COVER SHEET

3	8	6	8	3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

8th Floor, Quad Alpha Centrum
Building, 125 Pioneer Street
Mandaluyong City

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

JOSEPHINE C. LAFIGUERA-ILAS

Contact Person

631-8151

Company Telephone Number

1 2	3 1
Month	*Day*

DEFINITIVE INFORMATION STATEMENT

FORM TYPE

0 6	3RD Wednesday
Month	*Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 30 2015
MARKET REGULATION DEPT
BY: ______ TIME: 1:57

Remarks = pls. use black ink for scanning purposes

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, 1550 Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080
E-mail: info@philodrill.com
Website: www.philodrill.com

Information Statement
Annual Stockholders' Meeting
17June 2015

SEC Number *38683*
File Number ____

THE PHILODRILL CORPORATION
(Company's Full Name)

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Metro Manila
(Company's Address)

631-1801 to 05; 631-8151 to 52
(Telephone Number)

December 31
(Fiscal Year Ending)
(month & day)

SEC FORM 20-IS
Definitive Information Statement
Form Type

Amendment Designation (If applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 3 0 2015
MARKET REGULATION DEPT.
BY: TIME:

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **THE PHILODRILL CORPORATION**

3. Jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **38683**

5. BIR Tax Identification Code: **000–315–612–000**

6. **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City** **1550**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code: **(632) 6318151-52; (632) 6311801-05**

8. **17 June 2015, 2:30 p.m., Palawan, EDSA Shangri-la Manila, 1 Garden Way, Ortigas Center, Mandaluyong City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **15 May 2015**

10. Name of Person Filing the Statement/Solicitor: **The Philodrill Corporation**
    Address: **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550**
    Telephone No.: **(632) 6318151-52; (632) 6311801-05**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	191,868,805,358

12. Are any or all of registrant's securities listed in a Stock Exchange?
    YES, Philippine Stock Exchange, Common Shares

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

THE PHILODRILL CORPORATION
8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City 1550, Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

INFORMATION STATEMENT

PART I

A. General Information

Item 1. Date, time and place of meeting of stockholders

(a) The 2015 Annual Stockholders' Meeting (the "Meeting") of The Philodrill Corporation (the "Company") will be held on 17 June 2015, 2:30 p.m., at Palawan, EDSA Shangri-la Manila, 1 Garden Way, Ortigas Center, Mandaluyong City. The complete mailing address of the Company is 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

(b) This Information Statement and the accompanying Proxy Form will be first sent to stockholders at least one (1) month prior to the date of the Meeting in accordance with the Company's By-Laws, or on or before 15 May 2015.

Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair market value of his shares in case: (i) any amendment to the Company's Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) of any sale, lease, mortgage or disposition of all or substantially all of the corporate assets; and, (iii) of merger or consolidation. If, at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the Meeting, any stockholder who voted against the proposed action and who wishes to exercise his right of appraisal must make a written demand, within thirty (30) days after the date of the Meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his stock certificates. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

NO corporate action is being proposed or submitted at the Meeting that may call for the exercise of a stockholder's right of appraisal.

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

(a) **NO** director, officer, or associate of such director or officer has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the Meeting, except election of directors.

(b) **NO** director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

(a) Class and Number of Shares. The Company has only one (1) class of shares – Common Shares – which are issued and transferable to both Philippine and non-Philippine nationals; *provided,* that the Company's Common Shares shall not be issued to non-Philippine nationals in excess of 40% of the Company's outstanding capital stock. As of Record Date, the Company's outstanding capital stock is 191,868,805,358shares. Each share is entitled to one (1) vote.

(b) Record Date. The Record Date for purposes of the Meeting is 18 March 2015. Only stockholders of record as at the close of business on 18 March 2015 are entitled to notice of, and to vote at, the Meeting.

(c) Cumulative Voting. Stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one (1) nominee 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 cumulative voting principle among as many nominees as he shall see fit; *provided*, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

(d) No solicitation shall be conducted and no proxies shall be solicited for the annual stockholders' meeting.

All stockholders who will not attend, or do not expect to attend the meeting in person, may prepare, date and sign a proxy, and submit the same to the Office of the Corporate Secretary at 8th Floor Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City, not later than June 11, 2015. The proxy does not have to be notarized. Validation of proxies submitted will be on June 15, 2015 at the Company's office - 8th Floor Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City, 1550 Philippines.

Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time. No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of such customer.

Any stockholder may revoke or cancel his proxy anytime. He may attend the annual stockholders' meeting even if he has submitted a proxy form to the Corporate Secretary before the meeting.

(e) Owners of 5% or More. The following persons are known to the Company to be directly or indirectly the owner of more than 5% of the Company's voting securities as of April 15 2015:

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A, B and C)	Filipino	75,740,521,085	39.475%
Common	National Book Store, Inc. 4/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,735,965,802	8.723%
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	28,841,317,398	15.032%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

Note A: The number of shares held by PCD Nominee Corporation (PCD) is net of the 99,312,219,331 shares held by National Book Store Inc (NBS), Alakor Corporation (AC) and Anglo Philippine Holdings Corp. (Anglo).

