castro Foundation, and was also a De Witt Fellow. Atty. Lotilla has a varied experience in law, legislation, ocean law and marine affairs, energy, power sector reform, privatization, sustainable development, and justice and development. He is currently a member of the Board of Trustees of the Philippine Institute for Development Studies. He also serves as an independent director of several private companies, and is the Chairman of the Center for Advancement of Trade Integration and Facilitation (CATIF) and of the Asia-Pacific Pathways for Progress Foundation, Inc. Atty. Lotilla served as Secretary of Energy from 2005 to 2007 and was a former Professor of Law at the University of the Philippines.

**Romeo L. Bernardo, 62**, has a Bachelor of Science degree in Business Economics, *Magna cum laude*, from the University of the Philippines and a Master's 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 Philippine Investment Management (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.

**b) 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.

<b>Executive Officers</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Ramon R. del Rosario, Jr.	72	Filipino	Chairman
Francisco L. Viray	68	Filipino	President and CEO
Raymundo A. Reyes, Jr.	64	Filipino	EVP & COO
Pythagoras L. Brion, Jr.	64	Filipino	EVP Treasurer & CFO
Mariejo P. Bautista	52	Filipino	SVP Finance & Controller
Alan T. Ascalon	42	Filipino	VP Legal/Assistant Corporate Secretary



Benjamin S. Austria	71	Filipino	Senior Adviser
Cecille B. Arenillo	59	Filipino	VP-Compliance Officer
Danielle R. del Rosario	39	Filipino	AVP
Arthur R. Villacorte	50	Filipino	AVP-Materials Management

**Ramon R. del Rosario, Jr., 72** was elected as Chairman of the Board of Directors and Chairman of the Executive Committee of the Company on April 16, 2008. He is the President and CEO of PHINMA Inc. and PHINMA Corp. He is also the Chairman of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, CIP II Power Corporation, Trans-Asia Petroleum Corporation, Palawan55 Exploration and Production Corporation, One Subic Power Generation Corp., Trans-Asia Wind Power Corporation, Trans-Asia Gold and Minerals Development Corporation, Microtel Inns and Suites (Pilipinas), Inc. and the Chairman of the Boards of Trustees of Southwestern University, University of Iloilo, University of Pangasinan, Araullo University and Cagayan de Oro College. He is a director of several PHINMA-managed companies and currently serves as a member of the Boards of Directors of Ayala Corp. and as Chairman of United Pulp and Paper Company of the Siam Cement Group. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude*) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of the National Museum of the Philippines, Ramon Magsaysay Award Foundation and Philippine Business for Education (PBED). He was former Chairman of the Makati Business Club and the Integrity Initiative. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978 and the MAP Management Man of the Year in 2010. He is the brother of Mr. Victor J. del Rosario. He has been a director of the Company since 2002.

**Francisco L. Viray, 68** has been the President and Chief Executive Officer of the Company since April 2007. He has been a director of the Company since 1998 and has served as the Company's Executive Vice President from April 2004 to April 2007. He is concurrently the President & CEO of Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corporation, Trans-Asia Petroleum Corporation, Trans-Asia Gold and Minerals Development Corporation and Trans-Asia Wind Power Corporation. He is the Vice-Chairman & CEO of CIP II Power Corporation, One Subic Power Generation Corp. and Palawan55 Exploration & Production Corporation. At present, Mr. Viray is a member of the Boards of Trustees of Araullo University, Cagayan de Oro College and University of Pangasinan of the PHINMA Education Network (PEN). Mr. Viray received his Bachelor of Science and Master's degrees in Electrical Engineering from the University of the Philippines and his Doctorate degree in Engineering from West Virginia University. He joined the PHINMA Group in 1999, a year after he served as Secretary of the Department of Energy from 1994 to 1998. Earlier, he was President of the National Power Corporation beginning May 1993. He also served on the Board of Directors of Meralco, Petron, Union Cement Corporation (now Holcim Philippines, Inc.) and United Pulp and Paper Company, Inc.

**Raymundo A. Reyes, Jr., 64**, holds a Bachelor of Science degree in Chemistry and Master of Science degree in Geology 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 subsequently seconded to the Department of Energy and its predecessor agencies. In 1987, he joined the Company as Exploration Manager and in 1994, became its Vice President for Exploration. He is currently PHINMA Energy's Senior Vice President for Energy Resources Development. He is concurrently the President & COO of Palawan55 Exploration and Production Corporation, Executive Vice President & COO of PSE-listed Trans-Asia Petroleum Corporation and Vice President of Maibarara Geothermal, Inc., a 25%-owned subsidiary of the Company. He is a Director of Trans-Asia Petroleum Corporation (since February 2013), Palawan55 Exploration and Production Corporation (since February 2013) and Maibarara Geothermal, Inc. (since April 2016.)

**Pythagoras L. Brion, 64**, was elected Senior Vice President & CFO of the Company on March 20, 2012. He received his Bachelor of Science degree in Management Engineering from Ateneo de Manila University and holds a Master's degree in Business Administration from University of the Philippines. He is concurrently EVP/CFO of PHINMA Inc. and SVP/Treasurer of PHINMA Corp.; EVP Treasurer & CFO of Trans-Asia Power Generation Corporation, CIP II Power Corporation, One Subic Power Generation Corp., Trans-Asia Petroleum Corporation and Palawan55 Exploration & Production Corporation. Mr. Brion is the Treasurer & CFO of Trans-Asia Gold and Minerals Development Corporation and the Treasurer of Trans-Asia Renewable Energy Corporation and Trans-Asia Wind Power Corporation. Mr. Brion likewise serves various executive posts in the PHINMA-managed companies in steel building systems, education, hospitality and property. He joined the PHINMA group in 1992.

**Mariejo P. Bautista, 52**, obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant with a Master's degree in Business Management from the Asian Institute of Management. She worked with SyCip Gorres Velayo & Co. in 1987 and with various multinational manufacturing and service companies up to August 2011. She joined PHINMA Energy in September 2011 and was appointed as VP-Controller of the Company. She is concurrently the Senior Vice President – Finance & Controller of PHINMA Energy, Trans Asia Power Generation Corporation, CIP II Power Corporation, One Subic Power Generation Corp., Trans-Asia Renewable Energy Corporation, Trans-Asia Gold and Minerals Development Corporation, Trans-Asia Wind Power Corporation and Palawan55 Exploration and Production Corporation.

**Juan J. Diaz, 86**, 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. until his death on November 30, 2016.

**Alan T. Ascalon, 42**, 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 Philippine Investment Management (PHINMA), Inc. from 2005 to 2008 and is currently the Vice President- Legal of PHINMA Energy 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 PHINMA Energy Corporation, Trans-Asia Gold & Minerals Development Corporation, Trans-Asia Power Generation Corporation and CIP II Power Corporation.

**Benjamin S. Austria, 71**, is a registered Geologist who retired on May 31, 2011 from the University of the Philippines (U.P.) as Professor of Geology after 45 years of service, teaching courses in *Economic Geology*, *Geochemistry* and *Crystallography*. The UP National Institute of Geological Sciences building was completed while he was Director of the Institute from 1987 to 1993. He held several Professorial Chairs while serving in UP: Lepanto Consolidated Chair, Don Celestino Dizon Chair and just before his retirement, the Henry A. Brimo Chair in Economic Geology. Dr. Austria received his BS Geology from UP in 1965 and his MA (Geology) from Harvard University in 1968, supported by a United Nations Fellowship in *Ore Mineralogy*. He was conferred with the PhD (Geology) by Harvard (PhD Dissertation: *Geochemical Implications of Iron in Sphalerite*) in 1975. He was a Harvard University scholar and Teaching Fellow during the Spring Term of 1968. After this term, his PhD studies were completed under a Rockefeller Foundation scholarship. A Fellow of the Society of Economic Geologists since 1993, Dr. Austria is recognized as Distinguished Geologist by the Geological Society of the Philippines in 1989, by the National Research Council of the Philippines with the 1992 Achievement Award in Earth Sciences and by the Professional Regulation Commission of the Philippines as the Outstanding Professional in the Field of Geology for 2001. He is the PhilAAS Gregorio Y. Zara Awardee for Basic Research in 2001. Dr. Austria is currently *Independent Director of Philex Petroleum Corporation* since 2011; *Senior Adviser of Trans-Asia Petroleum Corporation* since 2013; *Executive Director of Philippine Petroleum Association of the Upstream Industry (Oil & Gas)* since 2013; *Chairman, Committee on Power and Energy, Philippine Chamber of Commerce and Industry* since 2014; *Vice President (Earth Sciences & Geography, Philippine Association for the*

*Advancement of Science & Technology* since 2001. On 08 March 2016, Dr. Austria was appointed Member of the Professional Regulations Commission Board of Geology

**Cecille B. Arenillo, 59**, is a Certified Public Accountant with a Bachelor of Science degree in Commerce from the University of Sto. Tomas. She is currently the Vice President-Treasury and Compliance Officer of PHINMA Corp., Vice President-Compliance Officer of Trans-Asia Petroleum Corporation and PHINMA Property Holdings Corporation, Vice President & PHINMA Group Compliance Officer of PHINMA, Inc. and Asst. Treasurer of Union Galvasteel Corporation. She was elected as the Vice-President-Compliance Officer of the Company on September 30, 2014.

**Danielle R. del Rosario, 39**, is the Assistant Vice President and Head of Sales and Marketing for the Company. She is presently the Assistant Vice President and Head of Sales and Marketing for the Company and PHINMA Energy Corporation. She is also an officer of unlisted companies Trans-Asia Renewable Energy Corporation, Trans-Asia Power Generation Corporation, CIP II Power Corporation, and One Subic Power Generation Corporation from 2015 to the present. She joined the PHINMA Energy Group in 2013 as Head of Corporate Affairs. She was elected as Assistant Vice President (AVP) for Corporate Affairs of the Company in 2015. Prior to joining the Company, she was with the PHINMA Foundation from 2011-2013 as Program Director for the PHINMA National Scholarship Program, a leadership building initiative which supports college level scholars in PNU and UP Diliman. Formerly with the banking industry, she trained in Citibank as a relationship manager and investment specialist (2003-2007) and with BDO Private Bank Wealth Advisory and Trust Group (2007-2009). She received her education from UP Diliman, attaining a Bachelor of Science in Business Administration and Accountancy (*Cum Laude*). She is currently a candidate for her Master in Business Administration from the University of Regis joint program with the Ateneo Graduate School of Business. She is a member of the Makati Business Club and Integrity Initiative.

**Arthur R. Villacorte, 50**, is a graduate of Bachelor of Science in Electronics & Communications Engineering. Before joining PHINMA Energy Corporation (formerly Trans-Asia Oil and Energy Development) in October 2007, he was the Purchasing Officer of Union Cement Corporation from October 1991 to March 2003 (now La Farge-Holcim). During his term, he handled major expansion projects of the Cement Group. He later migrated to Canada and served as one of the procurement personnel in the Vancouver-Canada Line SNC-SELI Project from September 2004 to May 2006. Upon his return to the Philippines, he joined as the Procurement Lead of the Ramcar Group of Companies-Battery Group from July 2006 to October 2007 earning him more than 15 years of experience in a Procurement environment. Presently, he is the Assistant Vice President of the Materials Management Department of PHINMA Energy Corporation and at the same time spearheading the Procurement Consolidation Program of the different companies of PHINMA. In addition to his Basic Management Program from Asian Institute of Management (AIM) in May 2013, he acquired certifications as an International Procurement and Sourcing manager from the International Purchasing and Supply Chain Management Institute (IPSCMI) in June 2016. He spearheads the Procurement Consolidation Program of the different PHINMA companies. He was elected as the AVP-Materials Management of the Company on September 28, 2015.

**c) Family Relationships**

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

**d) Independent Directors**

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

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

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

**e) 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.

**f) Involvement in Certain Legal Proceedings**

As of February 28, 2017 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 December 31, 2016, 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.

**g) Relationships and Related Transactions**

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. 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, 2016, 2015 and 2014, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

<b>As at and for the Year Ended December 31, 2016</b>					
<b>Company</b>	<b>Amount/ Volume</b>	<b>Nature</b>	<b>Outstanding Balance</b>	<b>Terms</b>	<b>Conditions</b>
<i>Ultimate Parent Company -</i>					
<b>PHINMA, Inc.</b>					
Accounts payables	<b>₱56,074</b>	Share in expenses	<b>₱-</b>	30–60 day terms; noninterest- bearing	Unsecured
<i>Parent Company</i>					
<b>PHINMA Energy</b>					
Receivables	<b>141,143</b>	Accommodation	<b>141,143</b>	30–60 day terms; noninterest- bearing	Unsecured
Others	<b>373,425</b>	Purchase of dollars	<b>-</b>	30–60 day terms; noninterest- bearing	Unsecured
<i>Affiliates</i>					
<b>PHINMA Corp.</b>					
Accounts payables	<b>54,229</b>	Share in expenses	<b>-</b>	30–60 day terms; noninterest- bearing	Unsecured

<b>As at and for the Year Ended December 31, 2015</b>					
<b>Company</b>	<b>Amount/ Volume</b>	<b>Nature</b>	<b>Outstanding Balance</b>	<b>Terms</b>	<b>Conditions</b>
<i>Ultimate Parent Company -</i>					
<b>PHINMA, Inc.</b>					
Accounts payables	<b>₱720,000</b>	Management fees	<b>₱-</b>	30–60 day terms; noninterest- bearing	Unsecured
Accounts payables	<b>141,532</b>	Share in expenses	<b>56,681</b>	30–60 day terms; noninterest- bearing	Unsecured
<i>Affiliates</i>					
<b>T-O Insurance, Inc.</b>					
Accounts payables	<b>2,244</b>	Insurance expense	<b>-</b>	30–60 day terms; noninterest- bearing	Unsecured
<b>PHINMA Corporation (PHINMA Corp)</b>					
Accounts payables	<b>45,864</b>	Share in expenses	<b>42,625</b>	30–60 day terms; noninterest- bearing	Unsecured

<b>As at and for the Year Ended December 31, 2014</b>					
<b>Company</b>	<b>Amount/ Volume</b>	<b>Nature</b>	<b>Outstanding Balance</b>	<b>Terms</b>	<b>Conditions</b>
<i>Affiliates</i>					
<b>T-O Insurance, Inc.</b>					
Accounts payables	<b>₱2,130</b>	Insurance expense	<b>₱-</b>	30-60 day terms; noninterest- bearing	Unsecured
<b>PHINMA Corporation (PHINMA Corp)</b>					

**As at and for the Year Ended December 31, 2014**

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
Accounts payables	30,800	Employee cost	–	30-60 day terms; noninterest- bearing	Unsecured
<i>Ultimate Parent Company -</i>					
<b>PHINMA, Inc.</b> Accounts payables	810,148	Management fees & share in expenses	3,749	30-60 day terms; noninterest- bearing	Unsecured

PHINMA, Inc.

The Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, and other business activities. Under the agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income. Beginning January 1, 2016, the payment of the management fee was suspended.

PHINMA Energy

The Company purchased US dollars to pay various expenses through its banking facilities.

PHINMA Corp.

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

T-O Insurance

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

***h) Elections of Directors***

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.

After having conducted the nominations for purposes of the election of the Board of Directors, and after pre-screening of the qualifications of the nominees, the Nomination Committee has submitted the following list of candidates who qualify for election to the Board of TA Petroleum at the forthcoming Annual Stockholders' Meeting on April 10, 2017:

1. Mr. Ramon R. del Rosario, Jr., *Chairman*
2. Mr. Oscar J. Hilado
3. Dr. Magdaleno B. Albarracin, Jr.
4. Dr. Francisco L. Viray
5. Mr. Roberto M. Laviña
6. Mr. Raymundo A. Reyes, Jr.
7. Mr. Victor J. del Rosario
8. Mr. Edward S. Go (Independent)
9. Mr. Raphael Perpetuo M. Lotilla (Independent)
10. Mr. Romeo L. Bernardo (Independent)
11. Ms. Corazon S. dela Paz-Bernardo (Independent)

The Board of Directors has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

The members of the Nomination Committee are the following:

- |                                  |          |
|----------------------------------|----------|
| 1. Mr. Ramon R. del Rosario, Jr. | Chairman |
| 2. Mr. Oscar J. Hilado           | Member   |
| 3. Mr. Francisco L. Viray        | Member   |
| 4. Edward S. Go                  | Member   |

***i) Independent Directors***

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

The following are the nominees for independent directors, as submitted to and pre-screened by the Nomination Committee of the Company using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance and its Amended By-Laws. They are neither officers nor substantial shareholders of TA Petroleum nor are they directors or officers of its related companies. Mr. Oscar J. Hilado nominated the candidates for independent directors. Mr. Hilado is not related to the independent director-nominees by consanguinity or affinity.

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

***j) Parent Company of the Registrant***

The parent company of TA Petroleum Corporation is PHINMA Energy Corporation (PHINMA Energy). PHINMA Energy was incorporated in the Philippines on September 8, 1969 to engage primarily in power generation and power supply, with secondary investments in oil and gas exploration activities. Its shares are listed in the PSE. PHINMA Energy owns 126,838,679 shares, which represent 50.74% of total outstanding shares of stock of the Company.

**6) Compensation of Directors and Executive Officers**

For the calendar years ended December 31, 2016 and 2015, 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 2017 are as follows:

<b>Name/Position</b>	<b>Year</b>	<b>Salaries</b>	<b>Bonus</b>	<b>Others</b>
<b>CEO and Top 4 Officers (Total Compensation)</b>				
Francisco L. Viray, President and CEO				
Ramon R. Del Rosario, Jr., Chairman				
Raymundo A. Reyes, Jr., Executive Vice President & COO				
Benjamin S. Austria, Senior Adviser				
Pythagoras L. Brion, Jr., Executive Vice President & CFO				
	2017 (est)	2,457,000	-	576,000
	2016	2,340,000	526,188	576,000
	2015	2,242,500	-	714,500
<b>All Other Officers and Directors as a Group (Total Compensation)</b>				
Unnamed	2017 (est)	-	-	768,000
	2016	-	-	768,000
	2015	-	-	722,000

**a) Compensation of Directors**

The Directors receive per diem and transportation allowance.

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

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

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.

**c) Compensatory Plan or Arrangement**

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

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

**d) Warrants and Options Outstanding**

As of December 31, 2016, none of the Company's Directors and Executive Officers hold any warrants or options in the Company.

**7) Appointment of External Auditors**

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been the Company's Independent Public Accountant since 1994. Audit services of SGV for the calendar year ended December 31, 2016 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission.

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

The Company has complied with SRC Rule 68, paragraph 3(b)(ix) requiring the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2016 is Ms. Marydith C. Miguel, an



SEC accredited auditing partner of SGV. This is Ms. Miguel's fourth year as engagement partner for the Company.

The members of the Audit Committee are the following:

- |                              |          |
|------------------------------|----------|
| 1. Mr. Edward S. Go          | Chairman |
| 2. Mr. Roberto M. Lavina     | Member   |
| 3. Mr. Victor J. del Rosario | Member   |

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

The Audit Committee recommended SGV as the Independent Public Accountant and Ms. Marydith C. Miguel as engagement partner for Calendar Year 2017.

#### **8) Audit and Audit-Related Fees**

The Company paid its external auditors, SyCip Gorres Velayo & Co. (SGV) the amount of ₱150,000, ₱150,000 and ₱100,000 in 2016, 2015 and 2014 respectively for professional services rendered for the audits of the Company's annual financial statements and services that are normally provided by the external auditors in connection with statutory and regulatory filings or engagement. There were other fees rendered or fees billed for products and services provided by SGV during company listing amounting to ₱275,000 in 2014.

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

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

#### **9) Financial and Other Information**

The Management's Discussion and Analysis or Plan of Operations and Company's Audited Financial Statements as of December 31, 2016 are attached hereto as **Annex "D"** and **"E"**. The Annual Report for the said period will be distributed to stockholders of record during the Annual Meeting.

The complete record of the attendance of each director in the Board Meetings of the Company during the calendar year 2016 is presented in **Annex "A"** attached hereto.

**THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED DECEMBER 31, 2016 WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. THE REQUEST MAY BE SENT DIRECTLY TO ATTY. ALAN T. ASCALON, THE ASSISTANT CORPORATE SECRETARY, LEVEL 3, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY AND A COPY WILL BE SENT, FREE OF CHARGE.**

#### **10) Dividends**

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

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

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

The Company has not declared any dividends as of record date.