Note B: Of the 75,740,521,085 shares held by PCD, 74,145,595,492 shares have been fully paid and issued, while 1,594,925,593 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed. Of the 65,840,287,728 shares held by Anglo, 65,413,053,662 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

Note C: The shares registered in the name of PCD are beneficially owned by its clients. Thus, PCD does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date. The proxies of NBS, AC and Anglo are appointed by their respective Boards of Directors and the Company becomes aware of such proxies only when the appointments are received by the Company. Based on previous practice, Mr. Alfredo C. Ramos has been appointed proxy for NBS and AC for the previous years. Mr. Ramos has direct/indirect interest/shareholdings in NBS, AC and Anglo.

(f) Voting Trust Holders of 5% or more. To the extent known to the Company, there is **NO** person holding more than 5% of the Company's voting stock under a voting trust or similar agreement.

(g) Stock Ownership of Management. The Company's Directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated officers (O) own the following number of shares as of 15 April 2015:

		Number/Nature of Beneficial Ownership			
		Issued			
Class	Name of Beneficial Owner	Direct	Indirect	Citizenship	Ownership
Common	Alfredo C. Ramos (D/CEO until 3/31/14)	5,011,025	10,698,210	Filipino	0.008%
Common	Presentacion S. Ramos (D)	125,000	77,000,000	Filipino	0.040%
Common	Augusto B. Sunico (D)	4,917	447,185	Filipino	< 0.000%
Common	Christopher M. Gotanco (D)	4,860,025	195,463,375	Filipino	0.104%
Common	Adrian S. Ramos (D)	1,250,000	33,323,125	Filipino	0.018%
Common	Francisco A. Navarro (D/CEO as of 4/1/14)	100,000	100,000,000	Filipino	0.052%
Common	Nicasio I. Alcantara (D)	1,000,000	362,200,000	Filipino	0.189%
Common	Honorio A. Poblador III (D)	29,900,000	0	Filipino	0.016%
Common	Maureen Alexandra R. Padilla (D)	10,000	80,000	Filipino	<0.000%
Common	Reynaldo E. Nazarea (O)	0	55,656,250	Filipino	0.029%
Common	Alessandro O. Sales (O)	0	0	Filipino	0
Common	Isabelita L. Matela (O)	273,105	605,802	Filipino	<0.000%

As of Record Date, the aggregate number of shares owned by the Company's directors, Chief Executive Officer, four (4) most highly compensated officers and nominees is 878,008,019 shares or approximately 0.458% of the Company's outstanding capital stock. Except for shares appearing on record in the names of the directors and officers above, the Company is not aware of any other shares which said persons may have the right to acquire beneficial ownership.

NO change in the control of the Company has occurred since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

(a) The names, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become such are as follows:

Name	Age	Citizenship	Position	Period of Service	Committee Membership	Period of Service
Alfredo C. Ramos	71	Filipino	Chairman of the Board	Dec 2, 1992 - Present	Nominations	2004 - Present
			President	Apr 24,1989 – Mar 31, 2014		
Augusto B. Sunico	86	Filipino	Director	May 18, 1984 - Present	Compensation	2005 - 2013
Christopher M. Gotanco	65	Filipino	Director	Aug 17, 2005 - Present	Nominations/Audit	2008 - Present
Adrian S. Ramos	36	Filipino	Director	Jan 18, 2006 - Present	Compensation/Audit	2006 - Present
Honorio A. Poblador III	68	Filipino	Independent Director	Feb 26, 2003 - Present	Compensation/Audit	2004 - Present
Nicasio I. Alcantara	72	Filipino	Independent Director	Feb 26, 2003 - Present	Nominations/Audit	2005 - Present
Presentacion S. Ramos	73	Filipino	Director	May 28, 1997 - Present	None	N.A.
Francisco A. Navarro	72	Filipino	Director	Mar 22, 2006 - Present	Compensation	2014 - Present
			Exec. Vice President	May 1, 2005 – Mar 31, 2014		
			President	April 1, 2014 - Present		
Maureen Alexandra Ramos-Padilla	42	Filipino	Director	Jun 19, 2013 - Present	None	N.A.
Reynaldo E. Nazarea	63	Filipino	VP-Administration	May 1, 1992 - Present	Nominations (non-voting)	2004 - Present
			Treasurer	May 1, 2005 - Present		
Alessandro O. Sales	56	Filipino	VP-Exploration & Prod.	Mar 11, 2008 - Present	None	N.A
Adrian S. Arias	52	Filipino	Corporate Secretary	Dec 2, 1992 - Present	None	N.A

(1) Directors elected in the Annual Stockholders' Meeting have a term of office of one (1) year and serve as such until their successors are elected in the next succeeding annual stockholders' meeting; *provided*, that a director elected to fill a vacancy in the Board shall serve only the unexpired term of his predecessor.

(2) All directors of the Company were elected in the 2014 Annual Stockholders' Meeting held on 18 June 2014 and have since served in such capacity.

(3) The names of the members and chairpersons of the Company's corporate governance committees are as follows:

Nominations Committee

Nicasio I. Alcantara – Independent Director, Chairman
Alfredo C. Ramos – Director, Member
Christopher M. Gotanco – Director, Member
Reynaldo E. Nazarea – Treasurer and Vice-President for Administration, Non-voting Member

Compensation & Remuneration Committee

Honorio A Poblador III – Independent Director, Chairman
Francisco A. Navarro – Director, Member
Adrian S. Ramos – Director, Member

Audit Committee

Honorio A. Poblador III – Independent Director, Chairman
Nicasio I. Alcantara – Independent Director, Member
Christopher M. Gotanco – Director, Member
Adrian S. Ramos – Director, Member

There are **NO** arrangements that may result in a change in control of the Company.

(4) Independent Directors.Pursuant to Securities Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Messrs. Honorio A. Poblador III and Nicasio I. Alcantara.

In line with the guidelines set by the Nominations Committee and approved by the Board of Directors, the Nominations Committee receives the names of nominees and screens them based on the policies and parameters for screening nominees for independent directorship. The final list of candidates, with the information required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, is herewith attached. Mr. Noel T. Del Castillo nominated Mr. Nicasio I. Alcantara, while Ms. Iluminada P. Rodriguez nominated Mr. Honorio A. Poblador III, for re-election as independent directors of the Company for the ensuing fiscal year 2015. Mr. Castillo and Ms. Rodriguez are not related to either or both Messrs. Alcantara and Poblador.

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

(5) Business Experience of Executive Officers, Directors and Persons Nominated for Director

Mr. Alfredo C. Ramos has been the Chairman of the Board since 2 December 1992 until the present. He served as President/Chief Executive Officer of the Company from 24 April 1989 until 31 March 2014. He serves as a director and/or executive officer, and maintains business interests, in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media (1962-present), mining (1988-present), oil and gas exploration (1989-present), property development (1991-present), shopping center (1992-present), department store (1993-present), and transportation (1996-present), among others.

Mr. Ramos also serves as Chairman of the Board of Anglo Philippine Holdings Corporation and Atlas Consolidated Mining & Development Corporation; Chairman and President of Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

Mrs. Presentacion S. Ramos has been a Director of the Company since 1997. She maintains business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media (1975-present), oil and gas exploration (1984-present), department store (1993-present), mining (1993-present) and stock brokerage (1996-present), among others.

Mrs. Ramos also sits in the Board of Anglo Philippine Holdings Corporation, Vulcan Industrial & Mining Corporation, Shang Properties and United Paragon Mining Corporation.

*Mr. Augusto B. Sunico*is a Director of the Company. For the past five years, he served as a director and/or executive officer in companies involved in oil and gas exploration (1984-present), property development (1991-2013), and financial services (1992-2013), among others. Mr. Sunico is a member of the Board of Anglo Philippine Holdings Corporation.

Mr. Christopher M. Gotanco is a Director of the Company. He serves as a director and/or executive officer in companies involved in oil and gas exploration (1982-present), mining (1993-present), investment holdings (1995-present), transportation (1996-present), property development (1996-present) and financial services (2007-present), among others.

Mr. Gotanco currently serves as President & COO of Anglo Philippine Holdings Corporation, Chairman of PentaCapital Finance Corporation, Vice Chairman of PentaCapital Investment Corporation and Vulcan Industrial and Mining Corporation. He is also a member of the Board of United Paragon and Mining Corporation, Boulevard Holdings, Inc., MRT Development Corp., and MRT Holdings, Inc.

Mr. Francisco A. Navarro is a Director and the Company's incumbent President. For the past five (5) years, he headed the exploration and development groups of various companies involved in oil and gas exploration (1982-present) and mining (1993-present). He also served the Board of condominium companies.

Mr. Navarro serves as Director for the following PLCs: Anglo Philippine Holdings Corporation and Vulcan Industrial & Mining Corporation.

Mr. Adrian S. Ramos is a Director of the Company. He serves as an Executive Officer in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), investment holdings (2005-present), securities (2005-present), property development and infrastructure (2006-present), mining (2006-present) and bulk water supply (2006-present), among others.