#### **11) Action with Respect to Minutes of Previous Meeting**

At the last Annual Stockholders Meeting held on April 12, 2016, the President and CEO reported to the stockholders the Company's performance in 2015 with a net loss of ₱10,694,614. The following matters were presented and approved by the stockholders at such meeting:

- a) the Minutes of the Meetings held on April 7, 2015;
- b) the ratification of all acts of the Board of Directors and Management since the last annual shareholders meeting;
- c) the 2015 Annual Report including the consolidated financial statements for the year ended 31 December 2015;
- d) the election of eleven (11) Directors, including independent Directors for 2016;
- e) the amendment of the Articles of Incorporation to reflect precise address of the Corporation;
- f) the appointment of an independent external auditor.

For the Annual Stockholders Meeting scheduled on April 10, 2017, the President will report on the performance of the Company in 2016. The following matters will also be presented for consideration by the stockholders at such meeting:

- a.) Minutes of the 2016 Annual Stockholders Meeting (**Annex "B"**);
- b.) Annual Report of Management and Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders Meeting (**Annex "C"**);
- c.) Amendment of Articles of Incorporation (Corporate Name and Purpose);
- d.) Amendment of By-laws (Corporate Name);
- e.) Election of Directors;
- f.) Appointment of an independent external auditor.

The approval of the Minutes, Report for the year ended December 31, 2016, and ratification of all acts, proceedings and resolutions of the Board of Directors and the acts of the officers and management from the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Stockholders' Meeting by the stockholders entitled to vote thereon.

#### **12) Compliance with the Company's Manual on Good Corporate Governance**

A discussion of the Company's compliance with its Manual on Good Corporate Governance is contained in the latter portion of Management's Discussion and Analysis or Plan of Operations attached hereto as **Annex "D"**.

**13) Amendment of Articles of Incorporation and By-Laws**

The Corporation will seek shareholders' approval of the amendment of the Article First, and the Primary Purpose and Clauses 1, 2 and 3 of the Secondary Purpose of Article Second of its Articles of Incorporation and the amendment the caption of the Corporation's By-Laws to change the name of the Corporation from "Trans-Asia Petroleum Corporation" to "PHINMA Oil and Geothermal, Inc."

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

**Articles of Incorporation:**

FIRST: The name of the corporation shall be:

**PHINMA OIL AND GEOTHERMAL, INC.**

*(As amended during the meeting of the Board of Directors held on March 3, 2017)*

SECOND: The purposes for which the Corporation is formed are:

**PRIMARY PURPOSE**

To engage in the business of exploration, prospecting, discovery, development, extraction, production, and exploitation crude oil, natural gas, natural gas liquids, and other forms of petroleum, the products and by-products thereof, **and geothermal fluids, and** to process, manufacture, refine, prepare for market, buy, sell, and transport or otherwise deal in the same in crude, raw or refined condition; to buy, sell, exchange, lease, acquire interests through Service Contracts, Participating Agreements and all other forms of contracts or concessions dealing in lands, mines and mineral rights and claims and exploration rights and to conduct all businesses appertaining thereto; to purchase, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, sell or dispose of petroleum, gas and oil, **geothermal fluids,** concessions, leases, royalties and permits, lands and real estate of all kinds, and the oil, gas, **geothermal** and mineral rights and interests therein, to develop such lands, concessions, lease, rights and interests by and to enter into, acquire, carry out and execute contracts for drilling wells, laying of pipes and installation of rigs, platforms, machinery and equipment, and to engage generally, as may be permitted by law, in the business of either directly or through equity investment in companies engaged in **power generation,** mining, manufacturing, contracting and servicing, in addition to oil **and geothermal** exploration **and production.** *(As amended during the meeting of the Board of Directors held on March 3, 2017)*

**SECONDARY PURPOSE**

1. To purchase or otherwise acquire, assemble, install, construct, equip, repair, remodel, maintain, operate, hold, own, lease, rent, mortgage, charge, sell, convey, **import** or otherwise dispose of, any and all kinds of gas works, mills, factories, installations, plants, shops, laboratories, terminals, office buildings and other buildings and structures, roads, railroads, cars, railroad equipment, garages, motor and road equipment, aircraft equipments, aviation fields, telephone and telegraph lines, transmission lines, wireless facilities, water works, reservoirs, dams, canals, waterways, bridges, ports, docks, piers, wharves, marine equipment, and any and all kinds of machinery, apparatus, instruments, fixtures and appliances. *(As amended during the meeting of the Board of Directors held on March 3, 2017)*

2. To construct and maintain conduits, pipelines and lines of tubing for general purposes as well as for the use of said corporation, and to lay rig, buy, lease, sell by wholesale, and otherwise contract for, and operate said conduits, pipelines and lines of tubings, as well as **loading and unloading facilities**, storage tanks, **processing plants**, trailways, tramways, roadways and tracks, for the purpose of **importing**, transporting and storing oil and gas, **fuels and liquefied natural gas**, and of operating a general pipeline and storage **and distribution** business; to buy, sell, charter, operate and maintain tank steamers and other vessels of all kinds for the transportation of merchandise dealt in by the corporation; *(As amended during the meeting of the Board of Directors held on March 3, 2017)*

3. To acquire by purchase, lease, contract, concession or otherwise any and all real estate, lands, land patents, options, grants, concessions, franchises, water and other rights, privileges, easements, estates, interest and properties of every kind and description whatsoever; or any other business in which the corporation may lawfully engage, and to own, hold, operate, improve, develop reorganize, manage, grant, lease, sell, exchange or otherwise dispose of all, the whole or any part thereof; to purchase, drill for or otherwise acquire and to use, store, transport, distribute, sell or otherwise dispose of, water; and to acquire by purchase, lease, or otherwise and to erect, construct, enlarge, own, hold, maintain, use and operate water works and water systems for supplying water and water power for any and all uses and purposes; to purchase, create, generate or otherwise acquire, use, sell, supply or otherwise dispose of, electric current **steam and hot water** and water power of every kind and description, and to sell, supply or otherwise dispose of, light, heat, **water** and power of every kind and description; *(As amended during the meeting of the Board of Directors held on March 3, 2017)*

**By-Laws:**

**AMENDED BY-LAWS OF  
PHINMA OIL AND GEOTHERMAL, INC.**

*(As amended during the meeting of the Board of Directors held on January 30, 2017)*

**a) Reason for the Amendment**

To reflect the Company's entry into the exploration and development of geothermal resources as an additional business line and to further enhance the Company's identity as part of the PHINMA Group of Companies.

**b) Effect of the Amendment**

The corporation shall be allowed to explore, prospect for and develop geothermal as well as petroleum resources.

**14) Voting Procedures**

For the election of directors, each shareholder is entitled to one (1) vote per share multiplied by eleven (11), the number of board seats provided in the Articles of Incorporation. 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.

All other matters in the Agenda that require corporate action will require the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Meeting. Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether that matter has been approved by the stockholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. Voting shall be by raising of hands or *viva voce*; otherwise, voting shall be done in writing by secret ballot and counted thereafter by the Corporate Secretary in the presence of SGV & Co. to be able to validate the counting.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 20, 2017.

**TRANS-ASIA PETROLEUM CORPORATION**

Issuer

**March 20, 2017**



**ALAN T. ASCALON**

Asst. Corporate Secretary

## ANNUAL CORPORATE GOVERNANCE REPORT

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

As of December 31, 2016, the Company has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance of the Manual.

The Company plans to substantially adopt the best practices contained in the 2016 Code Of Corporate Governance for Publicly-Listed Companies and shall submit its revised manual on May 30, 2017 including future ACGR following the new code.

## COMPLIANCE REPORT

As required by the Philippine Stock Exchange, the Compliance Officer will submit the Company's Compliance Report on Corporate Governance on or before March 30, 2017.

## 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, TA Petroleum'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 5 regular and 1 organizational meetings in 2016 and 1 regular meeting in 2017. 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:

### BOARD MEETINGS FOR THE PERIOD FEBRUARY 2016 to MARCH 2017

Incumbent Director	23 February Regular Meeting	12 April Organizational BOD Meeting	12 April Regular Meeting	22 August Regular Meeting	03 November Regular Meeting	30 January Regular Meeting	03 March Regular Meeting
Ramon R. del Rosario, Jr.	P	P	P	P	P	P	P
Oscar J. Hilado	P	P	P	P	P	P	P
Magdaleno B. Albarracin, Jr.	P	P	P	P	A	P	P
Francisco L. Viray	P	P	P	P	P	P	P

Roberto M. Laviña	P	P	P	P	P	P	P
Raymundo A. Reyes, Jr.	P	P	P	P	P	P	P
Victor J. del Rosario	P	P	P	P	P	P	P*
Pythagoras L. Brion, Jr.	P	P	P	P	P	P	P
Edward S. Go (Independent)	P	P	P	P	P	P	P
Raphael Perpetuo M. Lotilla (Independent)	P	P	P	P	P	P	P
Mr. Romeo L. Bernardo (Independent)	P	P	P	P	P	P	A

**P:** Present                      **A:** Absent                      \*via teleconferencing

## 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 2016, the board committee and their members are as follows:

<b>INCUMBENT DIRECTOR</b>	<b>Executive Committee</b>	<b>Audit and Risk Management Committee</b>	<b>Nomination and Governance Committee</b>	<b>Compensation Committee</b>
Ramon R. del Rosario, Jr.	M		C	
Oscar J. Hilado	C		M	
Magdaleno B. Albarracin, Jr.	M			C
Francisco L. Viray	M		M	
Roberto M. Laviña	M	M		M
Raymundo A. Reyes, Jr.				
Victor J. del Rosario		M		
Pythagoras L. Brion, Jr.				
Edward S. Go (Independent)		C	M	M
Raphael Perpetuo M. Lotilla (Independent)	M			
Mr. Romeo L. Bernardo (Independent)				

**C:** Chairman                      **M:** Member

### Nomination Committee

The Nomination Committee is composed of three (3) 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.

### 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 2016 and none was required.



## **Audit Committee**

The Audit Committee is composed of three (3) directors, one of whom is an independent director. The Audit Committee is responsible for checking all financial report against its compliance with both the internal financial management systems and pertinent amounting 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.

The Audit Committee had four (4) meetings during the year. The first and last meetings obtained complete attendance while the second and third meetings only had two members in attendance. Overall, the attendance is at eighty three percent (83%). The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor, SGV & Co., the findings and status of Group Internal Audit's engagements, the status of Business Resiliency and Integrity Assurance activities and the 2015 Audit Committee Report.

**TRANS-ASIA PETROLEUM CORPORATION  
MINUTES OF THE ANNUAL MEETING OF THE SHAREHOLDERS**

*Held on April 12, 2016  
At the Manila Peninsula Hotel, Makati City*

**1. CALL TO ORDER**

The Chairman called the meeting to order at 10:30 a.m. and presided thereat. The Corporate Secretary recorded the minutes of the proceedings. Before the meeting began, the Chairman introduced the members of the Board of Directors and Executive Officers.

**2. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary certified that notices of the meeting were duly sent to all the shareholders of record and that the owners of 190,334,366 shares representing 76.13% of the entire issued and outstanding capital stock of the Corporation were present in person or by proxy as attested by Stock Transfer Service, Inc. (STSI), an independent third party stock transfer agent appointed by the Corporation to count and validate the attendance of shareholders, represented by Messrs. Antonio. M. Laviña (President), Michael C. Capoy (Supervisor), Zaldy Adana (Securities Processor) and Ms. Ivy Quevedo (Securities Processor).

The Corporation's external auditor, SyCip Gorres Velayo & Co. (SGV), was present in the meeting, represented by Marydith C. Miguel (Partner), Ramon D. Dizon (Partner), Wilson P. Tan (Partner) and Jonalyne Lansangan (Director-Assurance).

All members of the Board were in attendance at the meeting as follows:

Ramon R. del Rosario, Jr.	Chairman/ Committee Member	Nomination Chairman/ Executive	and Governance Committee
Oscar J. Hilado	Vice Chairman / Committee Chairman	Nomination Member/ Executive	and Governance Committee
Magdaleno B. Albarracin, Jr.	Director/ Executive Committee Member	Compensation Committee Chairman/ Executive Committee Member	
Francisco L. Viray	President and CEO/ Committee Member	Nomination Member/ Executive	and Governance Committee
Victor J. del Rosario	Director/ Member	Audit and Risk Management Committee	
Roberto M. Laviña	Director/Audit Member/Compensation	and Risk Management Committee	Committee Member/

	Executive Committee Member
Pythagoras L. Brion, Jr.	Director, Executive Vice President –Treasurer & CFO
Raymundo A. Reyes, Jr.	Director, Executive Vice President & COO
Edward S. Go	Independent Director/Audit and Risk Committee Chairman/Nomination and Governance Committee Member/ Compensation Committee Member
Raphael Perpetuo M. Lotilla	Independent Director/Executive Committee Member
Romeo L. Bernardo	Independent Director

Also present at the meeting were the following officers:

Atty. Juan J. Diaz	Corporate Secretary
Mariejo P. Bautista	Senior Vice President – Finance & Controller
Atty. Alan T. Ascalon	Vice President- Legal & Assistant Corporate Secretary
Benjamin S. Austria	Senior Adviser
Cecille B. Arenillo	Vice President- Compliance Officer
Danielle R. del Rosario	Assistant Vice President- Corporate Affairs
Arthur R. Villacorte	Assistant Vice President- Materials Management

### **3. MINUTES OF PREVIOUS MEETING**

The Minutes of the previous Annual Meeting held on April 7, 2015 having been fully disclosed to all shareholders, a motion was made to dispense with the reading of the same and to approve the Minutes as distributed to the shareholders. The motion having been duly seconded and there being no objection to the motion, the approval of the Minutes of the previous Annual Meeting was put to a vote.

A total of 190,334,366 votes were cast as follows: 190,334,366 shares or 76.13% of the entire issued and outstanding capital stock of the Corporation as FOR Votes; 0 shares as DISSENTING Votes; and 0 shares as ABSTAINING Votes, thus, the motion was carried with respect to the approval of the Minutes of the previous Annual Meeting.

### **4. ANNUAL REPORT OF MANAGEMENT**

The Executive Vice President-Treasurer & COO reported the operations of the Corporation through Power Point presentation. The Executive Vice President-Treasurer & CFO reported the financial results for the Calendar Year 2015.

Copies of the 2015 Annual Report including the audited consolidated financial statements for the year ended December 31, 2015 had been distributed to all shareholders prior to the meeting.

Following the report of Management, the Chairman opened the floor for questions or issues from the shareholders. Representatives of SGV were also ready

to respond to appropriate questions from the shareholders. Questions and issues raised were:

**JOSE FERRER**

Q1: Regarding the LNG Terminal in Sual, Pangasinan, where will we source the LNG, is it imported?

A: Yes, it is imported.

Q2: Is the LNG Terminal Project related to the joint venture between KEPCO and Trans-Asia Oil of about 600MW to 1000MW of power?

A: No. It is a separate matter.

**GUILLERMO GILI**

Q1: Are the Service Contracts, SC 55 located at offshore west of Palawan and SC 65 located northwest of Palawan, within the nine-dash line claim of China?

A: No they are not. They are outside the nine-dash line of China.

Q2: Is our Director Brion related to the member of the Supreme Court Justice Brion?

A: Yes, the Supreme Court Justice is a third cousin.

After the questions/issues of the shareholders were addressed, a motion was made to approve the Annual Report of Management including the Audited Financial Statements and to confirm all acts of the Board of Directors and of Management since the last Annual Meeting. The motion having been duly seconded and there being no objection to the motion, the matter was put to a vote.

A total of 190,334,366 votes were cast as follows: 190,334,366 shares or 76.13% of the entire issued and outstanding capital stock of the Corporation as FOR Votes; 0 shares as DISSENTING Votes; and 0 shares as ABSTAINING Votes, the motion was carried with respect to the approval of the Annual Report of Management and the Audited Financial Statements as well as the confirmation of all acts of the Board of Directors and of Management since the last Annual Meeting.

**5. ELECTION OF DIRECTORS**

The Chairman then declared the Meeting open for the nomination and election of directors for the ensuing year. The Corporate Secretary announced the names of the persons who were pre-qualified for Nomination Committee for nomination to the Board of Directors as follows:

Ramon R. del Rosario, Jr.  
Oscar J. Hilado  
Magdaleno B. Albarracin, Jr.  
Francisco L. Viray  
Victor J. del Rosario

Roberto M. Laviña  
 Pythagoras L. Brion Jr.  
 Raymundo A. Reyes Jr.  
 Edward S. Go - Independent  
 Raphael Perpetuo M. Lotilla - Independent  
 Romeo L. Bernardo – Independent

The following were nominated for election to the Board:

Ramon R. del Rosario, Jr.  
 Oscar J. Hilado  
 Magdaleno B. Albarracin, Jr.  
 Francisco L. Viray  
 Victor J. del Rosario  
 Roberto M. Laviña  
 Pythagoras L. Brion Jr.  
 Raymundo A. Reyes Jr.  
 Edward S. Go - Independent  
 Raphael Perpetuo M. Lotilla - Independent  
 Romeo L. Bernardo – Independent

There being no other nominations, a motion for the election of the above-named individuals was made. The motion having been duly seconded and there being no objection to the motion, 190,334,366 votes which represent 76.13% of the entire issued and outstanding capital stock of the Corporation were cast as follows:

<b>NAME OF DIRECTOR</b>	<b>APPROVING</b>	<b>DISSENTING</b>	<b>ABSTAINING</b>
Ramon R. del Rosario, Jr.	76.13%	0%	0%
Oscar J. Hilado	76.13%	0%	0%
Magdaleno B. Albarracin, Jr.	76.13%	0%	0%
Francisco L. Viray	76.13%	0%	0%
Victor J. del Rosario	76.13%	0%	0%
Roberto M. Laviña	76.13%	0%	0%
Pythagoras L. Brion, Jr.	76.13%	0%	0%
Raymundo A. Reyes, Jr.	76.13%	0%	0%
Edward S. Go	76.13%	0%	0%
Raphael Perpetuo M. Lotilla	76.13%	0%	0%
Romeo L. Bernardo	76.13%	0%	0%

Whereupon, the Chairman declared all the above-named individuals as duly elected Directors of the Corporation for the ensuing year and until the election and qualification of their successors.

**6. APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman announced that the next item on the Agenda is the appointment of external auditor for the year ending December 31, 2016.

As no question was raised, a motion was made to appoint the firm of SyCip Gorres Velayo and Co., CPAs, as external auditor of the Corporation for the calendar year 2016. The motion having been duly seconded and there being no objection to the motion, the matter was put to a vote.

A total of 190,334,366 votes have been cast as follows: 190,334,366 shares or 76.13% of the entire issued and outstanding capital stock of the Corporation as FOR Votes; 0 shares as DISSENTING Votes; and 0 shares as ABSTAINING Votes. Thus the motion was carried, with respect to the appointment of SyCip Gorres Velayo and Co. as the Corporation's external auditor for the year ending December 31, 2016.

**7. OTHER MATTERS**

The Chairman asked if there was any other matter or business that the shareholders wished to present for discussion. There were none.

**8. ADJOURNMENT**

With no other business to come before the assembly, upon motion duly made, seconded and carried, the Chairman declared the meeting adjourned.

**JUAN J. DIAZ**  
*Corporate Secretary*

ATTEST:

**RAMON R. DEL ROSARIO, JR.**  
*Chairman of the Meeting*

**TRANS-ASIA PETROLEUM CORPORATION  
RELEVANT RESOLUTIONS APPROVED  
BY THE BOARD OF DIRECTORS  
(From January 25, 2016 to January 30, 2017)  
FOR RATIFICATION BY THE STOCKHOLDERS**

**MEETING OF THE BOARD OF DIRECTORS  
February 23, 2016**

**Financial Reports / 2016 Work Program And Budget**

- "RESOLVED, to approve the audited financial statements for the year ended December 31, 2015 and to submit the same to the shareholders at their annual meeting on 12 April 2016; and
- "RESOLVED FURTHER, to authorize the issuance and release of the said financial statements in compliance with the disclosure requirements under Philippine Accounting Standard (PAS) 10."

**Other Matters**

- "RESOLVED that the record date for purposes of the annual shareholders meeting on April 12, 2016 be changed from March 23, 2016 to March 14, 2016."
- "RESOLVED that this Corporation's Management Contract with PHINMA, Inc. be suspended during the year 2016."

**MEETING OF THE BOARD OF DIRECTORS  
APRIL 12, 2016**

**Financial Reports**

- "RESOLVED, to approve the audited financial statements for the three months ended March 31, 2016."