Mr. Adrian Ramos is also a Director and Executive officer in several listed companies:EVP/Treasurer of Anglo Philippine Holdings Corporation, President of Atlas Consolidated Mining & Development Corp., Treasurer of Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

Mr. Nicasio I. Alcantara is an Independent Director of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests, in companies such as Seafront Resources Corp., Alsons Insurance Brokers Corp., Alsons Aquaculture Corp., Alsons Corporation, Alsons Dev't. & Investment Corp., Alsons Land Corporation, Lima Land Corporation, C. Alcantara & Sons, Inc., BDO Private Bank, Site Group International Ltd., Indophil Resources NL, Alsing Power Holdings, Inc., Southern Philippines Power Corp, Western Mindanao Power Corporation, and Conal Holdings Corporation.

Mr. Honorio A. Poblador III is an Independent Director of the Company. He is currently Chairman of Asuncion Agro-Realty Corporation. Mr. Poblador also sits in the Board of Alsons Consolidated Resources, Elnor Investment Corp., Asmaco, Inc. and Myriad Resources.

Ms. Maureen Alexandra Ramos-Padilla is a Director of the Company since 2013. She also sits as Director of Anglo Philippine Holdings Corporation. Her other business affiliations include, Managing Director and Vice President for Merchandising of National Book Store, Inc. and General Manager of Crossings Department Store. Ms. Padilla is a Board member of Alakor Securities Corporation and Alakor Corporation.

Mr. Reynaldo E. Nazarea is the Company's Treasurer and Vice President for Administration. He serves as a Director of companies involved in financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.) and property development (Penta Capital Holdings, Inc.).

Mr. Alessandro O. Sales is the Company's Vice President for Exploration. He has implemented the Company's oil exploration and development programs for the past ten (10) years.

Ms. Isabelita L. Matela was appointed Asst. Vice President for Finance on October 1, 2009. She was previously Finance & Administration Manager of the Company for 23 years prior to her assumption as AVP.

Atty. Adrian S. Arias is the Company's Corporate Secretary. He has been in active corporate law practice for more than twenty (20) years and serves as a director of companies involved in financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.), retail (Vulcan Industrial & Mining Corp.), and distribution support services (QFI-Central Integrated Services, Inc.).

(6) Directors and nominee for director with other directorship(s) held in reporting companies

Alfredo C. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining & Dev't. Corp.
	Shang Properties, Inc.
	United Paragon Mining Corporation
	Vulcan Industrial & Mining Corporation
Presentacion S. Ramos	Anglo Philippine Holdings Corporation
	Vulcan Industrial & Mining Corporation
Christopher M. Gotanco	Anglo Philippine Holdings Corporation
	Boulevard Holdings, Inc.
	United Paragon Mining Corporation
	Vulcan Industrial & Mining Corporation
Francisco A. Navarro	Anglo Philippine Holdings Corporation
	Vulcan Industrial & Mining Corporation
Adrian S. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining & Dev't. Corp.
	United Paragon Mining Corporation
	Vulcan Industrial & Mining Corporation
Maureen Alexandra Ramos-Padilla	Anglo Philippine Holdings Corporation
Nicasio I. Alcantara	Seafront Resources Corporation
Honorio A. Poblador III	Alsons Consolidated Resources

(7) Significant Employees. Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The Company is not dependent on the services of certain key personnel and there are no arrangements to ensure that these persons will remain with the Company and not compete upon termination.

(8) Family Relationships. Mr. Alfredo C. Ramos, Chairman of the Board, is the husband of Ms. Presentacion S. Ramos, Director, and the brother-in-law of Atty. Augusto B. Sunico. Mr. Adrian S. Ramos, Director, and Ms. Maureen Alexandra Ramos-Padilla, Director, are the son and daughter, respectively of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

(9) Involvement in Certain Legal Proceedings. For the past five (5) years up to the date this Information Statement is sent to stockholders, the Company is **NOT** aware:

(i) Of any bankruptcy petition filed by or against any business of which any director, executive officer, underwriter or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

(ii) Of any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses involving any director, executive officer, underwriter or control person of the Company;

(iii) Of any director, executive officer, underwriter or control person of the Company being subject 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; and,

(iv) Of any director, executive officer, underwriter or control person of the Company being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(10) Related Party Transactions.There had been NO transaction during the last two (2) years to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as director, or owner of more than 10% of the Company's voting stock, or voting trust holder of 10% or more of the Company's shares, or any member of the immediate family (including spouse, parents, siblings, and in-laws) of any of these persons, had or is to have a direct or indirect material interest.

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances to related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's 2014 Audited Consolidated Financial Statements, a copy of which is included in this Information Statement.

(i) Business purpose of the arrangement. The business purpose of related party transaction is to address immediate working capital requirements of related parties (in case of advances to related parties).

(ii) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 15 to the Company's 2014 Audited Consolidated Financial Statements.

(iii) How transaction prices were determined by parties. All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction.

(iv) If disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made. There are NO disclosures representing that the transactions with related parties have been evaluated for fairness inasmuch as the bases of all transactions with related parties were the prevailing market/commercial rates at the time of the transaction, or a valuation study conducted by a third party consultant over which neither the Company nor the related parties have control or influence whatsoever.

(v) Any on-going contractual or other commitments as a result of the arrangement. NONE, other than the repayment of money lent or advanced.

(vi) There were NO transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24. Neither were there any transactions with persons with whom the Company or its related parties have a relationship that enabled the parties to negotiate terms of material transaction that may not be available from other, more clearly independent parties on an arms' length basis.

(11) Parent of the Company. **NO** person holds more than 50% of the Company's voting stock, and the Company has **NO** parent company.

(i) **NO** director has advised the Company of his/her resignation from, or declination to stand for re-election to, the Board of Directors.

Item 6.Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Chief Executive Officer and four (4) most highly compensated executive officers named below as a group are:

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Alfredo C. Ramos Francisco A. Navarro Reynaldo E. Nazarea Alessandro O. Sales Isabelita L. Matela	Chairman President Treasurer & VP-Admin VP-Explo & Production AVP Finance				
		2013	14,580,017	-0-	4,053,307
		2014	13,728,497	-0-	4,625,318
		2015 (est)	15,101,347	-0-	5,087,850
All Officers and directors as a group unnamed					
		2013	21,190,866	-0-	8,790,604
		2014	20,983,245	-0-	8,769,288
		2015 (est)	23,081,569	-0-	9,646,217

For the years 2013 and 2014 and the first quarter of 2015, 13th month pay and other compensation were paid to directors and executive officers, which are already included in the amounts above.

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive a per diem of ₱5,000.00 per month to defray their expenses in attending board meetings. There are no other arrangements for compensation of directors, as such, during the last year and for the ensuing year.

Except for the entitlement to receive bonuses as determined by the management and to receive additional remuneration under the provisions of the Company's Stock Appreciation Rights Plan, there are no other arrangements for compensation of directors, as such, during the last year and ensuing year.

The Company maintains standard employment contracts with Messrs. Alfredo C. Ramos, Francisco A. Navarro, Reynaldo E. Nazarea, Alessandro O. Sales, and Ms. Isabelita L. Matela which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and Company car plan.

Other than what is provided under applicable labor laws and existing retirement plan, there are **NO** compensatory plans or arrangements with executive officers entitling them to receive more than ₱2,500,000.00 as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Company.

The Company maintains a retirement plan pursuant to which an eligible employee will receive an amount equal to a percentage of his final monthly salary for every year of credited service. Based on the policy, the retirement pay of some officers of the Company may exceed ₱2,500,000.00.

Certain employees, including directors of the Company, receive remuneration in the form of Stock Appreciation Right, further details of which are given in Note 12 to the Company's Audited Consolidated Financial Statements.

There are **NO** warrants or options outstanding in favor of directors and officers.

Item 7.Independent Public Accountants

(a) The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed external auditor of the Company in the 2012, 2013 and 2014 Annual Stockholders' Meetings.

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For the year 2015, SGV will be recommended for appointment as independent public accountant for fiscal year 2015.

The fees of the external auditor in the past three (3) years are as follows:

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2014	P935,000.00	-0-	-0-
2013	P890,000.00	-0-	-0-
2012	P845,000.00	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regular filings for years 2014, 2013 and 2012. The amounts under the caption *"Audit & Audit Related Fees"* for the years 2014, 2013 and 2012 pertain to these services.

The Audit Committee has an existing policy prohibiting the Company from engaging the external auditor to provide services that may adversely impact its independence, including those expressly prohibited by SEC regulations.

(b) Not applicable.

(c) SGV representatives are expected to be present at the Meeting and they will have the opportunity to make a statement and respond to appropriate questions.

(d) SGV has been the Company's independent external auditor for the past ten (10) years. Mr. Jose Carlitos Cruz was the partner-in-charge for five (5) years until 2003 and was succeeded by Mr. Jaime Del Rosario for 2004-2005 in compliance with SEC Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors). For 2006, Mr. Jose Carlitos Cruz was again the partner-in-charge of the Company's audit and was succeeded in 2007 by Mr. Alvin Cerrado. For 2008, Mr. Martin C. Guantes was the partner-in-charge of the Company's audit. For 2009 and 2010, Mr. Alvin M. Pinpin was the partner-in-charge of the Company's audit. For 2011, 2012, 2013 and 2014, Ms. Eleanore A. Layug was the partner-in-charge of the Company's audit.

The Company **NEVER** had any disagreement with SGV or with the partners-in-charge of audit on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company did **NOT** engage any new independent external auditor, either as principal accountant to audit the Company's consolidated financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, during the two (2) most recent fiscal years or any subsequent interim period.

NO independent accountant engaged by the Company as principal accountant, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned, or has declined to stand for re-election after completion of the current audit, or was dismissed.