**Other Matters**

- "RESOLVED, that any two (2) of the Group A signatories below be authorized to sign, execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and other documents for and in behalf of the Corporation which may be required or necessary in connection with the Corporation's transactions with banks:

**Group A**

Francisco L. Viray

Raymundo A. Reyes, Jr.

President & CEO

EVP & COO

Pythagoras L. Brion, Jr.	EVP Treasurer & CFO
Mariejo P. Bautista	SVP-Finance & Controller
Alan T. Ascalon	VP-Legal & Asst. Corporate Secretary”

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

**Group B**

Arthur R. Villacorte	AVP-Materials Management
Danielle R. Del Rosario	AVP-Corporate Affairs

**Group C**

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

- “RESOLVED, that this Corporation be and is hereby authorized to enter into a Master Geophysical Data – Use License agreement with CGG Services SA (“CGG”) under which this Corporation shall license a certain volume of seismic data to be acquired by CGG in the Service Contract No. 69 block, under terms and conditions as may be agreed upon.”
- “RESOLVED FURTHER, that Mr. Raymundo A. Reyes, Jr., EVP and COO, be and is hereby authorized to negotiate, sign, execute, and deliver the aforementioned agreement.”
- “RESOLVED, that this Corporation be and is hereby authorized to engage the services of NauticAWT Energy Solutions for the conduct of technical due diligence of Empire Oil Gas NL assets in Western Australia, under terms and conditions as may be agreed upon.”
- “RESOLVED FURTHER, that Mr. Raymundo A. Reyes, Jr., EVP and COO be and is hereby authorized on behalf of the Corporation to negotiate, sign, execute, and deliver the pertinent agreement.”

**ORAGNIZATIONAL MEETING OF THE BOARD OF DIRECTORS  
April 12, 2016**

**Election Of Officers**

The following officers were nominated to the positions set forth after their respective names:

Ramon R. del Rosario, Jr.	-	Chairman
Oscar J. Hilado	-	Vice-Chairman
Francisco L. Viray	-	President & Chief Executive Officer
Raymundo A. Reyes, Jr.	-	Executive Vice President & COO
Juan J. Diaz	-	Corporate Secretary
Pythagoras L. Brion, Jr.	-	EVP Treasurer & CFO



Mariejo P. Bautista - SVP - Finance & Controller

Alan T. Ascalon - VP- Legal & Assistant Corporate Secretary  
Cecille B. Arenillo - VP & Compliance Officer  
Danielle R. del Rosario - AVP – Corporate Affairs  
Art R. Villacorte - AVP – Materials Management  
Benjamin S. Austria - Senior Adviser

There being no other nominations, the nominations were closed on motion duly seconded and unanimously carried and the Chairman directed the Secretary to cast the unanimous vote of the directors for all those nominated to the positions for which they had been respectively nominated.

### **Composition Of Various Board Committees**

“RESOLVED, that the composition of the various Committees of this Board of Directors for the ensuing year be as follows:

#### Executive Committee:

Oscar J. Hilado - Chairman  
Ramon R. del Rosario, Jr. - Member  
Francisco L. Viray - Member  
Magdaleno B. Albarracin, Jr. - Member  
Raphael Perpetuo M. Lotilla - Member  
Roberto M. Laviña - Member

#### Audit and Risk Management Committee:

Edward S. Go - Chairman  
Roberto M. Laviña - Member  
Victor J. del Rosario - Member

#### Nomination and Governance Committee:

Ramon R. del Rosario, Jr. - Chairman  
Oscar J. Hilado - Member  
Francisco L. Viray - Member  
Edward S. Go - Member

#### Compensation Committee:

Magdaleno B. Albarracin, Jr. - Chairman  
Roberto M. Laviña - Member  
Edward S. Go - Member

## **MEETING OF THE BOARD OF DIRECTORS AUGUST 22, 2016**

### **Financial Reports**

- “RESOLVED, to approve the audited financial statements for the seven months ended July 31, 2016 and 2015.”

- “RESOLVED, to approve the Financial Reports for Q2 and YTD June 2016 that were submitted to the SEC and the PSE on August 12, 2016.”

**MEETING OF THE BOARD OF DIRECTORS  
NOVEMBER 3, 2016**

**Financial Reports**

- “RESOLVED, to approve the financial statements for the nine months ended September 30, 2016 and 2015.”
- “RESOLVED, to approve the Financial Reports for Q3 and YTD September 2016 for submission to the SEC and the PSE on August 12, 2016.

**MEETING OF THE BOARD OF DIRECTORS  
JANUARY 30, 2017**

**Financial Reports**

- “RESOLVED, to approve the financial statements for the 12 months ended December 31, 2016 and 2015.”

**Presentation of 2017 Budget**

- “RESOLVED, to approve the Budget for the 12 months ended December 31, 2017, a Net Loss of PHP15.2 Million and Total Assets of PHP153.6 Million. Deferred Exploration Cost is budgeted at PHP86.5 Million. The Budget assumed no new project for the year and a Work Program amounting to PHP12.1 Million.”

**Other Matters**

- “RESOLVED that the Corporation be Authorized to transact with the following counterparties and/or any of its branches:
  - Banco de Oro Unibank, Inc. and BDO Private Bank
  - Rizal Commercial Banking Corporation
  - Security Bank Corporation
  - Metropolitan Bank & Trust Company
  - Development Bank of the Philippines
  - Bank of the Philippine Islands and any of its subsidiaries

relative to the following transactions and facilities:

- (a) to invest in the following instruments with the abovementioned counterparties:
  - Unit Investment Trust Funds and Trust Accounts and related products;
  - Time deposits, certificate of deposits, special savings and other deposit products.
- (b) to open, close and operate deposit accounts, both in local and foreign currency, with the foregoing banks.

- (c) to open, close and operate trust accounts (including escrow, custodianship and/or safekeeping) with the Trust Department of the abovementioned banks.
- (d) to open and utilize electronic or internet banking services, Transactional Banking and payroll services of the foregoing counterparties.
- (e) to avail of credit facilities with the foregoing counterparties, under such terms and conditions as may have been agreed upon.
  - Banco de Oro Unibank, Inc. and BDO Private Bank
  - Security Bank Corporation
  - Rizal Commercial Banking Corporation
- (f) to avail of the existing credit lines of PHINMA Energy Corporation (PHEN) with Rizal Commercial Banking Corporation (RCBC) under terms and conditions as may have been agreed upon

To designate any two (2) as the authorized signatories for the foregoing and other related documents:

- a. Without any limit, any two (2) of the Group A signatories below may sign, execute and deliver deposits, withdrawal slips, drafts, authorizations, receipts, check payments and other modes of payment, and other documents as may be required or necessary
- b. For amounts covering Fifty Thousand Pesos (Php 50,000.00) and below, any two (2) of the Group A signatories or any one (1) of the Group A or Group B signatories below together with any one (1) of Group C signatories below:

*Group A :*

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

*Group B :*

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

*Group C :*

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

**MEETING OF THE BOARD OF DIRECTORS  
MARCH 3, 2017**

**Financial Reports / 2016 Work Program and Budget**

- “RESOLVED, to approve the audited financial statements for the year ended December 31, 2016 and to submit the same to the shareholders at their annual meeting on 10 April 2017; and
- “RESOLVED FURTHER, to authorize the issuance and release of the said financial statements in compliance with the disclosure requirements under Philippine Accounting Standard (PAS) 10.”

**Other Matters**

- RESOLVED, that subject to the approval by the Securities and Exchange Commission (SEC), the name of the Corporation be changed from “Trans-Asia Petroleum Corporation” to “PHINMA Oil and Geothermal, Inc.”, and in furtherance thereof, that Article FIRST, and the Primary Purpose and Clauses 1, 2 and 3 of the Secondary Purpose as found in Article SECOND of the Articles of Incorporation of Trans-Asia Petroleum Corporation be amended to reflect the change in corporate name of the Corporation and to reflect the Company's entry into the exploration and development of geothermal resources as an additional business line and to further enhance the Company's identity as part of the PHINMA Group of Companies.
- RESOLVED, that subject to the approval by the Securities and Exchange Commission (SEC), the caption of the By-Laws be amended to reflect the change in name of the Corporation from “Trans-Asia Petroleum Corporation” to “PHINMA Oil and Geothermal, Inc.”.

## DESCRIPTION OF BUSINESS

### BACKGROUND

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

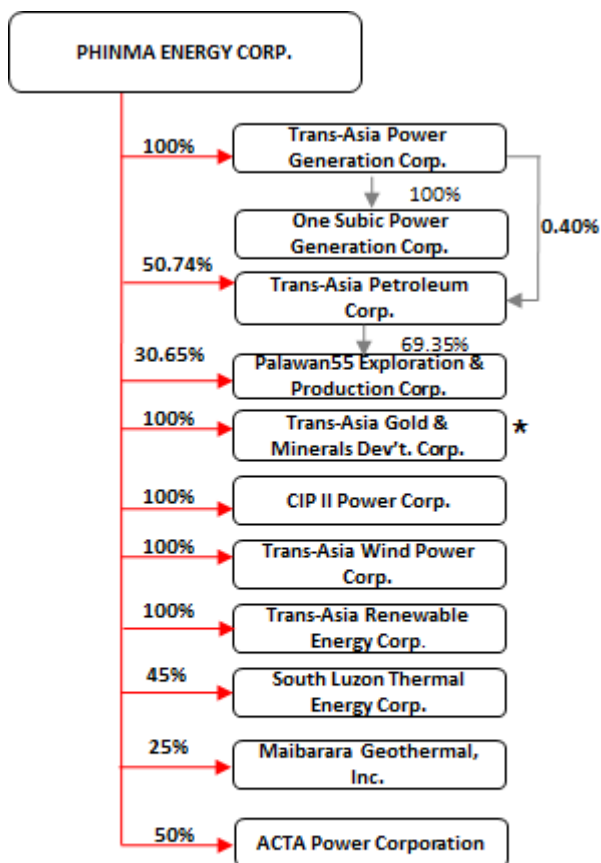
Petroleum exploration involves the search for commercially exploitable subsurface deposits of oil and gas through geological, geophysical and drilling techniques. A petroleum discovery is made when significant amounts of oil and/or gas are encountered in a well, and are flowed to the surface. Following 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	PHINMA Energy subscribes to 24 Billion new shares at par value of ₱0.01. <sup>1</sup>
November 2012	Palawan55 Exploration and Production Corporation (“Palawan55”), a subsidiary of TA Petroleum and PHINMA Energy, is incorporated.
December 2012	TA Petroleum and PHINMA Energy sign a Memorandum of Agreement and Deeds of Assignment for the transfer of SC 6 (Block A and B), SC 51 and SC 69; Palawan 55 and PHINMA Energy sign a Memorandum of Agreement and Deed of Assignment for the transfer of SC 55.
February 2013	PHINMA Energy requests DOE approval of the assignment contracts.
April 23, 2013	The DOE approves the assignment of the entire participating interests of PHINMA Energy in: 1) SC 6 Block A, SC 6 Block B, SC 51 and SC 69 to TA Petroleum, 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 Philippine Stock Exchange’s (PSE) Listing Rules for Small, Medium and Emerging (SME) Board and Main Board.
July 3, 2015	SEC approves the amendment to change the principal office of the corporation to be located at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines.

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



\* ceased operation

## 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 24\* active petroleum SCs in the Philippines:

No.	PSC NO.	Operator	Location/Area (hectares)
1	6A	The Philodrill Corporation	NW Palawan / 108,146.587
2	6B	The Philodrill Corporation	NW Palawan / 53,293.945
3	14	The Philodrill Corporation / Galoc Production Company WLL	NW Palawan / 70,887.52
4	37	PNOC – Exploration Corporation	Cagayan / 36,000.00
5	38	Shell Philippines Exploration B. V.	NW Palawan / 83,000
6	40	Forum Exploration, Inc.	North Cebu / 458,000.00
7	44	Gas2Grid Ltd.	Central Cebu / 75,000
8	49	China International Mining Petroleum Corp.	South Cebu / 197,000
9	50	Frontier Oil Corporation	Calauit, NW Palawan / 128,000
10	51	Otto Energy Investments Ltd.	East Visayan Basin / 332,000
11	52	Frontier Oil Corporation	Piat San Jose, Cagayan / 96,000
12	53	Pitkin Petroleum Ltd.	Onshore Mindoro / 724,000
13	54	Nido Petroleum Philippines Pty. Ltd	NW Palawan (Area A / B = 401,616.15 /

14	55	Otto Energy Investments Ltd.	West Palawan Ultra Deepwater / 988,000
15	56	Total E&P BV	Sulu Sea / 622,000
16	57	PNOC – Exploration Corporation	Calamian Block, NW Palawan / 712,000
17	58	Nido Petroleum Philippines Pty. Ltd	West Calamian Block, NW Palawan / 1,344,000
18	59	PNOC – Exploration Corporation	West Balabac, SW Palawan/ 1,476,000
19	63	PNOC – Exploration Corporation	SW Palawan / 528,000
20	69	Trans-Asia Petroleum Corporation	Visayan Basin / 528,000
21	70	Polyard Petroleum International Company	Central Luzon Basin / 684,000
22	72	Forum (GSEC101) Ltd.	Reed Bank / 880,000
23	74	PXP Energy Corporation	Northwest Palawan/426,800
24	75	PXP Energy Corporation	Northwest Palawan/616,000

*\*As of 31 December 2016 per DOE Data*

## Competition

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

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

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:

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

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

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

A service contract has a maximum exploration period of ten (10) years and a maximum development and production period of forty (40) years. Signature bonus, discovery bonus, production bonus, development allowance and training allowance are payable to the Government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to 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 (EO) No. 66* issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and *DOE Circular 200208005*, a circular setting the interim rules and regulations governing the transmission, distribution and supply of natural gas.

Under P.D. 87, as amended, every service contractor that produces petroleum is authorized to dispose of same either domestically or internationally, subject to supplying the domestic requirements of the country on a pro-rata basis. There is a ready market for oil produced locally inasmuch as imported oil which comprised about thirty-four percent (34%) of the Philippines' primary energy mix as of 2010. Heavy dependence on foreign oil supply is not expected to change significantly over the next ten (10) years. On a case by case basis, the Government has allowed the export of locally produced crude oil in the past. The domestic natural gas industry is at the nascent stage, with supply coming from a single offshore field. Domestic gas production accounted for about seven percent (7%) of the country's primary energy mix in year 2010. The Government is actively promoting the use of natural gas for power, industry, commercial and transport applications, owing to environmental considerations and the need to diversify energy supply.

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

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

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

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

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

- (1) increasing oil and gas exploration;

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

In support of this legislation, 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 entitled "Establishing An Environmental Impact Statement System, Including Other Environmental Management Related Measures And For Other Purposes", issued by former President Ferdinand E. Marcos in 1978. The EIS System requires all government agencies; government owned or controlled corporations and private companies to prepare an Environmental Impact Assessment (EIA) for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating and enhancement measures to protect the environment and the community's welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate (ECC), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

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

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

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

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

- iii. likelihood, duration, frequency, and reversibility of the impact.

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

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

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

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the Company's operations. Failure to comply with these laws may also result in the suspension or termination of the Company's operations and subject it to administrative, civil and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations

#### **Statement of Active Business Pursuit**

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

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

#### **Interests in Petroleum Contracts**

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

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 SCs, the Company as the Contractor is the exclusive party to conduct petroleum operations in the covered Contract Area. The Company, as a Contractor, is solidarily liable with other Contractors to the Philippine government to perform the obligations under the SCs. The Philippine Government may require the performance of any or all obligations under the SCs by any or all of the Contractors. As a Contractor, the Company has the right and obligation to participate actively in the exploration, development, and production of petroleum resources within the contract area. The SCs provide for

minimum work commitments and minimum exploration expenditures which must be complied with by any or all of the Contractors. 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 SCs include, among others, the right to export and sell its share of petroleum production in the open market, subject to the obligation to supply a portion of domestic petroleum requirements.

A summary of the existing projects and the Service Contracts where TA Petroleum has participating interests, as of February 28, 2017 are as follows:

<b>Contract</b>	<b>Location</b>	<b>Interest</b>	<b>Issue Date</b>	<b>Commercial Terms</b>	<b>Partners</b>	<b>Work Program 2017</b>
<b>SC 51</b>	Eastern Visayas	6.67% (33.34% upon DOE approval of Otto withdrawal)	8 July 2005	A	Otto Energy Investments, Alcorn Petroleum and Minerals Corp., PetroEnergy Resources Corp.  Operator: Otto Energy Investments	Awaiting DOE approval of transfer of interest post-withdrawal of Otto.
<b>SC 69</b>	Camotes Sea, Eastern Visayas	50%	7 May 2008	A	Frontier Gasfields Pty. Ltd.  Operator: TA Petroleum	Awaiting DOE approval of extension of the term due to Force Majeure
<b>SC 6 Block A</b>	Northwest Palawan	7.78%	1 September 1973	A	Philodrill Corp., PetroEnergy Resources, Philex Petroleum, Forum Energy Philippines, AngloPhilippine Holding, Alcorn Petroleum and Minerals  Operator: Philodrill Corp	Advanced geophysical studies.
<b>SC 6 Block B</b>	Northwest Palawan	2.475% Carried Interest; (14.063% Participating Interest relinquished Feb 20, 2017)	1 September 1973	A	Philodrill Corp., Nido Petroleum Ltd., Oriental Petroleum & Minerals Corp., Forum Energy Philippines Corp., Alcorn Petroleum & Minerals Corp. Operator: Philodrill Corp.	Geological and Geophysical studies
<b>SC50</b>	North Palawan	10%			Frontier Gasfields Pty. Ltd.  Operator: Frontier Gasfields Pty. Ltd.	Moratorium requested. Negotiation between DOE & Frontier for possible reinstatement of SC 50

Contract	Location	Interest	Issue Date	Commercial Terms	Partners	Work Program 2017
						continues.
<b>SC 55 (through subsidiary Palawan 55)</b>	Offshore West Palawan	6.82%	5 August 2005	A, B	Otto Energy Philippines, Otto Energy Investments Century Red Pte. Ltd. Pryce Gases, Inc.  Operator: Otto Energy Investments	Drilling completed in August 2015. Consortium granted a 2-year moratorium on contract obligations until December 23, 2017

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 51 (East Visayas)**

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

The consortium committed to undertake a new 250 km 2D seismic program over the Cebu Strait and an engineering study of the Villaba – 1 sub-commercial gas discovery in offshore Northwest Leyte, within the first eighteen (18) months of the contract term. The 2D seismic program was designed to pick the drilling location for the Argao prospect and to upgrade a neighboring lead to drillable status. The Villaba engineering study aimed to determine whether the sub-commercial Villaba gas discovery could be developed on a standalone basis using minimalist options or whether additional reserves from neighboring prospects would be necessary or enough to ensure commerciality. The partners have successive options to drill exploratory wells during the balance of the seven (7) year exploration period.

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

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

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

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

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

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

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

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

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

Otto Energy spudded the Duhat2 well in onshore northwest Leyte on July 24, 2013, but on July 26, 2013 abandoned the well without reaching the reservoir objective due to unexpected drilling problems. Otto completed the demobilization for the Duhat2 well last August 30, 2013 and is conducting post well studies. On behalf of partners, Otto Energy requested and was granted by its coventurers an extension of the current Sub Phase 5 to July 31, 2014, in order to undertake post well geological, geophysical and engineering studies.

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

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

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

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

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

On June 28, 2015, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

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

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

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

Otto Energy	80.00%	(Operator)
Alcorn	9.32%	
<b>TA Petroleum</b>	6.67%	
PetroEnergy	4.01%	

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

### **SC 69 (Camotes Sea)**

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

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

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

On June 3, 2010, PHINMA Energy signed a Farm-In Option Agreement with Frontier Gasfields Ltd. (Frontier) which granted the latter the option to acquire fifteen percent (15%) of PHINMA Energy's



interest in SC 69. Frontier exercised its option on February 3, 2011 for a total consideration of US\$395,000. The consortium elected to enter the 3rd Sub Phase (February 7, 2011 to August 7, 2012) which entails a minimum commitment of either a 50 sq. km. of 3D seismic survey or one exploratory well and minimum expenditures of USD\$2 MM or USD\$3 MM, respectively.

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

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

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

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

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

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

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

As at March 3, 2017, the approval of the aforementioned extension remains pending with the DOE.