Item 8. Compensation Plans N.A.

C. Issuance and Exchange of Securities

Item 9. Authorization of Issuance of Securities Other than for Exchange N.A.

Item 10. Modification or Exchange of Securities N.A.

Item 11. Financial and Other Information

See the Company's 2014 Audited Consolidated Financial Statements accompanying this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

NO action involving any of the following shall be presented for approval:

(a) The merger or consolidation of the Company into or with any other person or of any other person into or with the Company;

(b) The acquisition by the Company or any of its security holders of securities of another person;

(c) The acquisition by the Company of any other going business or of the assets thereof;

(d) The sale or other transfer of all or any substantial part of the assets of the Company; or

(e) The liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property N.A.

Item 14. Restatement of Accounts

NO restatement of any account has been made from the time the Company's financial statements were last audited (31 December 2014) up to the date of this Information Statement.

NO action will be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. Other Matters

Item 15. Action with Respect to Reports

The following matters shall be submitted to the stockholders for approval at the Meeting:

(a) Minutes of the 18 June 2014 Annual Meeting of Stockholders

Approval of the Minutes of the 18 June 2014 Annual Stockholders' Meeting constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the said meeting. This does not constitute a second approval of the same matters taken up thereat which have already been approved.

(b) Annual Report for the year ended 31 December 2014 (a copy containing the information required by SRC Rule 20A is enclosed).

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year as contained therein.

(c) Acts and Resolutions of the Board of Directors and Management from date following the last Annual Stockholders' Meeting (18 June 2014) to the present (17 June 2015) including, but not limited to, the following:

(1) Authorize and appoint BPI as trustee of the funds under the Employees' Retirement Plan (18 June 2014);

(2) Approval of the Consolidated Changes in the Company's Annual Corporate Governance Report for 2013 (23 July 2014);

(3) Opening of Peso and US Dollar Accounts with SBC (20August 2014);

(4) Designation of Authorized Representative for the account with Alakor Securities Corp. (20August 2014);

(5) Authorize and approve the declaration of cash dividend (29October 2014);

(6) Approval of sale of company's motorcycle (29 October 2014);

(7) Approval of the SPA in favor of UCPB to transact directly/indirectly with Deutsche Bank AG Manila Branch (26 November 2014);

(8) Extension of Subscription call to December 31, 2015 (17 December 2014);

(9) Setting of Date and Venue of Annual Stockholders' Meeting (21 January 2015);

(10) Approval of the opening of a Peso and Dollar Savings, Current or Multi-One or Time Deposit accounts for SC6-A and SC6-B with UCPB (18 February 2015);

(11) Approval of the Company's Audited Financial Statements for the year ended December 31, 2014 (18 March 2015).

Item 16. Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting but will not be submitted for approval by the stockholders.

Item 17. Other Proposed Action

NO ACTION on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

Item 18. Voting Procedures

For corporate matters that will be submitted for approval and for such other matters as may properly come at the Meeting, a vote of the majority of the shares present or represented by proxy at the Meeting is necessary for their approval. Voting shall be done *viva voce* or by the raising of hands and the votes for or against the matter submitted shall be tallied by the Secretary.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement are true, complete and correct. This report is signed in the City of Mandaluyong on April 29, 2015.

The Company undertakes to provide, without charge, upon the written request of a stockholder, a copy of its Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary, The Philodrill Corporation, 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

All information regarding the Meeting can be accessed at http://www.philodrill.com disclosures section.

ADRIAN S. ARIAS
Corporate Secretary

Materials accompanying this Information Statement

1. Notice of the Annual Stockholders' Meeting with Agenda
2. Proxy Form
3. Final List of Candidates for Independent Directors
4. Management Report 2014 and for the quarter ended 31 March 2015
5. Audited Consolidated Financial Statements for 2014
6. First Quarter Report ended 31 March 2015 (SEC Form 17-Q)

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 631-1801 TO 05 ; 631-8151/52 ; FAX: (632) 631-8080 , (632) 631-5310

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be advised that the 2015 Annual Stockholders' Meeting of The Philodrill Corporation will be as follows:

17 JUNE 2015, 2:30 P.M.
PALAWAN, EDSA SHANGRI-LA MANILA
1 Garden Way, Ortigas Center, Mandaluyong City 1650, Philippines

The Agenda for the Meeting shall be as follows:

1. Call to Order and Proof of Notice of the Meeting
2. Determination of Quorum
3. Approval of the Minutes of the 18 June 2014 Annual Stockholders' Meeting
4. Report of the Board of Directors
5. Approval of the Company's Annual Report
6. Approval of Acts and Resolutions of the Board of Directors and Management
7. Appointment of Independent External Auditor
8. Election of Directors
9. Other Matters

Registration for the Meeting begins at 2:00 p.m. For purposes of the Meeting, stockholders of record as of **18 March 2015** are entitled to notice of and to vote at the Meeting.