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

Frontier	50.00%
<b>TA Petroleum</b>	50.00% (Operator)

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

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

SC 6 grants the contractor the exclusive right to explore, develop and produce petroleum resources within the contract area. The contractor assumes all exploration risks. In the event of commercial production, the Government and the contractor share in the profit on a 60:40 basis. The exploration

period is seven (7) years, extendible by three (3) years. The production period is twenty-five (25) years, extendible by fifteen (15) years. SC 6 was awarded on 1 September 1973 and is valid until 28 February 2024 subject to certain conditions.

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

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

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

#### **SC 6 A**

On May 9, 1988, an Operating Agreement was entered into by and among Balabac, Oriental, PHINMA Energy and 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 March 7, 2007, SC 6 Block A consortium entered into a Farm-In Agreement with Vitol GPC Investments S.A. of Switzerland. Under this agreement, Vitol shall undertake, at its sole cost and risk, geological, geophysical and engineering studies over a one (1) year period. At the end of the study period, Vitol shall decide whether to acquire seventy percent (70%) participating interest in Block A. Vitol completed the first phase of its technical due diligence over Block A and concluded that development of the Octon discovery hinges on tieback to Galoc production facilities. Following several extensions of the Farm-In Agreement, Vitol informed the consortium in November 2010 that it is not exercising its option to acquire interest in the block.

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

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

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

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

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

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE.

## SC 6 B

The SC 6 Block B consortium members, excluding Nido Petroleum, signed on 4 February 2011 a Farm-In Agreement with Peak Oil and Gas Philippines Limited (Australia), Blade Petroleum Philippines Limited (Australia) and Venturoil Philippines Inc. Under said Agreement, the Farm-Inees (Peak, Blade and Venturoil) have the option to acquire seventy percent (70%) of the 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 December 2, 2011, an Amended Deed of Assignment transferring 64.5316% participating interest of the farmors to Peak, Blade and Venturoil. However, the DOE disapproved in July 22, 2013 the Deed of Assignment due to the failure of the Farm-Inees to demonstrate the required financial capacity.

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

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

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

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

### SC 6 Block A

PetroEnergy	16.670%	
Philodrill	51.650%	(Operator)
Anglo	11.110%	
<b>TA Petroleum</b>	<b>7.780%</b>	
Forum	5.560%	
Philex Petroleum	5.560%	
Alcorn	1.670%	

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

### SC 6 Block B

Nido Petroleum Phils. Pty. Ltd.	7.812%	
Phoenix	28.125%	
<b>TA Petroleum</b>	<b>14.063%</b>	
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 farm-out to Peak, Blade and Venturoil which would have reduced TA Petroleum's interest by seventy percent (70%) did not materialize because the proposed Farm-In of the three (3) companies were disapproved by the DOE.

On February 20, 2017, the Company gave notice to the consortium of relinquishment of its 14.063% Participating Interest in Service Contract 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% Carried Interest.

### ***SC 50 Offshore Northwest Palawan***

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

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

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

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

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

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

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

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. Negotiations between the DOE and Frontier Oil for possible reinstatement of SC 50 continued.

In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents to the DOE in support of its request for Force Majeure.

Approval of the assignment of 10% interest in SC 50 of TA Petroleum likewise remains pending with the DOE.

### **SC 55 (West Palawan)**

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

SC 55 covers 900,000 hectares in offshore West Palawan. It is a 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 eighteen (18) months of the contract term. The partners have successive options to drill up to four (4) wells during the balance of the 7-year exploration period.

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

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

On February 3, 2011, PHINMA Energy signed an Agreement with Otto Energy assigning PHINMA Energy's 8.18% participating interest to the latter in exchange for a carry in the costs of a second well in the block, should Otto Energy elect to participate in said well. Estimated budget for drilling the second well is US \$ 65 Million or ₱2.86 Billion at an exchange rate of US\$1 = ₱44.

In December 2011, BHP Billiton acquired sixty percent (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 August 5, 2012.

The revised work schedule is shown below:

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

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

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco1 drilling to the Palawan Council for Sustainable Development (PCSD). The PCSD approved the issuance of the Strategic Environmental Plan Clearance (SEP) clearance for the drilling of Cinco1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. As at October 30, 2013, BHP Billiton received the amended SEP clearance and requested the DOE a 14-month extension of the current Sub Phase considering the length of the Force Majeure period.

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

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

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

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

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

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

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

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

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

Otto Energy Philippines	35.00%	
Otto Energy	33.18%	(Operator)
Century Red	15.00%	
Pryce Gases	10.00%	
Palawan55	6.82%	

### **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 PHINMA Energy.***

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

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

#### ***Memorandum of Agreement between PHINMA Energy and Palawan55.***

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

#### ***Deed of Assignment between TA Petroleum and PHINMA Energy.***

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

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

#### ***Deed of Assignment between PHINMA Energy and Palawan55.***

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

### **MANPOWER**

TA Petroleum’s total regular employees as of December 31, 2016 are four (4).

## RISK FACTORS

### RISKS RELATING TO THE COMPANY'S BUSINESS

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

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

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

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

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

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

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

- **Operating risks resulting in losses**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

areas which in turn could materially and adversely affect the Company's business, financial condition, results of operations and prospects.

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

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

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

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

## **RISKS RELATING TO THE PHILIPPINES**

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

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

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

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

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

In March 2013, Fitch Ratings raised the Philippines' sovereign credit rating to BBB, the first time that the country has received an investment grade rating from a major credit rating agency. An investment grade rating could lower the country's cost of borrowing and widen its base of potential investors, as some funds have restrictions on holding sub investment grade debt. Other major credit rating agencies such as Moody's Investors Service and Standard & Poor's have rated the Philippines as one notch below investment grade with a positive outlook. The sovereign credit ratings of the Government directly affect companies residing in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Moody's, Standard &

Poor's or any other international credit rating agency will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing will be made available.

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

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

## **RISKS RELATED TO THE SHARES**

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

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

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

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

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

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

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

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

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

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

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

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

## SUBSIDIARY

### Palawan 55 Exploration & Production Corporation (“Palawan55”)

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

## DESCRIPTION OF PROPERTIES

### SERVICE CONTRACTS

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

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.

### FIXED ASSETS

TA Petroleum also owns the following fixed assets:

Properties	Location	Amount
Office Equipment	Makati City	₱245,000
Miscellaneous Assets	Makati City	94,515
<b>Total</b>		<b>₱339,515</b>
Less: Accumulated Depreciation		235,775
<b>Net Book Value</b>		<b>₱103,740</b>

*Source: Audited consolidated financial statements as at December 31, 2016*

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

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

The Company has not entered into any leases of property.

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

### LEGAL PROCEEDINGS

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

## MARKET INFORMATION

As of the date of February 28, 2017, the Company has an authorized capital stock of One Billion (1,000,000,000) Shares, each with a par value of ₱1.00, and its issued share capital consists of Two Hundred Fifty Million (250,000,000) Shares.

### 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, 2017 and for the calendar years 2016, 2015 and 2014:

Period	High	Low
<b>Calendar 2017</b>		
February 2017	2.85	2.84
January 2017	3.09	2.88
<b>Calendar 2016</b>		
Fourth Quarter	3.48	2.86
Third Quarter	4.30	3.00
Second Quarter	5.00	2.36
First Quarter	2.94	1.68
<b>Calendar 2015</b>		
Fourth Quarter	2.91	2.06
Third Quarter	11.48	2.00
Second Quarter	12.80	4.06
First Quarter	4.75	3.67
<b>Calendar 2014</b>		
Fourth Quarter	5.49	3.90
Third Quarter	9.00	4.30

## STOCKHOLDERS

As of February 28, 2017, the Company has 2,961 registered shareholders. The following table sets forth the top 20 shareholders of the Company, their nationality, the number of shares held, and the percentage of ownership as of February 28, 2017:

	NAME OF STOCKHOLDER	CITIZENSHIP	NUMBER OF SHARES HELD	% OF OWNERSHIP
1	PCD NOMINEE CORPORATION	Filipino	245,600,115	98.24%
2	EMAR Corporation	Filipino	950,740	00.38%
3	PCD NOMINEE CORPORATION (NONFILIPINO)	Foreign	727,353	00.29%
4	FRANCISCO GENARO OZAMIZ LON	Filipino	423,300	00.17%
5	ALBERT MENDOZA &/OR JEANNIE MENDOZA	Filipino	76,193	00.03%
6	PHIL. REMNANTS CO. INC.	Filipino	71,431	00.03%
7	PETER MAR OR ANNABELLE C. MAR	Filipino	52,020	00.02%
8	RAMON R. DEL ROSARIO JR.	Filipino	45,467	00.02%
9	VICTOR JUAN DEL ROSARIO	Filipino	41,453	00.02%
10	RENATO O. LABASAN	Filipino	38,760	00.02%
11	TERESITA A. DELA CRUZ	Filipino	38,306	00.02%
12	BELEK INC.	Filipino	37,842	00.02%

13	RIZALINO G SANTOS	Filipino	36,643	00.01%
14	JOSEPH D. ONG	Filipino	35,640	00.01%
15	WILLIAM HOW &/OR BENITO HOW	Chinese	34,003	00.01%
16	ALEXANDER J. TANCHAN &/OR DOLORES U. TANCHAN	Filipino	27,358	00.01%
17	BENJAMIN S. AUSTRIA	Filipino	26,086	00.01%
18	VICTOR J. DEL ROSARIO OR MA. RITA S. DEL ROSARIO	Filipino	24,342	00.01%
19	DR. ANITA TY	Filipino	23,816	00.01%
20	ALBERTO MENDOZA &/OR MARITNESS MENDOZA	Filipino	21,886	00.01%

## SECURITY OWNERSHIP OF MANAGEMENT

The table below shows the securities beneficially owned by all directors' nominees and executive officers of the Company as of February 28, 2017:

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	0.45%
			682,015	Indirect	
Common	Oscar J. Hilado	Filipino	168,301	Direct	0.07%
Common	Magdaleno B. Albarracin, Jr.	Filipino	53	Direct	0.00%
Common	Francisco L. Viray	Filipino	214,959	Direct	0.09%
Common	Roberto M. Laviña	Filipino	106,933	Direct	0.04%
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	0.31%
			682,015	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	Filipino	30,000	Direct	0.01%
Common	Mariejo P. Bautista	Filipino	11,047	Direct	0.00%
Common	Alan T. Ascalon	Filipino	1,818	Direct	0%
Common	Cecille B. Arenillo	Filipino	2,550	Direct	0%
Common	Danielle R. Del Rosario-Del Pilar	Filipino	2,000	Direct	0%
Common	Arthur R. Villacorte	Filipino	858	Direct	0%
<b>TOTAL</b>			<b>2,461,458</b>		<b>.98%</b>

## DIVIDENDS

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

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

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

On 28 August 2012, the Board and stockholders representing at least two-thirds of the Company's outstanding capital stock approved the increase of the Corporation's authorized capital stock from Forty Million Pesos (₱40,000,000.00), divided into Four Billion (4,000,000,000) shares at ₱0.01 per share, to One Billion Pesos (₱1,000,000,000.00) divided into One Hundred Billion (100,000,000,000) shares at the same par value. Out of the increase, PHINMA Energy subscribed to an additional ₱240,000,000.00 divided into 24,000,000,000 Shares at ₱0.01 per share, which subscription was fully paid for in cash on 21 December 2012. The increase in capital stock was approved by the SEC on 28 November 2012.

Subscription for shares of the capital stock of a corporation in pursuance of an increase in its authorized capital stock, when no expense is incurred, no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the required minimum 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.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **PLAN OF OPERATION**

TA Petroleum is currently a participant in five (5) petroleum Service Contracts with the Government of the Republic of the Philippines, namely: SC 6, SC 51, SC 69, SC 50 and SC 55 (through its subsidiary, Palawan55 Exploration & Production Corporation). All these contracts are in the exploratory stage, i.e. without any commercial production.

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

### **CALENDAR 2016**

#### **SC 6 (Offshore Northwest Palawan)**

##### ***Block A***

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

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

##### ***Block B***

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

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

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

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

#### **SC 51 (Northwest Leyte/Cebu Strait)**

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

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

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

### **SC 55 (Offshore West Palawan)**

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

The Company holds 6.82% participating interest in SC 55.

### **SC 69 (Camotes Sea)**

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

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

### **SC 50 (North Palawan)**

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

## **FINANCIAL PERFORMANCE**

### **2016 compared with 2015**

#### **Consolidated Statements of Income**

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

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

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

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

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

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

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

Key Performance Indicator	Formula	2016	2015	Increase (Decrease)	
				Amount	%
Liquidity Ratios	Current assets Current liabilities	116.07	201.37	-85.30	-42%

Key Performance Indicator	Formula	2016	2015	Increase (Decrease)	
				Amount	%
<b>Solvency Ratios</b>					
Debt-to-equity ratio	Total liabilities	0.00	0.00	0.00	0%
	Total equity				
Asset-to-equity ratio	Total assets	1.01	1.00	0.01	0%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
<b>Profitability Ratios</b>					
Return on equity	Net income after tax	-21.33%	-4.99%	-16.34%	-328%
	Average stockholders' equity				
Return on assets	Net income after taxes	-21.24%	-4.97%	-16.27%	-327%
	Total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

#### Current ratio and Acid test ratio

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

#### Debt to equity ratio

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

#### Asset to equity ratio

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

#### Interest coverage ratio and Net debt to equity ratio

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

### **Return on equity and Return on assets**

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

### **Asset turnover**

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

### **DURING THE CALENDAR YEAR 2016:**

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

### **FOR CALENDAR 2015**

#### **SC 6 (Offshore Northwest Palawan)**

##### ***Block A***

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

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

TAPET's participating interest reverted to 7.78% following the withdrawal of farminee, Pitkin Petroleum.

##### ***Block B***

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

The DOE approved a six - month extension of the current Sub-Phase to 28 August 2016.

The Company holds 7.78% and 14.063% participating interests in Block A and Block B, respectively.

### **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 Duhat2 well.

The Duhat2 well was plugged and abandoned in 3Q 2013 when it failed to reach its reservoir objective due to drilling problems.

On 5 May, 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.

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.

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

The Company owns 6.67%% participating interest in SC 51 which will become 33.34% upon DOE approval of the withdrawal of Otto Energy.

### **SC 55 (Offshore West Palawan)**

Otto Energy, the Operator, completed the drilling of the Hawkeye – 1 well to a total depth of 2,920 meters. The well discovered gas which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

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

Palawan55 Exploration & Production Corporation, a subsidiary of TA Petroleum, holds 6.82% participating interest in SC 55.

### **SC 69 (Camotes Sea)**

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

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

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

### **SC 50 (North Palawan)**

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

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

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

## FINANCIAL PERFORMANCE

### 2015 compared with 2014

#### Consolidated Statements of Income

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

The Company posted a lower consolidated net loss for the year compared to previous year of the same period. The following are the material changes in the Consolidated Statements of Income for the year ended December 31, 2015 and 2014:

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

#### Consolidated Statements of Financial Position

	2015	2014	Increase (Decrease)	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	₱4,456,177	₱42,808,622	(₱38,352,445)	-90%
Investments held for trading	95,837,558	70,471,867	25,365,691	36%
Receivables	20,056,945	895,389	19,161,556	2140%
Prepaid expense	55,732	-	55,732	-
<b>Total Current Assets</b>	<b>120,406,412</b>	<b>114,175,878</b>	<b>6,230,534</b>	<b>5%</b>
<b>Noncurrent Assets</b>				
Receivable from a third party	-	20,000,000	(20,000,000)	-100%

Property and equipment	216,912	330,084	(113,172)	-34%
Deferred exploration costs	89,129,867	85,967,118	3,162,749	4%
Deferred income tax asset	3,440	68,873	(65,433)	-95%
<b>Total Noncurrent Assets</b>	<b>89,350,219</b>	<b>106,366,075</b>	<b>(17,015,856)</b>	<b>-16%</b>
<b>TOTAL ASSETS</b>	<b>₱209,756,631</b>	<b>₱220,541,953</b>	<b>(₱10,785,322)</b>	<b>-5%</b>

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

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

Details of deferred exploration costs are as follows:

	2015	2014	Increase (Decrease)	
			Amount	%
TA Petroleum:				
SC 51 (East Visayas)	₱32,665,864	₱32,665,864	₱-	-
SC 69 (Camotes Sea)	15,085,259	15,085,259	-	-
SC 6 (Northwest Palawan):				
Block A	19,083,683	18,804,924	278,759	1%
Block B	4,862,765	1,978,775	2,883,990	146%
SC 50 (Northwest Palawan)	11,719,086	11,719,086	-	-
	83,416,657	80,253,908	3,162,749	4%
Palawan55:				
SC 55 (Southwest Palawan)	5,713,210	5,713,210	-	-
	<b>₱89,129,867</b>	<b>₱85,967,118</b>	<b>₱3,162,749</b>	<b>4%</b>

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.

	2015	2014	Increase (Decrease)	
			Amount	%
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liability</b>				
Accounts payable and other current liabilities	₱597,928	₱688,636	(₱90,708)	-13%
<b>Equity</b>				
Attributable to Equity Holders of the Parent Company:				
Capital stock	250,000,000	250,000,000	-	-



Deficit	(43,256,854)	(32,688,443)	10,568,411	32%
	206,743,146	217,311,557	(10,568,411)	-5%
Non-controlling interest	2,415,557	2,541,760	(126,203)	-5%
<b>Total Equity</b>	<b>209,158,703</b>	<b>219,853,317</b>	<b>(10,694,614)</b>	<b>-10%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱209,756,631</b>	<b>₱220,541,953</b>	<b>(₱10,785,322)</b>	<b>-5%</b>

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

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

### Consolidated Statements of Cash Flows

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

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

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

The key performance indicators of Trans-Asia Petroleum and subsidiary, as consolidated, are the following:

Key Performance Indicator	Formula	2015	2014	Increase (Decrease)	
				Amount	%
<b>Liquidity Ratios</b>					
Current Ratio	Current assets	201.37	165.80	35.57	21%
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	201.28	165.80	35.48	21%
	Current liabilities				
Key Performance Indicator	Formula	2015	2014	Increase (Decrease)	
				Amount	%
<b>Solvency Ratios</b>					
Debt-to-equity ratio	Total liabilities	0.00	0.00	0.00	-9%
	Total equity				
Asset-to-equity ratio	Total assets	1.00	1.00	0.00	0%
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				
<b>Profitability Ratios</b>					
Return on equity	Net income after tax	-4.99%	-5.99%	-1.00%	-17%
	Average stockholders' equity				
Return on assets	Net income after taxes	-4.97%	-5.97%	-1.00%	-17%
	Average total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

### **Current ratio and Acid test ratio**

Current ratio and acid test ratio improved due to increase in receivables.

### **Debt to equity ratio**

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

### **Asset to equity ratio**

Asset to equity ratio remained at 1.00 because of minimal liabilities of the Company.

### **Interest coverage ratio and Net debt to equity ratio**

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

### **Return on equity and Return on assets**

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

### **Asset turnover**

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

### **During the calendar year 2015:**

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

## **CALENDAR 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 PHINMA Energy) 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.

PHINMA Energy, 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 TA Petroleum, 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 planned 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

Approval of the assignment of 10% participating interest in SC 50 to the Parent remains pending with the DOE.

## **FINANCIAL PERFORMANCE**

### ***2014 compared with 2013***

#### **Consolidated Statements of Income**

	For the year ended December 31		Increase (Decrease)	
	2014	2013	Amount	%
Interest income	₱130,486	₱798,288	(₱667,802)	-84%
Cost and expenses	14,498,337	9,380,729	5,117,608	55%
<b>Other income (loss)</b>				
Gain (loss) on changes in fair value of investments held for trading - net	734,986	(4,740,323)	5,475,309	-
Foreign exchange losses	(5,561)	1,068	(6,629)	-
	729,425	(4,739,255)	5,468,680	-
<b>Loss before income tax</b>	<b>(13,638,426)</b>	<b>(13,321,696)</b>	<b>316,730</b>	<b>2%</b>

Provision for (benefit from) income tax	(69,193)	320	(69,513)	-21723%
<b>Net loss</b>	<b>(P13,569,233)</b>	<b>(P13,322,016)</b>	<b>P247,217</b>	<b>2%</b>

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

- Decrease in interest income was driven by lower investments held for trading 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 in 2014 is from unrealized gain from changes in fair value of investments held for trading, a reversal from loss in 2013.
- Provision from (benefit from) income tax is from NOLCO of Palawan55, which is expected to be utilized in 2015.

### Consolidated Statements of Financial Positions

	2014	2013	Increase (Decrease)	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	P42,808,622	P21,029,901	P21,778,721	104%
Investments held for trading	70,471,867	138,411,121	(67,939,254)	-49%
Receivables	895,389	3,033	892,356	29422%
<b>Total Current Assets</b>	<b>114,175,878</b>	<b>159,444,055</b>	<b>(45,268,177)</b>	<b>-28%</b>
<b>Noncurrent Assets</b>				
Receivable from a third party	20,000,000	-	20,000,000	-
Property and equipment	330,084	-	330,084	-
Deferred exploration costs	85,967,118	74,736,195	11,230,923	15%
Deferred income tax asset	68,873	-	68,873	-
<b>Total Noncurrent Assets</b>	<b>106,366,075</b>	<b>74,736,195</b>	<b>31,629,880</b>	<b>42%</b>
<b>TOTAL ASSETS</b>	<b>P220,541,953</b>	<b>P234,180,250</b>	<b>(P13,638,297)</b>	<b>-6%</b>

The following are the material changes in asset accounts of the Consolidated Statements of Financial Position as at December 31, 2014 and December 31, 2013:

- Cash and cash equivalents doubled from the proceeds of the Company's investments held for trading.
- In 2014, the Company redeemed half of its investments held for trading.
- 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	Increase (Decrease)	
			Amount	%
TA Petroleum:				
SC 51 (East Visayas)	₱32,665,864	₱32,665,864	₱-	-
SC 69 (Camotes Sea)	15,085,259	15,972,361	(887,102)	-6%
SC 6 (Northwest Palawan):				
Block A	18,804,924	18,804,924	-	-
Block B	1,978,775	1,579,836	398,939	25%
SC 50 (Northwest Palawan)	11,719,086	-	11,719,086	-
	80,253,908	69,022,985	11,230,923	16%
Palawan55:				
SC 55 (Southwest Palawan)	5,713,210	5,713,210	-	-
	<b>₱85,967,118</b>	<b>₱74,736,195</b>	<b>₱11,230,923</b>	<b>15%</b>

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.

	2014	2013	Increase (Decrease)	
			Amount	%
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liability</b>				
Accounts payable and other current liabilities	₱688,636	₱757,380	(₱68,744)	-9%
<b>Noncurrent Liability</b>				
Deferred income tax liability	-	320	(320)	-
<b>Equity</b>				
Attributable to Equity Holders of the Parent Company:				
Capital stock	250,000,000	250,000,000	-	-
Deficit	(32,688,443)	(19,171,733)	13,516,710	71%
	217,311,557	230,828,267	(13,516,710)	-6%
Non-controlling interest	2,541,760	2,594,283	(52,523)	-2%
<b>Total Equity</b>	<b>219,853,317</b>	<b>233,422,550</b>	<b>(13,569,233)</b>	<b>-8%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱220,541,953</b>	<b>₱234,180,250</b>	<b>(₱13,638,297)</b>	<b>-6%</b>

The following are the material changes in liability and equity accounts in the Consolidated Balance Sheets as at December 31, 2014 and December 31, 2013:

- Decrease in current liabilities is mainly due to decline in accrual of expenses.
- Noncurrent liability pertains to recognized minimum corporate income tax (MCIT), which was paid in 2014.
- Deficit increased due to the 2014 net loss attributable to the Parent Company.
- Non-controlling interest was reduced by its proportionate share in the consolidated net loss of the Company.

### **Consolidated Statements of Cash Flows**

	For the year ended December 31		Increase (Decrease)	
	2014	2013	Amount	%
Net cash flows used in operating activities	(P14,768,724)	P800,017	(P15,568,741)	-1,946%
Cash flows from (used in) investing activities	36,556,215	(145,668,741)	182,224,956	-
Net increase (decrease) in cash and cash equivalents	21,787,491	(144,868,724)	166,656,215	-
Effect of exchange rate changes	(8,770)	1,068	(9,838)	-
Cash and cash equivalents at beginning of year	21,029,901	165,897,557	(144,867,656)	-87%
<b>Cash and cash equivalents at end of year</b>	<b>P42,808,622</b>	<b>P21,029,901</b>	<b>P21,778,721</b>	<b>104%</b>

The following are the material changes in the Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013:

- Net cash flows used in operating activities increased with the expenses incurred related to the listing activities of the Company in 2014.
- Net cash flows from investing activities in 2014 pertain to proceeds from redemption of investments held for trading. In 2013, net cash flows used in investing activities are additions to investments held for trading and deferred exploration costs.
- No financing activities occurred in 2014 and 2013.
- Effect of exchange rate changes is mainly movements in foreign exchange rate.

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 Debt/Equity ratio	Total Liabilities	-	-	-	-
	Total Equity				



Key Performance Indicators	Formula	Years Ended December 31			
				Increase ( Decrease)	
		2014	2013	Amount	%
Asset-to Equity Ratio	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				
<b>Profitability Ratios</b>					
Return on equity	Net income after tax	-5.99%	-5.71%	0.46%	8.06%
	Average stockholders' equity				
Return on assets	Net income after taxes	-5.97%	-5.54%	0.43%	7.76%
	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 due to decrease in investments held for trading.

#### Debt to equity ratio

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

#### Asset to equity ratio

Asset to equity ratio remained at 1.00 because of minimal liabilities of the Company.

#### Interest coverage ratio and Net debt to equity ratio

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

## **Return on equity and Return on assets**

The Company showed negative returns because it has not started commercial operations and posted net losses on the periods covered. Capital infusion in 2012 improved return on equity and return on assets.

## **Asset turnover**

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

## **During the calendar year 2014:**

- The Company has no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- Events that may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, are as follows:
  - The Company's subscription to Frontier Oil Corporation (FOC) shares, in the event of a successful Initial Public Offering of FOC.
  - The Company's payment for the participating interest in SC 52, in the event the Option is exercised (PHINMA Energy intends to assign its interest in SC 52 to the Company).
- 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 favourable or unfavourable 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.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND 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.



**TRANS-ASIA**  
PETROLEUM

**SECURITIES & EXCHANGE COMMISSION**

Ground Floor, Secretariat Building,  
Philippine International Convention Center,  
Pasay City

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

The management of **Trans-Asia Petroleum Corporation and Subsidiaries**, (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2016 and December 31, 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the years ended December 31, 2016 and 2015, has audited 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 audit.

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

**FRANCISCO L. VIRAY**  
President & Chief Executive Officer

**PYTHAGORAS L. BRION, JR.**  
EVP - Treasurer and CFO

Signed this 3<sup>rd</sup> day of March 2017

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

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

SUBSCRIBED AND SWORN to before me this MAR 10 2017 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	EC3546900	25 Feb 2015	Manila
Pythagoras L. Brion, Jr.	EB6637129	24 October 2012	Manila

Doc. No. 234  
Page No. 48  
Book No. 485  
Series of 2017

**ATTY. VIRGINIA E. BATAALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-88  
UNIT DEC. 31, 2018  
ROLL OF ATTY. NO. 48348  
MCLE COMPLIANT NO. IV-0046333-4/10/13  
LB.P.O.A. NO. 200-01, LIFETIME MEMBER JAN. 29, 2007  
PTR NO. 376-00-02 JAN. 3, 2017  
EXECUTIVE BLDG. CENTER  
MAKATI AVE. COR. JUPITER ST. MAKATI CITY

## Financial Highlights and Key Performance Indicator

For the years ended December 31

	2016	2015	2014
Current Assets	89,716,356	120,406,412	114,175,878
Total Assets	169,855,023	209,756,631	220,541,953
Current Liabilities	772,927	597,928	688,636
Total Liabilities	1,012,303	597,928	688,636
Total Equity	168,842,720	209,158,703	219,853,317
Paid-in Capital	Not Applicable	Not Applicable	Not Applicable
Total Revenues	Not Applicable	Not Applicable	Not Applicable
Net Loss	40,315,983	10,694,614	13,569,233
Loss Per Share	0.16	0.04	0.05
Current Ratio	116.07	201.37:1	165.80:1
Acid Test Ratio	115.97	201.28:1	165.80:1
Debt/Equity Ratio	Not Applicable	Not Applicable	Not Applicable
Asset-to-Equity Ratio	1:1	1:1	1:1
Interest Rate Coverage Ratio	Not Applicable	Not Applicable	Not Applicable
Net Debt to Equity Ratio	Not Applicable	Not Applicable	Not Applicable
Return on Equity	-21.33%	-4.99%	-5.99%
Return on Assets	-21.24%	-4.97%	-5.97%
Asset Turnover	Not Applicable	Not Applicable	Not Applicable

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

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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

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		A	N	D		A		S	U	B	S	I	D	I	A	R	Y												

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
<a href="http://www.transasia-energy.com">www.transasia-energy.com</a>	8700-100	
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,964	04/23	12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mariejo P. Bautista	<a href="mailto:mpbautista@phinma.com.ph">mpbautista@phinma.com.ph</a>	8700-100	

**CONTACT PERSON'S ADDRESS**

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Trans-Asia Petroleum Corporation and its subsidiary (the Company), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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



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

#### *Recoverability of Deferred Exploration Costs*

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess whether there are facts and circumstances indicating that the carrying amounts of its deferred exploration costs exceed the recoverable amounts. Should there be indicators, the Company is required to conduct a recoverability test on the deferred exploration costs. The Company's deferred exploration costs pertain to participating interests in oil and gas service contracts (SC), which provide for certain minimum work and expenditure obligations and the rights and benefits of a consortium member. Each SC has an expiration date and can be renewed, subject to approval of the Philippine Department of Energy. The Company's SCs are still under the exploration phase. The deferred exploration costs account for 47% of the Company's total assets. The substantial amount of this account and the significant management judgment required when performing an impairment review make this a key area of focus in our audit.

#### *Audit response*

Our audit procedures included understanding the processes and controls involved in determining whether there are impairment indicators under PFRS 6, including performing the recoverability test when applicable. We obtained management's assessment on the recoverability of the deferred exploration costs and inquired into the status of the SCs and their plans on operations. We obtained the summary of the status of each exploration project as of December 31, 2016 and compared it with the disclosures submitted to regulatory agencies. We inspected the licenses/permits of each exploration project to determine that the period for which the Company has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also read the minutes of the meetings of the Company's Board of Directors for the discussion of management plans and significant developments on the SCs or of any concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We considered the status of the service contracts and management's plans in determining whether the deferred exploration costs may be impaired. For deferred exploration costs where the status of the service contracts shows an indicator of impairment, we obtained management's estimate of the service contract's recoverable amount and assessed its reasonableness.

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





## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

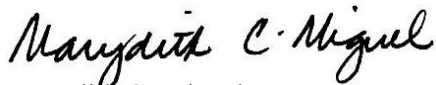
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

The engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908731, January 3, 2017, Makati City

March 3, 2017



**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	<b>₱3,752,652</b>	₱4,456,177
Investments held for trading (Notes 5 and 15)	<b>85,677,433</b>	95,837,558
Receivables (Notes 6 and 15)	<b>203,428</b>	20,056,945
Prepaid expenses	<b>82,843</b>	55,732
Total Current Assets	<b>89,716,356</b>	120,406,412
<b>Noncurrent Assets</b>		
Property and equipment (Note 7)	<b>103,740</b>	216,912
Deferred exploration costs (Note 8)	<b>80,034,927</b>	89,129,867
Deferred income tax asset (Note 12)	–	3,440
Total Noncurrent Assets	<b>80,138,667</b>	89,350,219
<b>TOTAL ASSETS</b>	<b>₱169,855,023</b>	₱209,756,631
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liability</b>		
Accounts payable and other current liabilities (Note 9)	<b>₱772,927</b>	₱597,928
<b>Noncurrent Liability</b>		
Deferred income tax liability (Note 12)	<b>239,376</b>	–
Total Liabilities	<b>1,012,303</b>	597,928
<b>Equity</b>		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 11)	<b>250,000,000</b>	250,000,000
Deficit	<b>(83,567,059)</b>	(43,256,854)
	<b>166,432,941</b>	206,743,146
Non-controlling interest (Note 14)	<b>2,409,779</b>	2,415,557
Total Equity	<b>168,842,720</b>	209,158,703
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱169,855,023</b>	₱209,756,631

*See accompanying Notes to Consolidated Financial Statements.*



**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>INTEREST INCOME</b> (Note 4)	<b>₱11,163</b>	₱69,058	₱130,486
<b>EXPENSES</b>			
Provision for a doubtful account (Note 6)	20,000,000	–	–
Provision for a probable loss (Note 8)	11,719,085	–	–
Employee costs	5,176,697	4,840,359	4,724,533
Management and professional fees (Note 10)	3,538,913	4,738,367	6,792,430
Filing and registration fees	268,168	497,437	1,943,221
Supplies	239,574	519,625	553,880
Utilities	181,908	150	–
Meetings	120,470	177,480	194,122
Transportation	73,652	143,971	149,499
Depreciation (Note 7)	49,937	113,172	9,431
Taxes and licenses	21,650	49,751	18,968
Insurance (Note 10)	1,122	259,117	2,130
Others	177,690	568,687	110,123
	<b>41,568,866</b>	11,908,116	14,498,337
<b>OTHER INCOME (CHARGES)</b>			
Gains on changes in fair value of investments held for trading - net (Note 5)	1,305,038	1,245,176	734,986
Foreign exchange losses - net	(4,431)	(35,299)	(5,561)
Miscellaneous income	187,683	–	–
	<b>1,488,290</b>	1,209,877	729,425
<b>LOSS BEFORE INCOME TAX</b>	<b>40,069,413</b>	10,629,181	13,638,426
<b>PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX</b> (Note 12)			
Current	3,754	–	–
Deferred	242,816	65,433	(69,193)
	<b>246,570</b>	65,433	(69,193)
<b>NET LOSS</b>	<b>₱40,315,983</b>	₱10,694,614	₱13,569,233
Net Loss Attributable to:			
Equity holders of the Parent Company	₱40,310,205	₱10,568,411	₱13,516,710
Non-controlling interest (Note 14)	5,778	126,203	52,523
	<b>₱40,315,983</b>	10,694,614	₱13,569,233
<b>Basic/Diluted Loss Per Share</b> (Note 13)	<b>₱0.161</b>	₱0.042	₱0.054

*See accompanying Notes to Consolidated Financial Statements.*



**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>NET LOSS</b>	<b>₱40,315,983</b>	₱10,694,614	₱13,569,233
<b>OTHER COMPREHENSIVE INCOME</b>	–	–	–
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱40,315,983</b>	₱10,694,614	₱13,569,233
Attributable to:			
Equity holders of the Parent Company	₱40,310,205	₱10,568,411	₱13,516,710
Non-controlling interest (Note 14)	5,778	126,203	52,523
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱40,315,983</b>	₱10,694,614	₱13,569,233

*See accompanying Notes to Consolidated Financial Statements.*



**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	<u>Attributable to Equity Holders of the Parent Company</u>			Non-controlling	
	Capital Stock (Note 11)	Deficit	Total	Interest (Note 14)	Total Equity
<b>BALANCES AT JANUARY 1, 2016</b>	<b>₱250,000,000</b>	<b>(₱43,256,854)</b>	<b>₱206,743,146</b>	<b>₱2,415,557</b>	<b>₱209,158,703</b>
Net loss for the year	–	(40,310,205)	(40,310,205)	(5,778)	(40,315,983)
<b>BALANCES AT DECEMBER 31, 2016</b>	<b>₱250,000,000</b>	<b>(83,567,059)</b>	<b>₱166,432,941</b>	<b>₱2,409,779</b>	<b>₱168,842,720</b>
BALANCES AT JANUARY 1, 2015	₱250,000,000	(₱32,688,443)	₱217,311,557	₱2,541,760	₱219,853,317
Net loss for the year	–	(10,568,411)	(10,568,411)	(126,203)	(10,694,614)
BALANCES AT DECEMBER 31, 2015	₱250,000,000	(₱43,256,854)	₱206,743,146	₱2,415,557	₱209,158,703
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

*See accompanying Notes to Consolidated Financial Statements.*



**TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(₱40,069,413)	(₱10,629,181)	(₱13,638,426)
Adjustment for:			
Provision for a probable loss (Note 8)	11,719,085	–	–
Gains on changes in fair value of investments held for trading - net (Note 5)	(1,305,038)	(1,245,176)	(734,986)
Interest income (Note 4)	(11,163)	(69,058)	(130,486)
Depreciation (Note 7)	49,937	113,172	9,431
Unrealized foreign exchange loss - net	1,970	11,465	4,234
Operating loss before working capital changes	(29,614,622)	(11,818,778)	(14,490,233)
Decrease (increase) in:			
Receivables	(145,155)	834,028	(500)
Prepaid expenses	(27,111)	(55,732)	–
Increase (decrease) in accounts payable and other current liabilities	174,999	(90,708)	(408,259)
Provision for a doubtful account (Note 6)	20,000,000	–	–
Interest income received	11,381	69,165	130,268
Income tax paid	(3,754)	–	–
Net cash flows used in operating activities	(9,604,262)	(11,062,025)	(14,768,724)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of investments held for trading	50,275,380	10,189,485	116,324,240
Advances to a third party (Note 6)	–	–	(20,000,000)
Additions to:			
Investments held for trading	(38,810,217)	(34,310,000)	(47,650,000)
Deferred exploration costs (Note 8)	(2,560,910)	(3,162,749)	(12,118,025)
Net cash flows from (used in) investing activities	8,904,253	(27,283,264)	36,556,215
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(700,009)	(38,345,289)	21,787,491
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(3,516)	(7,156)	(8,770)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)</b>	4,456,177	42,808,622	21,029,901
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	₱3,752,652	₱4,456,177	₱42,808,622
<b>NONCASH ACTIVITIES</b>			
Depreciation capitalized (see Note 8)	₱63,235	₱–	₱–
Cash call refund not yet received	–	–	₱887,102
Acquisition of property and equipment on account	–	–	(339,515)

*See accompanying Notes to Consolidated Financial Statements.*





# **TRANS-ASIA PETROLEUM CORPORATION AND A SUBSIDIARY**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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% directly owned, respectively, by PHINMA Energy Corporation (PHINMA Energy), formerly Trans-Asia Oil and Energy Development Corporation. The ultimate parent company is Philippine Investment Management (PHINMA), Inc. PHINMA Energy and PHINMA, Inc. are both incorporated and domiciled in the Philippines. Both TA Petroleum and Palawan55 have not yet started commercial operations as at March 3, 2017.

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.

On March 3, 2017, TA Petroleum’s Board of Directors (BOD) approved the amendment of its Articles of Incorporation to change TA Petroleum’s corporate name to PHINMA Oil and Geothermal, Inc. and to include in its Primary and Secondary Purposes the exploration and development of geothermal resources.

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

The consolidated financial statements were approved and authorized for issuance by the Parent Company’s BOD on March 3, 2017.

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### **2. Summary of Significant Accounting and Financial Reporting Policies**

#### Basis of Preparation

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

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



### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, Palawan55, as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the 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 Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Parent Company and the Subsidiary are eliminated in full on consolidation.

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

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

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

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2016. The adoption of these pronouncements did not have significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*



- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture, Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instruments, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

#### Future Changes in Accounting Policies

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

#### *Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statements of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.



Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

*Effective beginning on or after January 1, 2018*

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each



payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

*Deferred effectivity*

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

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

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

Current versus Noncurrent Classification

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

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or



- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

#### Cash and Cash Equivalents

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

#### Fair Value Measurement

The Company measures investments held for trading at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Note 15 to the consolidated financial statements.

Fair value is the estimated 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 by 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 as explained above.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

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

#### Financial Assets

*Initial Recognition and Measurement.* Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not classified as FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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

#### *Subsequent Measurement*

##### a. Financial assets at FVPL

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

Net changes in fair value relating to the held-for-trading positions are recognized in “Gains on changes in fair value of investments held trading - net” account under “Other income (charges)” in the consolidated statement of income. Interest and other finance income or charges are recognized when earned or incurred, respectively, while dividend income is recognized when the right to receive payment has been established.





The Company has no financial asset designated at FVPL on initial recognition.

The Company's investments in unit investment trust funds (UITFs) are classified as financial assets held for trading (see Notes 5 and 15).

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization and loss arising from impairment are included in the consolidated statements of income.

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

The Company has no financial assets classified as HTM investments and AFS financial assets as at December 31, 2016 and 2015.

Derecognition

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

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

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

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

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial



reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income is recognized in the consolidated statement of income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in the consolidated statement of income.