Stockholders who cannot attend the Meeting but would like to be represented thereat may submit the enclosed proxy form, duly signed and accomplished, to the Corporate Secretary at the 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, no later than **11 June 2015**. Corporate stockholders should provide a notarized secretary's certificate attesting to the appointment of its proxy for the Meeting as well as the execution and delivery of the proxy form.

All information regarding the Meeting can be accessed at http://www.philodrill.com disclosures section.

For convenience in registering your attendance, please present some form of identification such as driver's license, Company ID, TIN Card, SSS Card, etc.

04 May 2015

ADRIAN S. ARIAS
Corporate Secretary

THE PHILODRILL CORPORATION

PROXY

I, the undersigned, a stockholder of **THE PHILODRILL CORPORATION** (the "Company"), a Corporation organized and existing under the laws of the Republic of the Philippines, do hereby constitute and appoint: ______________________ or, in his absence, the Chairman, *MR. ALFREDO C. RAMOS*, as my continuing proxy, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the 2015 Annual Stockholders' Meeting of The Philodrill Corporation to be held on 17 June 2015, 2:30 p.m. at Palawan of EDSA Shangri-la Manila and at any postponements or adjournments thereof. I hereby confirm and ratify any and all acts lawfully done by my proxy at such meetings, pursuant thereto.

This proxy revokes any and all proxies that the undersigned may have previously executed in favor of a person or persons other than those named above.

This proxy shall remain in full force and effect for a period of five (5) years, unless sooner revoked by me through notice in writing delivered to the Corporate Secretary of the Company at least ten (10) working days before any scheduled meeting of stockholders. This proxy shall likewise be suspended in every instance where I personally attend any meeting of the stockholders and formally registers my presence at the meeting and elect to cast a vote thereat.

IN WITNESS WHEREOF, I have hereunto set my hand this ____________________, at ___________________________.

____
Signature Over Printed Name

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the appointment of the proxy and the authority of the person signing the proxy.

FINAL LIST OF CANDIDATES
FOR ELECTION AS INDEPENDENT DIRECTOR

(A) **Candidates for Election as Independent Director**

(1) **Identity, names and ages of candidates for election as Independent Director**

Name	Age	Current Position	Period of service From	To
Honorio A. Poblador III	68	Independent Director	2003	Present
Nicasio I. Alcantara	72	Independent Director	2003	Present

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

Directors elected in the Annual Meeting of Stockholders have a term of office of one (1) year and serve as such until their successors are elected and qualified in the next succeeding Annual Meeting of Stockholders; *provided*, that a director who was elected to fill in a vacancy arising in the Board shall only serve the unexpired term of his predecessor.

Business Experience During the Past Five (5) Years of Candidates for Independent Directors

Mr. Nicasio I. Alcantara is an Independent Director of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests in companies such as Seafront Resources Corp., Alsons Insurance Brokers Corp., Alsons Aquaculture Corp., Alsons Corporation, Alsons Dev't. & Investment Corp., Alsons Land Corporation, Lima Land Corporation, and C. Alcantara & Sons, Inc., among others.

Mr. Honorio A. Poblador III is an Independent Director of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests in companies such as Alsons Consolidated Resources, Elnor Investment Corp., Asuncion Agro-Realty, Asmaco, Inc., and Myriad Resources.

Candidates for Independent Director with directorship(s) in reporting companies

Nicasio I. Alcantara	Seafront Resources Corporation
Honorio A. Poblador III	Alsons Consolidated Resources

(2) **Family Relationships**

The candidates for election as independent directors of the Company are **NOT** related by consanguinity or affinity, either with each other or with any other member of the Company's Board of Directors.

(3) **Involvement in Certain Legal Proceedings**

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which an independent director, person nominated to become an independent director of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any independent director, person nominated to become an independent director; (3) 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 the involvement in any type of business, securities, commodities or banking activities an independent director, person nominated to become an independent director of the Company; and, (4) judgment against an independent director, person nominated to become an independent director of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

There had been **NO** transaction during the last two (2) years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any independent director of the Company, or nominee for election as an independent director, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

(B) **Security Ownership of Candidates for Independent Directors**

The candidates for independent directors own the following number of voting shares as of the Record Date (18 March 2015):

Class	Beneficial Owner	Number/Nature of Beneficial Ownership				Citizenship	Percent Ownership
		Issued		Subscribed			
		Direct	Indirect	Direct	Indirect		
Common	Nicasio I. Alcantara	0	363,200,000	0	0	Filipino	0.189%
Common	Honorio A. Poblador III	29,900,000	0	0	0	Filipino	0.016%

As of the Record Date, the aggregate number of shares bebeficially owned by the candidates for election as independent director is 393,100,000 shares, or approximately 0.20% of the Company's outstanding capital stock.