#### Financial Liabilities

*Initial Recognition and Measurement.* Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, as derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities (excluding statutory payables).

#### *Subsequent Measurement*

##### Other Financial Liabilities

After initial recognition, other financial liabilities that are interest-bearing are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized. Interest expense is in the consolidated statement of income recognized through the EIR amortization process.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in the consolidated statement of income.

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

The Company has no financial liabilities at FVPL as at December 31, 2016 and 2015.

#### Derecognition

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 the consolidated statement of income.

#### Offsetting of Financial Instruments

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

#### Prepaid Expenses

Prepaid expenses, which mainly pertain to prepayments on computer software subscription, are expected to be amortized over a period not exceeding 12 months from the reporting date.

#### Property and Equipment

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

The present value of the expected cost for the decommissioning of a property and equipment after its use is included in the cost of the respective property and equipment if the recognition criteria for a provision are met.

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

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.

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



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

The residual values and useful lives of property and equipment are reviewed at each financial year-end and adjusted prospectively.

#### Foreign Currency Denominated Transactions and Balances

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

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

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

#### Interest in Joint Arrangements

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

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

#### Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for 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 with an allowance when an impairment occurs. 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 Property and Equipment and Deferred Exploration Costs

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



asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

The following assets have specific characteristics for impairment testing:

*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.* 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.

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

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example,



under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

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

#### Capital Stock

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

#### Deficit

Deficit represents the cumulative balance of net loss.

#### Interest Income

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

#### Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

#### Taxes

*Current Income Tax.* Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the entities within the Company operate and generate taxable income.

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the



deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nontaxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO and excess MCIT over RCIT can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

#### Earnings Per Share (EPS)

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

#### Segment Reporting

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



unit that offers different products. Financial information on business segments is presented in Note 16 to the consolidated financial statements.

#### Contingencies

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

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

#### Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### 3. Significant Accounting Judgments and Estimates

The Company's consolidated financial statements prepared in accordance with PFRS require management to make a judgment 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.

#### Judgment

*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, 2016 and 2015, the Company's SCs are assessed as 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.

Deferred exploration costs are assessed for impairment when:

- 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; or
- 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.

In 2016, the Company recognized impairment loss on its deferred exploration costs amounting to ₱11,719,085 (see Note 8). No similar impairment loss was recognized in 2015 and 2014. The carrying value of deferred exploration costs amounted to ₱80,034,927 and ₱89,129,867 as at December 31, 2016 and 2015, respectively (see Note 8).

*Realizability of Deferred Income Tax Asset.* The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income 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 income tax assets to be utilized.

The Company recognized deferred income tax assets amounting to nil and ₱3,440 as at December 31, 2016 and 2015, respectively. Unrecognized deferred income tax assets as at December 31, 2016 and 2015 amounted to ₱20,353,311 and ₱10,744,652, respectively (see Note 12).

*Estimating Allowance for Doubtful Accounts for the Receivable from a Third Party.* The Company maintains allowance for doubtful accounts based on the results of the individual assessment under PAS 39. Under the individual assessment, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. The methodology and assumptions used for the impairment assessment are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. In 2016, the Company recognized a provision for a doubtful account amounting to ₱20,000,000. As at December 31, 2016 and 2015, the allowance for a doubtful account amounted to ₱20,000,000 and nil, respectively. The carrying value of receivables amounted to ₱203,428 and ₱20,056,945 as at December 31, 2016 and 2015, respectively (see Note 6).



#### 4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	₱2,197,319	₱3,108,679
Short-term deposits	1,555,333	1,347,498
	<b>₱3,752,652</b>	<b>₱4,456,177</b>

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 ₱11,163, ₱69,058, and ₱130,486 in 2016, 2015 and 2014, respectively.

#### 5. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱85,677,433 and ₱95,837,558 as at December 31, 2016 and 2015, respectively. The changes in fair value on investments held for trading amounted to a net gain of ₱1,305,038, ₱1,245,176 and ₱734,986 in 2016, 2015 and 2014, respectively.

#### 6. Receivables

This account consists of the following:

	2016	2015
Current:		
Trade receivables	₱30,109	₱28,562
Receivable from a third party (see Note 8)	20,000,000	20,000,000
Due from related parties (see Note 10)	141,143	-
Others	32,176	28,383
	<b>20,203,428</b>	20,056,945
Less: Allowance for a doubtful account	20,000,000	-
	<b>₱203,428</b>	<b>₱20,056,945</b>

As at December 31, the aging analysis of receivables is as follows:

	2016							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Over 90 Days	Past Due and Impaired
		P-	<30 Days P-	30-60 Days P-	61-90 Days P-	P-	P-	P-
Trade receivables	₱30,109	P-	P-	P-	P-	P-	₱30,109	P-
Receivable from a third party	20,000,000	-	-	-	-	-	-	20,000,000
Due from related parties	141,143	141,143	-	-	-	-	-	-
Others	32,176	15,176	-	-	-	-	17,000	-
	<b>₱20,203,428</b>	<b>₱156,319</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>₱47,109</b>	<b>₱20,000,000</b>



	2015						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired			Over 90 Days	Past Due and Impaired
			<30 Days	30–60 Days	61–90 Days		
Trade receivables	₱28,562	₱–	₱–	₱–	₱–	₱28,562	₱–
Receivable from a third party	20,000,000	20,000,000	–	–	–	–	–
Others	28,383	11,383	–	17,000	–	–	–
	<b>₱20,056,945</b>	<b>₱20,011,383</b>	<b>₱–</b>	<b>₱17,000</b>	<b>₱–</b>	<b>₱28,562</b>	<b>₱–</b>

Trade receivables mainly represent return of cash call from the service contract operator. The Company's receivables are noninterest-bearing and are due and demandable.

In 2016, the Company recognized a provision for a doubtful account amounting to ₱20,000,000 on its receivable from a third party (see Note 8). In 2015 and 2014, no such provision was recognized.

## 7. Property and Equipment

Details and movement of this account follow:

	2016		
	Equipment	Miscellaneous Assets	Total
Cost -			
Balance at beginning and end of year	<b>₱245,000</b>	<b>₱94,515</b>	<b>₱339,515</b>
Less accumulated depreciation:			
Balance at beginning of year	<b>88,478</b>	<b>34,125</b>	<b>122,603</b>
Depreciation expense	<b>25,521</b>	<b>24,416</b>	<b>49,937</b>
Depreciation capitalized (see Note 8)	<b>56,146</b>	<b>7,089</b>	<b>63,235</b>
Balance at end of year	<b>170,145</b>	<b>65,630</b>	<b>235,775</b>
Net book value	<b>₱74,855</b>	<b>₱28,885</b>	<b>₱103,740</b>

	2015		
	Equipment	Miscellaneous Assets	Total
Cost -			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Less accumulated depreciation:			
Balance at beginning of year	6,806	2,625	9,431
Depreciation expense	81,672	31,500	113,172
Balance at end of year	88,478	34,125	122,603
Net book value	₱156,522	₱60,390	₱216,912



## 8. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	2016	2015
TA Petroleum:		
SC 51/Geophysical Survey and Exploration		
Contract (GSEC) 93 (East Visayas)	<b>₱32,665,864</b>	₱32,665,864
SC 69 (Camotes Sea)	<b>15,473,702</b>	15,085,259
SC 6 (Northwest Palawan):		
Block A	<b>21,289,973</b>	19,083,684
Block B	<b>4,892,178</b>	4,862,765
SC 50 (Northwest Palawan)	<b>11,719,085</b>	11,719,085
	<b>86,040,802</b>	83,416,657
Less: Allowance for a probable loss	<b>11,719,085</b>	-
	<b>74,321,717</b>	83,416,657
Palawan55 -		
SC 55 (Southwest Palawan)	<b>5,713,210</b>	5,713,210
	<b>₱80,034,927</b>	₱89,129,867

Below is the rollforward analysis of the deferred exploration costs as at December 31, 2016 and 2015:

	2016	2015
Cost:		
Balances at beginning of year	<b>₱89,129,867</b>	₱85,967,118
Additions:		
Cash calls	<b>2,235,703</b>	3,162,749
Others	<b>388,442</b>	-
Balance at end of year	<b>91,754,012</b>	89,129,867
Allowance for a probable loss:		
Balances at beginning of year	-	-
Provisions	<b>11,719,085</b>	-
Balance at end of year	<b>11,719,085</b>	-
Net book value	<b>₱80,034,927</b>	₱89,129,867

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.

In 2016, the Company capitalized its share in various expenses to deferred exploration costs due to its operatorship in SC 69. Expenses capitalized were salaries and wages amounting to ₱262,343, depreciation expense amounting to ₱63,235 and other expenses with a total amount of ₱62,864 as at December 31, 2016. Total costs capitalized amounted to ₱388,442. Costs capitalized are included in the current work program for SC 69. No similar costs were capitalized in 2015.

In 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 50 amounting to ₱11,719,085 due to the expiration of its term and subsequent denial of the DOE of the request for Force Majeure. No impairment was recognized for the other SCs as management believes that extensions and moratoriums requested that are pending approval by the



Philippine Department of Energy (DOE) as of March 3, 2017 will be eventually approved based on prior years' experience. In 2015 and 2014, no impairment loss was recognized on 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 (remaining members of the consortium), respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2015 to July 8, 2015). Frontier Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well on August 30, 2013 and conducted post-well studies. The new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

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



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

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

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

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

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 Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of Sub-Phase 3 to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

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

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

Following DOE approval of the assignment of Otto Philippines' interests to the Company and Frontier Gasfields on October 14, 2014, the Company's participating interest in SC 69 was adjusted from the current 6% to 50%.

On March 17, 2014, the 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, 2014 to enable the remaining parties to proceed with planned exploration activities and the Company was designated as Operator of SC 69.

On April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D



seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

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

As of March 3, 2017, the approval of the aforementioned extension remains pending with the DOE.

c. SC 6 (Northwest Palawan)

Block A

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

The partners for SC 6 Block A approved the conduct of a new 500-sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry PHINMA Energy and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads.

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

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

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

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE.

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



### Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. ("Farminees") exercised their option to acquire 70% participating interest of the SC 6 Block B consortium, which includes PHINMA Energy ("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 formulated a work program for the next five years of the extension period which started on March 1, 2014. Partners submitted, for the DOE's approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US\$724,000. The geophysical studies were completed by the third quarter of 2016.

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

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

On February 20, 2017, the Company gave notice to the consortium of relinquishment of its 14.063% Participating Interest in Service Contract 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% Carried Interest.

d. SC 50 (Northwest Palawan)

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

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

On September 1, 2014, the Parent 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. The advances are due 24 months after the release of the funds. In the event a Loan Agreement for ₱136,000,000 is signed between the Company and Frontier Oil, the advances shall be considered as initial drawdown on the Loan.

On October 16, 2014, the 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

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

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

In 2016, the Company's advances to Frontier Oil amounting to ₱20,000,000 was fully provided with an allowance for a doubtful account (see Note 6).

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. As of March 3, 2017, negotiations between the DOE and Frontier Oil for possible reinstatement of SC 50 continues.

As of March 3, 2017, approval of the assignment of 10% participating interest in SC 50 to the Parent Company remains pending with the DOE.

e. SC 55 (Southwest Palawan)

On May 2, 2012, the DOE approved a twelve-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation (BHP Billiton), the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well. The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

The Company's 6.82% participating interest will be carried in the drilling cost of two (2) wells in the block under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy [formerly "NorAsian Energy Ltd."] and an Agreement with NorAsian Energy Ltd. dated February 3, 2011.

In May 2013, BHP Billiton filed a Notice of Force Majeure under SC 55 with the DOE in order to preserve the term of the current exploration sub-phase that requires the drilling of one exploratory well. It is deemed that the Force Majeure event commenced on September 7, 2012, at which time the endorsement of the Sangguniang Panlalawigan of the province of Palawan and the Strategic Environmental Plan (SEP) Clearance from the PCSD would have been released in the ordinary course of business.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco-1 drilling to the PCSD. The PCSD approved the issuance of the SEP



clearance for the drilling of Cinco-1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. The SEP was issued by the PCSD and signed by all parties in October 2013.

BHP Billiton requested from the DOE an extension of the current Sub-Phase 4 to October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farm-out Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

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

Otto Energy submitted a revised work program to the DOE focused on the drilling of an ultra deepwater prospect and commenced a farm-out campaign. The new work program was subsequently approved by the DOE. On April 29, 2014, the DOE extended the term of Sub-Phase 4 to December 23, 2014. Otto Energy commenced preparations for exploratory drilling.

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

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

On December 22, 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospectively of the area.

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017. As of March 3, 2017, the transfer of interest from Otto Energy to the continuing parties is being processed by the DOE.

As at December 31, 2016 and 2015, the Company holds 6.82% participating interest in SC 55.



## 9. Accounts Payable and Other Current Liabilities

This account consists of:

	2016	2015
Accounts payable	<b>₱38,800</b>	₱18,936
Accrued expenses	<b>391,383</b>	236,311
Withholding taxes	<b>336,913</b>	243,376
Due to related parties (see Note 10)	–	99,305
Others	<b>5,831</b>	–
	<b>₱772,927</b>	<b>₱597,928</b>

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

Accrued expenses include accrual for professional fees and incentive pay.

## 10. Related Party Transactions

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

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables.

The transactions and balances of accounts as at and for the years ended December 31, 2016, 2015 and 2014 with related parties are as follows:

Company	As at and for the Year Ended December 31, 2016				
	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<b><i>Ultimate Parent Company</i></b>					
<b>PHINMA, Inc.</b>					
Accounts payable and other current liabilities	<b>₱56,074</b>	Share in expenses	<b>₱–</b>	30–60 day terms; noninterest-bearing	Unsecured
<b><i>Parent Company</i></b>					
<b>PHINMA Energy</b>					
Receivables (see Note 6)	<b>141,143</b>	Accommodation	<b>141,143</b>	30–60 day terms; noninterest-bearing	Unsecured, no impairment
Others	<b>373,425</b>	Purchase of dollar	–	30–60 day terms; noninterest-bearing	Unsecured



As at and for the Year Ended December 31, 2016

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<b>Entity Under Common Control</b>					
<b>PHINMA Corporation</b>					
Accounts payable and other current liabilities	₱54,229	Share in expenses	–	30–60 day terms; noninterest-bearing	Unsecured

As at and for the Year Ended December 31, 2015

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<b>Ultimate Parent Company</b>					
<b>PHINMA, Inc.</b>					
Accounts payable and other current liabilities	₱720,000	Management fees	₱–	30–60 day terms; noninterest-bearing	Unsecured
Accounts payable and other current liabilities (see Note 9)	141,532	Share in expenses	56,681	30–60 day terms; noninterest-bearing	Unsecured
<b>Entities Under Common Control</b>					
<b>PHINMA Corporation</b>					
Accounts payable and other current liabilities (see Note 9)	45,864	Share in expenses	42,624	30–60 day terms; noninterest-bearing	Unsecured
<b>T-O Insurance, Inc.</b>					
Accounts payable and other current liabilities	2,244	Insurance expense	–	30–60 day terms; noninterest-bearing	Unsecured

As at and for the Year Ended December 31, 2014

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<b>Ultimate Parent Company</b>					
<b>PHINMA, Inc.</b>					
Accounts payable and other current liabilities	₱720,000	Management fees	₱–	30-60 day terms; noninterest-bearing	Unsecured
Accounts payable and other current liabilities	90,148	Share in expenses	3,749	30-60 day terms; noninterest-bearing	Unsecured
<b>Entities Under Common Control</b>					
<b>PHINMA Corporation</b>					
Accounts payable and other current liabilities	30,800	Share in expenses	–	30–60 day terms; noninterest-bearing	Unsecured
<b>T-O Insurance, Inc.</b>					
Accounts payable and other current liabilities	2,130	Insurance expense	–	30–60 day terms; noninterest-bearing	Unsecured

PHINMA, Inc.

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



PHINMA Energy

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

PHINMA Corporation

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

T-O Insurance

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

Compensation of Key Management Personnel

Compensation of key management personnel of the Company are as follows:

	2016	2015	2014
Short-term employee benefits	₱3,586,188	₱3,125,000	₱2,645,000
Post-employment benefits	—	—	—
	₱3,586,188	₱3,125,000	₱2,645,000

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**11. Capital Stock**

Following are the details of the Parent Company's capital stock as at December 31, 2016 and 2015:

	Number of Shares
Authorized - ₱1 par value	1,000,000,000
Issued and outstanding - ₱1 par value	250,000,000

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**12. Income Taxes**

- a. The Company's current income tax pertains to MCIT amounting to ₱3,754 in 2016. There was no current income tax in 2015 and 2014.



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

	2016	2015	2014
Income tax at statutory rate	<b>(₱12,020,824)</b>	(₱3,188,754)	(₱4,091,528)
Tax effects of:			
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	<b>12,422,878</b>	3,648,458	4,281,977
Effect of difference in tax rates	<b>(130,504)</b>	-	-
Realized gains on changes in fair value of investments held for trading	<b>(21,631)</b>	(373,553)	(220,496)
Interest income subject to final tax	<b>(3,349)</b>	(20,718)	(39,146)
	<b>₱246,570</b>	₱65,433	(₱69,193)

- c. The Company recognized provision for deferred income tax amounting to ₱242,816 and ₱65,433 in 2016 and 2015, respectively, and a benefit from deferred income tax amounting to ₱69,193 in 2014.
- d. Deferred income tax liability amounted to ₱239,376 and nil as at December 31, 2016 and 2015, respectively, from unrealized gain on changes in fair value of investments held for trading.

As at December 31, deferred income tax assets related to the following temporary differences, NOLCO and excess of MCIT over RCIT were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow deferred income tax assets to be utilized.

	2016	2015
NOLCO	<b>₱36,110,803</b>	₱35,815,506
Provision for doubtful account (see Note 6)	<b>20,000,000</b>	-
Provision for probable loss (see Note 8)	<b>11,719,085</b>	-
MCIT	<b>3,754</b>	-
Unrealized foreign exchange loss	<b>1,970</b>	-
	<b>₱67,835,612</b>	₱35,815,506

Unrecognized deferred income tax assets amounted to ₱20,353,311 and ₱10,744,652 as at December 31, 2016 and 2015.

- e. The details of the Company's MCIT and NOLCO as at December 31, 2016 follows:

Year Incurred	Year of Expiration	MCIT	NOLCO
2014	2017	₱-	₱14,498,595
2015	2018	-	11,936,182
2016	2019	3,754	9,676,026
		<b>₱3,754</b>	<b>₱36,110,803</b>

NOLCO amounting to ₱9,380,729, ₱3,294,285 and ₱36,750 expired in 2016, 2015, and 2014, respectively.



The Company recognized deferred income tax asset amounting to ₱3,440 as at December 31, 2015 as management believes that sufficient taxable income will be available to which the deferred income tax asset can be utilized. No deferred income tax asset was recognized as at December 31, 2016.

### 13. Basic/Diluted Loss Per Share

Basic/diluted loss per share is computed as follows:

	2016	2015	2014
(a) Net loss attributable to equity holders of the Parent Company	<b>₱40,310,205</b>	₱10,568,411	₱13,516,710
(b) Weighted average number of common shares outstanding	<b>250,000,000</b>	250,000,000	250,000,000
<b>Basic/diluted loss per share (a/b)</b>	<b>₱0.161</b>	₱0.042	₱0.054

As at December 31, 2016, 2015 and 2014, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

### 14. Material Partly-Owned Subsidiary

Financial information of Palawan55 is provided below:

	2016	2015
Equity interest held by NCI	<b>30.65%</b>	30.65%
Accumulated balances of NCI	<b>₱2,409,779</b>	₱2,415,557
Net loss for the year allocated to NCI	<b>5,778</b>	126,203

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

#### Statements of Income and Statements of Comprehensive Income

	2016	2015	2014
Income	<b>₱8,968</b>	₱10,199	₱11,375
Expenses	<b>27,821</b>	354,366	250,342
Provision for (benefit from) deferred income tax	-	67,603	(67,603)
<b>Net loss</b>	<b>₱18,853</b>	₱411,770	₱171,364
<b>Total comprehensive loss</b>	<b>₱18,853</b>	₱411,770	₱171,364
<b>Attributable to NCI</b>	<b>₱5,778</b>	₱126,203	₱52,523



Statements of Financial Position

	2016	2015
Total current assets	<b>₱2,188,686</b>	₱2,227,529
Total noncurrent assets	<b>5,713,210</b>	5,713,210
Total current liabilities	<b>39,331</b>	59,320
Total equity	<b>₱7,862,565</b>	₱7,881,419
<hr/>		
Attributable to equity holders of the Parent Company	<b>₱5,452,786</b>	₱5,465,862
<hr/>		
NCI	<b>₱2,409,779</b>	₱2,415,557

Cash Flow Information

	2016	2015	2014
Operating	<b>(₱38,624)</b>	(₱331,739)	(₱262,269)
Investing	-	-	-
Financing	-	-	-
Net increase (decrease) in cash and cash equivalents	<b>(₱38,624)</b>	(₱331,739)	(₱262,269)

There were no dividends paid to NCI in 2016, 2015 and 2014.

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**15. 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 is credit 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 the instruments.

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





With respect to credit risk arising from the receivables of the Company, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2016					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	₱-	₱-	₱-	₱30,109	₱-	₱30,109
Receivable from a third party	-	-	-	-	20,000,000	20,000,000
Due from related parties	-	-	141,143	-	-	141,143
Others	-	-	15,176	17,000	-	32,176
	₱-	₱-	₱156,319	₱47,109	₱20,000,000	₱20,203,428

	2015					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	₱-	₱-	₱-	₱28,562	₱-	₱28,562
Receivable from a third party	-	-	20,000,000	-	-	20,000,000
Advances to officers and employees	-	-	11,383	17,000	-	28,383
	₱-	₱-	₱20,011,383	₱45,562	₱-	₱20,056,945

The Company uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

#### Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rate and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts;
- "Red Lines" are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the PHINMA Group Treasury uses as guides whether to buy, hold or sell bonds as approved by the PHINMA Group Investment Committee or, in cases of high volatility, by the PHINMA Group Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and



- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. The Company has receivables denominated in U.S. dollar amounting to \$606 or ₱30,130 and ₱28,562 as at December 31, 2016 and 2015, respectively. Exchange rates used were ₱49.72 to \$1.00 and ₱47.06 to \$1.00 as at December 31 2016 and 2015, respectively.

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

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016, 2015 and 2014.

Capital includes all the items appearing in the equity section of the Company's consolidated statements of financial position totaling to ₱168,842,720 and ₱209,158,703 as at December 31, 2016 and 2015, respectively.

Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments, except for those whose fair values approximate its carrying values:

	<b>2016</b>			
	<b>Carrying Value</b>	<b>Fair Value</b>		
		<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Observable Input (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Asset</b>				
Financial assets at FVPL -				
Investments held for trading	<b>₱85,677,433</b>	<b>₱85,677,433</b>	<b>₱-</b>	<b>₱-</b>



		2015		
		Fair Value		
		Quoted Prices in	Significant	Significant
		Active Markets	Observable Input	Unobservable
		(Level 1)	(Level 2)	Inputs
				(Level 3)
Carrying Value				
Asset				
Financial assets at FVPL -				
Investments held for trading	₱95,837,558	₱95,837,558	₱-	₱-

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

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

In 2016 and 2015, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments

There were no offsetting of financial instruments as at December 31, 2016 and 2015.

**16. 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 of March 3, 2017, the Company has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱169,855,023 and ₱209,756,631, as at December 31, 2016 and 2015, respectively, are the same as that reported in the consolidated statements of financial position.

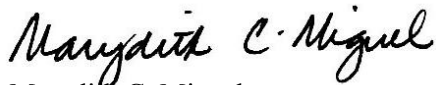


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Trans-Asia Petroleum Corporation and its subsidiary, as at December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, and have issued our report thereon dated March 3, 2017. 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-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908731, January 3, 2017, Makati City

March 3, 2017



**TRANS-ASIA PETROLEUM CORPORATION  
AND A SUBSIDIARY  
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
FORM 17-A, Item 7**

Page No.

**Consolidated Financial Statements**

Statement of Management's Responsibility for Consolidated Financial Statements	Exhibit A
Report of Independent Public Accountants	Exhibit A
Consolidated Statements of Financial Position as at December 31, 2016 and 2015	Exhibit A
Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014	Exhibit A
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	Exhibit A
Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014	Exhibit A
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	Exhibit A
Notes to Consolidated Financial Statements	Exhibit A

**Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules	
A. Financial Assets	Attachment I
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	Attachment I
C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	Attachment I
D. Intangible Assets - Other Assets	Attachment I
E. Long-Term Debt	Attachment I
F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)	Attachment I
G. Guarantees of Securities of Other Issuers	Attachment I
H. Capital Stock	Attachment I
Schedule of Retained Earnings Available for Dividend Declaration	Attachment II
Map of Relationships of the Companies within the Group	Attachment III
Financial Soundness Indicators	Attachment IV
Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2016	Attachment V

**ATTACHMENT I**

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 gain accrued
<b>Financial Assets at Fair Value through Profit or Loss (FVPL)</b>	₱84,480,552	₱85,677,433	₱85,677,433	₱1,305,038
<b>Available-for-sale (AFS) Financial Assets</b>	<b>Not Applicable.</b> The Company does not have any Available-for-sale Financial Assets as at December 31, 2016.			
<b>Held-to-Maturity (HTM) investments</b>	<b>Not Applicable.</b> The Company does not have any Held-to Maturity (HTM) Investments as at December 31, 2016.			

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
PHINMA Energy Corporation	-	141,143	-	-	141,143	-	141,143

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
<b>Not Applicable.</b> The Company has no eliminating entries relating to amounts receivable from related parties as at December 31, 2016.							

**ATTACHMENT I**

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	₱89,129,867	₱2,624,145	₱11,719,085	₱-	₱-	₱80,034,927

**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
<b>Not Applicable.</b> The Company has no long-term debt as at December 31, 2016.				

**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
<b>Not Applicable.</b> The Company has no liabilities to related parties as at December 31, 2016.		

**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
<b>Not Applicable.</b> The Company has not issued any guarantees as at December 31, 2016.				

**ATTACHMENT I**

Page 3 of 3

Schedule H. **Capital Stock**

<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common	1,000,000,000	250,000,000	–	191,397,257	2,510,800	56,091,943



**ATTACHMENT II**

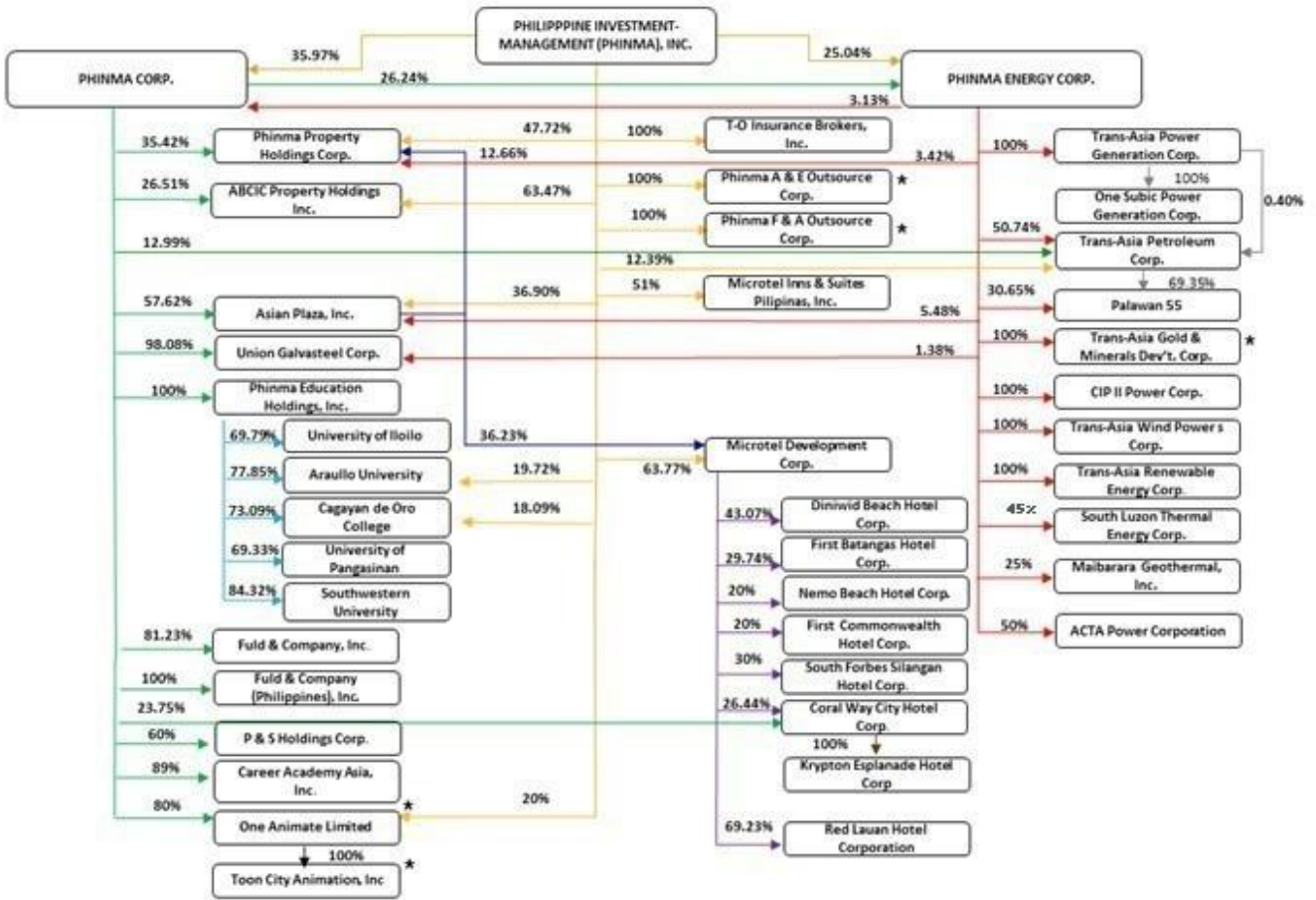
Page 1 of 1

**TRANS-ASIA PETROLEUM CORPORATION  
RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
As at December 31, 2016**

	Amount
Deficit, beginning	(₱41,787,633)
Adjustments:	
Unrealized fair value gains on change in fair value of FVPL	785,691
Increase in deferred income tax asset	2,170
Deficit as adjusted to amount available for dividend declaration, beginning	(40,999,772)
Add: Net loss for the year based on the face of Audited Financial Statements	(40,297,130)
Unrealized fair value gain on change in fair value of FVPL	(1,196,881)
Decrease in deferred income tax asset	(3,440)
Unrealized foreign exchange gain aside from those attributable to cash and cash equivalents	(1,547)
Net income actually realized during the year	(41,498,998)
Deficit, end	(₱82,498,770)

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

**Conglomerate Map  
As of December 31, 2016**



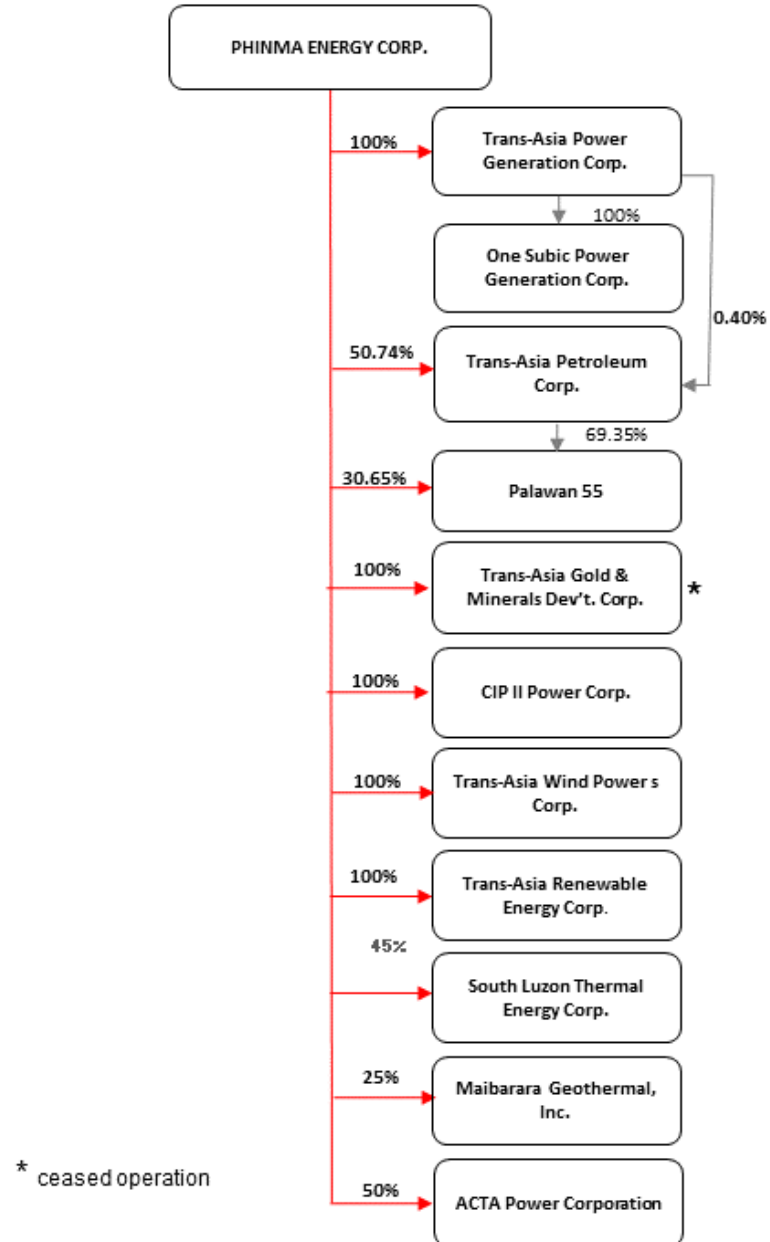
\* ceased operation

Map of relationships of the Companies within the Group  
As of December 31, 2016

**ATTACHMENT III**

Page 2 of 2

**Map of Relationships of the Companies within the Group  
As of December 31, 2016**



ATTACHMENT IV

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, 2016	December 31, 2015	December 31, 2014
<u>Liquidity Ratios</u>				
a) Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	116.07	201.37	165.80
b) Acid test ratio	$\frac{\text{Cash + Short-term investments +Accounts receivables +Other liquid assets}}{\text{Current liabilities}}$	115.97	201.28	165.80
<u>Solvency Ratios</u>				
c) Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.01	0.00	0.00
d) Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.01	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	$\frac{\text{Net income after tax}}{\text{Average stockholders' equity}}$	-21.33%	-4.99%	-5.99%
h) Return on assets	$\frac{\text{Net income after tax}}{\text{Average assets}}$	-21.24%	-4.97%	-5.97%
i) Asset turnover	$\frac{\text{Revenues}}{\text{Average assets}}$	N/A	N/A	N/A

## **ATTACHMENT IV**

Page 2 of 2

### **Current ratio and acid test ratio**

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

### **Debt to equity ratio**

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

### **Asset to equity ratio**

Asset to equity ratio is 1.01 because of minimal liabilities of the Company.

### **Interest coverage ratio and Net debt to equity ratio**

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

### **Return on equity and Return on assets**

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

### **Asset turnover**

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

**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, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Effective as at December 31, 2016</b>				
<b>Framework for the Preparation and Presentation of Financial Statements</b>		X		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRSs Practice Statement Management Commentary</b>				X
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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		
	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
<b>PFRS 2</b>	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	X		X
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
<b>PFRS 3 (Revised)</b>	Business Combinations	X		X
	Business Combinations - Accounting for Contingent Consideration in a Business Combination	X		X
	Business Combinations - Scope Exceptions for Joint Arrangements	X		
<b>PFRS 4</b>	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, 2016.

**ATTACHMENT V**

Page 2 of 7

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not Early Adopted		
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	X		X
	Amendments to PFRS 5: Changes in Methods of Disposal	X		X
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	X		
<b>PFRS 7</b>	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		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	X		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	X		X
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	X		
<b>PFRS 8</b>	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	X		
<b>PFRS 9</b>	Financial Instruments*	Not Early Adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	X		
	Amendments to PFRS 10: Investment Entities	X		X
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	X		X
<b>PFRS 11</b>	Joint Arrangements	X		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	X		X
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Investment Entities	X		X
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	X		X

\*Standards and interpretations which will become effective subsequent to December 31, 2016.

**ATTACHMENT V**

Page 3 of 7

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendment to PFRS 12: Clarification of the Scope of the Standard*	Not Early Adopted		
<b>PFRS 13</b>	Fair Value Measurement	X		
	Amendment to PFRS 13: Short-term Receivables and Payables	X		
	Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception	X		
<b>PFRS 14</b>	Regulatory Deferral Accounts	X		X
<b>PFRS 15</b>	Revenue from Contracts with Customers*	Not Early Adopted		
<b>PFRS 16</b>	Leases*	Not Early Adopted		
<b>Philippine Accounting Standards (PAS)</b>				
<b>PAS 1 (Revised)</b>	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		
	Amendments to PAS 1: Disclosure Initiative	X		
<b>PAS 2</b>	Inventories	X		
<b>PAS 7</b>	Statement of Cash Flows	X		
	Statement of Cash Flows, Disclosure Initiative*	Not Early Adopted		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	X		
<b>PAS 10</b>	Events after the Reporting Period	X		
<b>PAS 11</b>	Construction Contracts	X		X
<b>PAS 12</b>	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
	Amendments to PAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*	Not Early Adopted		
<b>PAS 16</b>	Property, Plant and Equipment	X		
	Amendment to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	X		X
	Amendment to PAS 16: Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation	X		
	Amendment to PAS 16: Agriculture - Bearer Plants	X		X

\*Standards and interpretations which will become effective subsequent to December 31, 2016.



**ATTACHMENT V**

Page 4 of 7

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 17</b>	Leases	X		
<b>PAS 18</b>	Revenue	X		
<b>PAS 19 (Revised)</b>	Employee Benefits	X		X
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		X
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	X		X
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	X		X
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			X
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
<b>PAS 23 (Revised)</b>	Borrowing Costs	X		X
<b>PAS 24 (Revised)</b>	Related Party Disclosures	X		
	Amendments to PAS 24: Key Management Personnel	X		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			X
<b>PAS 27 (Amended)</b>	Separate Financial Statements	X		
	Amendments to PAS 27: Investment Entities	X		X
	Amendments to PAS 27: Equity Method in Separate Financial Statements	X		X
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	X		X
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception	X		X
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			X
<b>PAS 32</b>	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		
<b>PAS 33</b>	Earnings per Share	X		
<b>PAS 34</b>	Interim Financial Reporting	X		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	X		X

\*Standards and interpretations which will become effective subsequent to December 31, 2016.

**ATTACHMENT V**

Page 5 of 7

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 36</b>	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	X		
<b>PAS 38</b>	Intangible Assets	X		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	X		X
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	X		X
<b>PAS 39</b>	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
<b>PAS 40</b>	Investment Property	X		X
	Amendment to PAS 40	X		X
	Amendments to PAS 40: Investment Property, Transfers of Investment Property*	Not Early Adopted		
<b>PAS 41</b>	Agriculture			X
	Amendment to PAS 41: Agriculture - Bearer Plants			X
<b>Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		X
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			X
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>	X		X

\*Standards and interpretations which will become effective subsequent to December 31, 2016.

**ATTACHMENT V**

Page 6 of 7

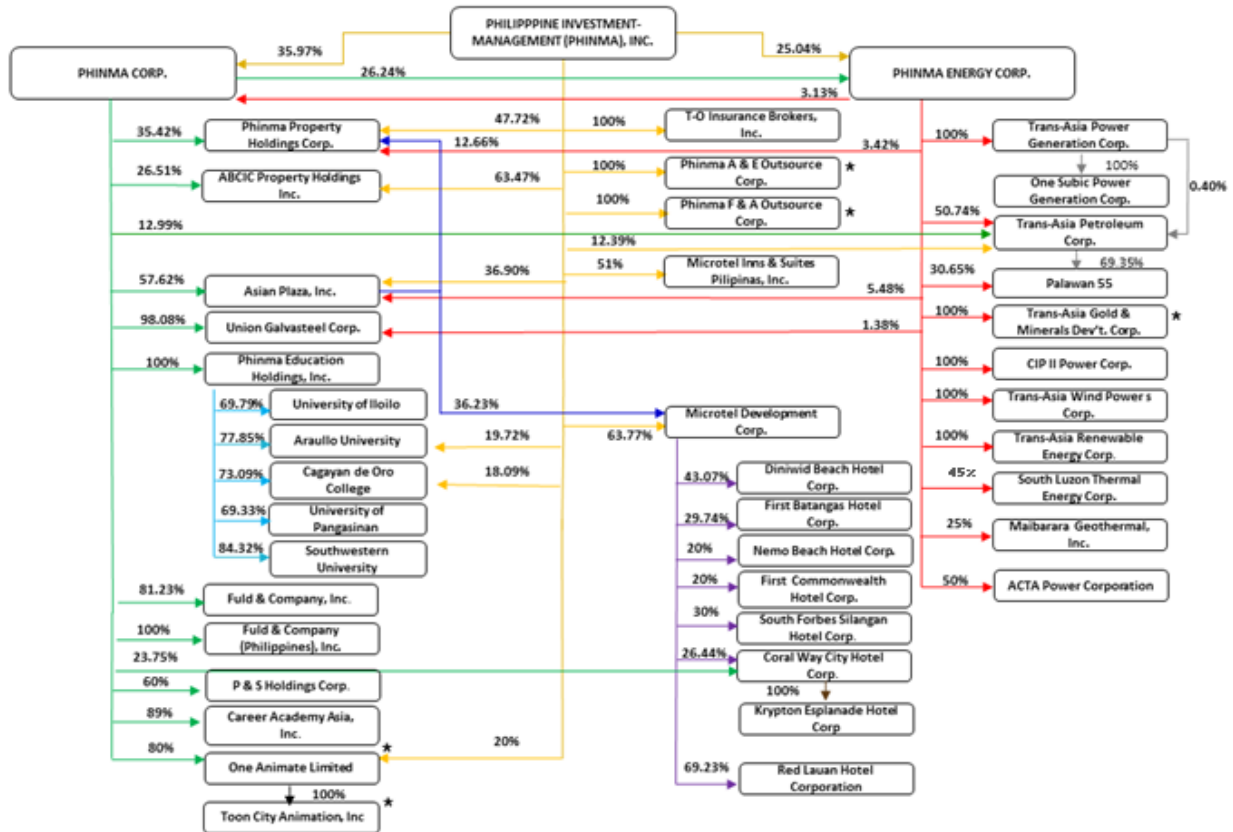
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	X		X
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	X		X
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			X
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>	X		X
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	X		X
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	X		X
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>	X		
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions	X		X
<b>IFRIC 12</b>	Service Concession Arrangements	X		X
<b>IFRIC 13</b>	Customer Loyalty Programmes	X		X
<b>IFRIC 14</b>	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
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*	Not Early Adopted		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation	X		X
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	X		
<b>IFRIC 18</b>	Transfers of Assets from Customers	X		X
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	X		X
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine	X		X
<b>IFRIC 21</b>	Levies	X		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
<b>SIC-7</b>	Introduction of the Euro	X		X
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities	X		X
<b>SIC-12</b>	Consolidation - Special Purpose Entities	X		X
	Amendment to SIC - 12: Scope of SIC 12	X		X
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	X		
<b>SIC-15</b>	Operating Leases - Incentives	X		X
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		X

\*Standards and interpretations which will become effective subsequent to December 31, 2016.

**ATTACHMENT V**

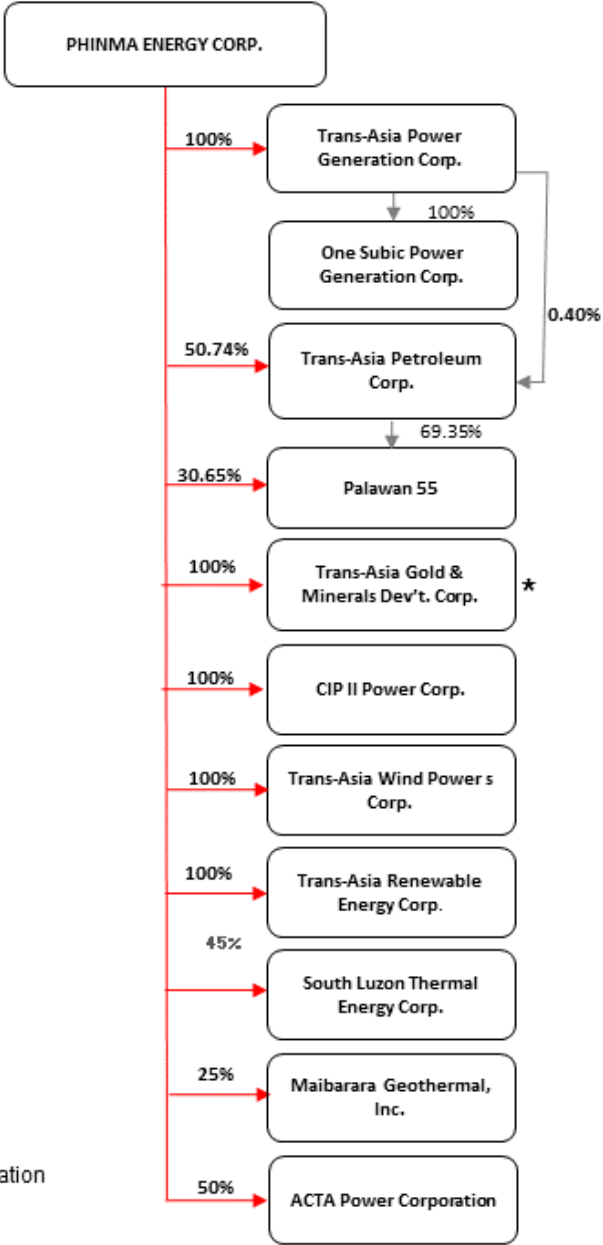
Page 7 of 7

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-29</b>	Service Concession Arrangements: Disclosures	X		X
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services	X		X
<b>SIC-32</b>	Intangible Assets - Web Site Costs	X		X



\* ceased operation

Map of relationships of the Companies within the Group  
As of December 31, 2016



\* ceased operation

## **REPORT OF THE AUDIT AND RISK OVERSIGHT COMMITTEE TO THE BOARD OF DIRECTORS**

**The Board of Directors**  
**Trans-Asia Petroleum Corporation**

### **MEMBERSHIP OF THE COMMITTEE**

The Audit and Risk Oversight Committee is composed of one (1) independent director and two (2) non-executive directors. The independent director, Mr. Edward S. Go, chairs the committee. The other members are Messrs. Victor J. del Rosario and Roberto M. Laviña. Other attendees at committee meetings (or parts thereof) are the Chief Financial Officer, Group Internal Audit, Group Controller, Compliance Officer and the external auditors. The Committee members has accounting expertise and adequate understanding of the Company's business and industry in which it operates.

### **ROLE OF THE COMMITTEE**

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

We are pleased to report our activities for Calendar Year 2016.

### **ACTIVITIES OF THE COMMITTEE**

The Audit Committee had four (4) meetings during the year. The first and last meetings obtained complete attendance while the second and third meetings had two members in attendance. Overall, attendance is at eighty three percent (83%). The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor, SGV & Co., the findings and status of Group Internal Audit's engagements, the status of Business Resiliency and Integrity Assurance activities and the 2015 Audit Committee Report.

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

#### ***Management's Financial Report***

We reviewed and endorsed to the Board of Directors for approval the 2015 audited consolidated financial statements and the 2016 unaudited quarterly consolidated financial statements.

Informatively, in our first meeting for 2017 held on February 27, 2017, we likewise reviewed and endorsed to the Board of Directors for approval the 2016 audited consolidated financial statements presented in this 2016 annual report. These activities were performed in the following context:

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

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

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

### ***External Audit***

The Audit Committee assessed the ongoing effectiveness, suitability and quality of the external auditor and the audit process through feedback from members of the Committee and a questionnaire-based internal review with Management. On the basis of their performance and qualifications, we endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2016.

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

In our Committee meeting held February 28, 2017, we agreed to propose to the Board of Directors the retention of SGV & Co. as the external auditor for 2017.

### ***Internal Audit***

We reviewed and approved the Internal Audit plan for 2016 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 2016 and found them to be sufficiently independent and effective.

### ***Business Resiliency Program***

We reviewed the status of ongoing activities related to the Company's Business Resiliency program as we are tasked to lead and monitor the same. This program encompasses a wide range of disciplines, including Business Continuity Management and Risk Management. We believe the program is both comprehensive and efficient in terms of the management and resolution of the company's risks.

### ***Integrity Assurance Program***

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


### ***Audit Committee Performance***

We performed a self-assessment of the Committee's performance against the approved Audit Committee Charter in line with the guidelines issued by Securities and Exchange Commission for publicly listed companies. Based on this assessment, we attest to the Committee's effective performance of its duties in 2016.



EDWARD S. GO

Chairman, Independent Director



ROBERTO M. LAVIÑA

Director



VICTOR J. DEL ROSARIO

Director



## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROMEO L. BERNARDO**, Filipino, of legal age, with office address at Unit 16A Belvedere Tower, San Miguel Avenue, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **TRANS-ASIA PETROLEUM CORPORATION**.
2. I am affiliated with the following:

Company/Organization	Position/Relationship	Period of Service
Aboitiz Power Corporation	Independent Director	May 2008
ALFM Dollar Bond Fund	Chairman	2003
ALFM Euro Bond Fund	Chairman	2005
ALFM Growth Fund	Chairman	2007
ALFM Money Market Fund	Chairman	2007
ALFM Peso Bond Fund	Chairman	2003
Ayala Plans, Inc.	Independent Director	April 26, 2006
Bank of the Philippine Islands	Independent Director	August 21, 2002
BPI Capital Corporation	Independent Director	October 23, 2012
BPI/MS Insurance Corporation	Independent Director	December 4, 2009
BPI-Philam Life Assurance Corporation	Independent Director	April 2006
Foundation for Economic Freedom	Vice Chairman	1997
GlobalSource Partners	Advisor	July 2007
Globe Telecom, Inc.	Independent Director	September 2001
Institute for Development & Econometric Analysis, Inc. (IDEA)	Board of Trustee	
Lazaro Bernardo Tiu & Associates, Inc.	President & Managing Director	October 1996
National Reinsurance Investment Corporation of the Philippines	Independent Director	June 2006
Philippine Investment Management, Inc. (PHINMA)	Independent Director	August 2005
Philippine Stock Index Fund, Inc.	Chairman	2007
RFM Corporation	Independent Director	October 2002

3. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **TRANS-ASIA PETROLEUM CORPORATION**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation.
5. I shall inform the corporate secretary of **TRANS-ASIA PETROLEUM CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

Done this 14 MAR 2017 day of 2017, at Makati city.

  
**ROMEO L. BERNARDO**

Independent Director

**TRANS-ASIA PETROLEUM CORPORATION**

14 MAR 2017  
SUBSCRIBED AND SWORN TO before me this 14 day of March at Makati City, affiant personally appeared before me and exhibited to me his passport ID EC5403253 issued at DFA MANILA on 20 September 2015.

Doc. No. 39 ;  
Page No. 9 ;  
Book No. V ;  
Series of 2017.

H  
**JONATHAN C. JO**  
Commission No. M-72  
Notary Public for Makati City  
Until Dec. 31, 2017  
Unit B, 12th Floor, 8 Rockwell Building  
Hidalgo Drive, Rockwell Center, Makati City  
Roll No. 63797  
PTR No. 5919511/01-03-2017; Makati City  
IBP No. 1061071/01-10-2017; Quezon City

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDWARD S. GO**, Filipino, of legal age, and a resident of 16-A South, Pacific Plaza Towers, Fort Bonifacio Global City, Taguig City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an independent Director of **Trans-Asia Petroleum Corporation** and am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Hyundai Asia Resources, Inc.	Chairman/Director	16 years
ASA Philippine Foundation, Inc.	Chairman/Trustee	12 years
Metro Pacific Investment Corporation	Independent Director	11 years
PLDT Communications and Energy Ventures, Inc.	Independent Director	15 years
The Beneficial Trust Fund created pursuant to the Benefit Plan of Philippine Long Distance Telephone Company	Chairman/Independent Director	7 years
TV5 Network, Inc.	Independent Director	7 years
Mediaquest Holdings, Inc.	Independent Director	7 years
Cignal TV, Inc.	Independent Director	7 years
Philstar Daily, Inc.	Independent Director	7 years
Filipino Fund, Inc.	Independent Director	14 years
Vicsal Investments Corporation	Independent Director	10 years
AB Capital Investments Corporation	Independent Director	10 years
Union Galvasteel Corporation	Independent Director	8 years
Anvaya Cove Golf & Sports Club	Independent Director	6 years
BTF Holdings, Inc.	Director	3 years
Business World Publishing Corporation	Independent Director	3 years

2. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **TRANS-ASIA PETROLEUM CORPORATION**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

5. I shall inform the Corporate Secretary of **TRANS-ASIA PETROLEUM CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 14 MAR 2017 day of \_\_\_\_\_ 2017, at Makati City Philippines.

  
**EDWARD S. GO**  
Affiant

14 MAR 2017

**SUBSCRIBED AND SWORN TO** before me this \_\_\_ day of \_\_\_\_\_ 2017 at Makati city, affiant personally appeared before me and exhibited to me his passport with number EB9981364 expiring on January 12, 2019.

Doc. No. 40 ;  
Page No. 9 ;  
Book No. V ;  
Series of 2017.

H  
**JONATHAN C. JO**  
Commission No. M-72  
Notary Public for Makati City  
Until Dec. 31, 2017  
Unit B, 12th Floor, 8 Rockwell Building  
Hidalgo Drive, Rockwell Center, Makati City  
Roll No. 63797  
PTR No. 5919511/01-09-2017; Makati City  
IBP No. 1061071/01-10-2017; Quezon City

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Raphael Perpetuo M. Lotilla**, Filipino, of legal age, and a resident of 23 Andrew St., Metroheights Subdivision, Culiat, Quezon City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an independent Director of Trans-Asia Petroleum Corporation.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
First Metro Investment Corp.	Independent Director	2013-present
Aboitiz Equity Ventures	Independent Director	2012-present
Petron Foundation, Inc.	Independent Director	2014-present
Center for the Advancement of Trade Integration & Facilitation	Chair	2014-present
Asia-Pacific Partnerships for Progress Foundation, Inc.	Chair	2014-present
Philippine Institute for Development Studies	Trustee	2014-present

3. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Trans-Asia Petroleum Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I have the required written permission or consent from the Philippine Institute for Developmental Studies (PIDS) through its Letter dated March 9, 2017, to be an independent director in Trans-Asia Petroleum Corporation pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
7. I shall inform the Corporate Secretary of Trans-Asia Petroleum Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

16 MAR 2017

Done this \_\_\_ day of \_\_\_\_\_ 2017, at Makati City Philippines.

*Raphael M. Lotilla*  
**RAPHAEL M. LOTILLA**  
Affiant

16 MAR 2017

**SUBSCRIBED AND SWORN TO** before me this \_\_\_ day of \_\_\_\_\_ 2017 at Makati city, affiant personally appeared before me and exhibited to me his TIN number 110-843-846.

*J*

**JONATHAN C. JO**  
Commission No. M-72  
Notary Public for Makati City  
Until Dec. 31, 2017  
Unit B, 12th Floor, 8 Rockwell Building  
Hidalgo Drive, Rockwell Center, Makati City  
Roll No. 63797  
PTR No. 5919511/01-09-2017; Makati City  
IBP No. 1051071/01-10-2017; Quezon City

Doc. No. 58 ;  
Page No. 13 ;  
Book No. V ;  
Series of 2017.

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CORAZON S. DELA PAZ-BERNARDO**, Filipino, of legal age, and a resident of Unit 19, 17-A McKinley Road, Forbes Park, Makati City, Metro Manila, after having duly sworn to in accordance with law do hereby declare that:

1. I am a Nominee of **TRANS-ASIA PETROLEUM CORPORATION**.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
MFI Polytechnic Institute, Inc.	Trustee/Treasurer	1989 to present
Laura Vicuna Foundation for Street Children	Trustee	1990 to present
Jaime V. Ongpin Foundation Inc.	Vice Chairperson	1991 to present
Miriam College	Trustee	1998 to present
Makati Business Club	Trustee	2011 to present
Philippine Long Distance Telephone Company (PLDT)	Advisor to the Board Audit Committee	2004 to present
BDO Unibank Inc.	Advisor to the Board Audit Committee	2012 to present
University of the East	Trustee	2007 to present
UE Ramon Magsaysay Memorial Medical Center	Trustee	2007 to present
Children's Hour	Trustee	2010 to present
NAMFREL	Council Member, National Chairman 2013 Election	2009 to present
Roxas & Co.	Independent Director	2013 to present
Makati Medical Center	Independent Director	2013 to present
Republic Glass Holdings Corporation	Independent Director	2012 to present
Shareholders Association of the Philippines	Trustee/Vice Chairman (since 2015)	2011 to present
Phinma Energy Corporation	Independent Director	2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **TRANS-ASIA PETROLEUM CORPORATION**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
OMB-C-C-16-0341: For violation of Section 3(E), Republic Act No. 3019, and Article 217 of the Revised Penal Code	Office of the Ombudsman	Pending preliminary investigation

6. I shall inform the Corporate Secretary of **TRANS-ASIA PETROLEUM CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

20 MAR 2017

Done this \_\_\_ day of \_\_\_\_\_ 2017, at Makati City Philippines.

*Corazon Dela Paz Bernardo*  
**CORAZON DELA PAZ- BERNARDO**  
 Affiant

20 MAR 2017

**SUBSCRIBED AND SWORN TO** before me this \_\_\_ day of \_\_\_\_\_ 2017 at Makati city, affiant personally appeared before me and exhibited to me her TIN number 112-070-586.

Doc. No. 63 ;  
 Page No. 14 ;  
 Book No. V ;  
 Series of 2017.

*H*  
**JONATHAN C. JO**  
 Commission No. M-72  
 Notary Public for Makati City  
 Until Dec. 31, 2017  
 Unit B, 10th Floor, B Rockwell Building  
 Hidalgo Drive, Rockwell Center, Makati City  
 Fax No. 83787  
 PTR No. 88 (as 1101-00-0117; Makati City  
 IBP No. 100107 149-10 2017; Quezon City





**TRANS-ASIA**  
PETROLEUM

17 March 2017

**SECURITIES AND EXCHANGE COMMISSION**  
Markets and Securities Regulation Department  
SEC Building, EDA, Greenhills, Mandaluyong City

**Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.**  
Director

**Subject: CERTIFICATION OF NON-APPOINTMENT OR ELECTION  
TO ANY GOVERNMENT AGENCY**

Dear Sir:

Atty. Raphael Perpetuo M. Lotilla became a Trustee of the Philippine Institute for Developmental Studies ("PIDS"), an attached agency of the National Economic Development Authority ("NEDA"), in 2015. PIDS confirmed in a letter dated March 9, 2017, signed by its President Gilberto M. Llanto, that it does not object to Atty. Lotilla's being a director of Trans-Asia Petroleum Corporation ("TA Petroleum") concurrently with his position as its Trustee.

Mr. Ramon R. Del Rosario Jr. is a member of the Board of Trustees and Chairman of the National Museum of the Philippines ("National Museum") as a representative from the private sector expressly provided under Section 8 and 9 of Republic Act No. 8942 or the National Museum Act of 1998. As such, he does not earn any salary, allowances or honoraria from the government.

Since Mr. Del Rosario is a private sector representative, no consent from the National Museum should be necessary or required for Mr. Del Rosario to be appointed as a Director of TA Petroleum. The law already presumes that the private sector representative is holding office in one form or another in a private enterprise, and therefore the law itself gives such consent by necessary implication.

Other than the foregoing, none of the other Officers, Directors and nominees for Director of Trans-Asia Petroleum Corporation are public officers or employees, appointed or elected to any governmental body or agency of the Republic of the Philippines.

Very truly yours,

**ALAN T. ASCALON**

VP-Legal/Assistant Corporate Secretary

**HELP EARTH**  
Harnessing Energy Literacy for Planet EARTH





9 March 2017

ATTY. RAPHAEL PERPETUO M. LOTILLA  
38 K-Square Homes, Cenacle Drive  
Sanville, Quezon City, Metro Manila

Dear Atty. Lotilla:

Please be informed that we do not interpose any objection to your engagement with TRANS-ASIA PETROLEUM, INC. concurrently with your position as a Member of the Board of Trustees of the Philippine Institute for Development Studies.

We believe that your involvement as Independent Director of Trans-Asia Petroleum will not pose an actual or potential conflict of interest with PIDS.

We have always been confident that you will discharge your duties as a Trustee with utmost good faith and will always act in the best interest of PIDS.

Very truly yours,

A handwritten signature in black ink, appearing to read 'G. Llanto'.

GILBERTO M. LLANTO  
President  
Philippine Institute for Development Studies