Voting Trust Holders of 5% or More

The candidates for election as independent director do not hold more than 5% of any class of the Company's securities under a voting trust or similar agreement.

Changes in Control

The election of independent directors will **NOT** result in a change in control of the Company.

All the Company's independent directors were elected in the 2014 Annual Stockholders' Meeting held on 18 June 2014 and have since served in such capacity.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **NICASIO I. ALCANTARA,** Filipino, of legal age and a resident of #1 Tamarind Road, Forbes Park, Makati City, having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of The Philodrill Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Conal Corporation	Chairman	July 6, 1984 to present
Alsons Insurance Brokers Corp.	Director	March 1973 to present
Alsons Aquaculture Corp.	Director	May 27, 1988 to present
Alsons Corporation	Director	July 2001 to present
Alsons Dev. & Investment Corp.	Director	Dec. 14, 1962 to present
Alsons Land Corporation	Director	Nov. 25,1994 to present
Lima Land, Inc.	Director	Oct. 12,1995 to present
C.Alcantara & Sons, Inc.	Director	Dec. 18, 1962 to present
Seafront Resources Corp.	Director	Dec. 1991 to present
BDO Private Bank	Director	Sept. 2009 to present
Site Group International Ltd.	Director	Sept. 2010 to present
Indophil Resources NL	Director	Dec. 2011 to present
Alsing Power Holdings, Inc.	Director	May 2011 to present
Southern Philippines Power Corp.	Director	May 2011 to present
Western Mindanao Power Corp.	Director	May 2011 to present
Conal Holdings Corporation	Director	May 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill 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. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this Feb. 17, 2015 at Makati City.

NICASIO I. ALCANTARA
Affiant

SUBSCRIBED AND SWORN to before me this FEB 24 2015 at Mandaluyong QUEZON CITY City, affiant exhibiting to me his Community Tax Cert. 14202222 at Davao City on Jan. 26, 2015.

Doc. No. 14;
Page No. 74;
Book No. VI;
Series of 2015.

JOEL G. GORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. No. NP-056
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0982685-1-9-15 Q.C.
PTR No. 0560686-1-5-15 Q.C.
MCLE No. V-0001531-1-22-14

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **HONORIO A. POBLADOR III**, Filipino, of legal age and a resident of #8 Wack-Wack Condominium, Mandaluyong City, having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of The Philodrill Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Elnor Investment Corp.	Chairman	
Asuncion Agro-Realty	President	
Asmaco, Inc.	President	
Myriad Resources	President	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill 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. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this Feb.18,2015 at Mandaluyong City.

HONORIO A. POBLADOR III
Affiant

SUBSCRIBED AND SWORN to before me this FEB 24 2015 at Mandaluyong QUEZON CITY City, affiant exhibiting to me his Passport No.(AB7774142 valid until April 1, 2018 - Manila.

Doc. No. 76;
Page No. 16;
Book No. V;
Series of 2015.

JOEL G. GORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. No. NP-056
UNIT 1-878 QUIRINO HIWAY GULOD,
NOVALICHES QUEZON CITY
IBP No. 0982385-1-9-15 Q.C.
PTR No. 0560686-1-5-15 Q.C.
MCLE No. V-0001531-1-22-14

THE PHILODRILL CORPORATION
8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20 (4)

I. Audited Financial Statements

The Audited Consolidated Financial Statements of the Company for the fiscal year ended 31 December 2014 are attached hereto.

II. Disagreement with Accountants on Accounting and Financial Disclosure. NONE

III. Management's Discussion and Analysis or Plan of Operations

(a) Full fiscal years

(1) Financial Condition, Changes in Financial Condition and Results of Operations

Financial highlights for the years 2014, 2013 and 2012 are presented below:

(in thousands of pesos)	**2014**	2013	2012 (as restated)
Petroleum Revenues	**969,302**	725,541	714,242
Investment Income	**13,981**	12,520	16,664
Interest Income	**38,026**	39,736	46,619
Net Income	**374,653**	315,179	303,575
Total Assets	**3,418,682**	3,296,524	3,311,025
Net Worth	**3,309,014**	3,210,762	3,226,401
Issued & Subscribed Capital	**1,918,688**	1,918,688	1,918,688

PETROLEUM PROJECTS

Operations Review

1.0 SERVICE CONTRACT NO. 14 (Nido, Matinloc and North Matinloc)

The combined production from the Nido, Matinloc and North Matinloc Fields in 2014 totalled 157,053 barrels which is about 2% less than the fields' combined output of 160,384 barrels in 2013. The decrease is attributed to normal depletion in all the remaining production wells, some of which have already been in production for over thirty years and which have long been believed to have already reached maximum economic life. A summary of the 2014 production from the three fields is shown below:

2014 Crude Oil Production Summary
(in barrels)

	Nido	Matinloc	North Matinloc	2014 Total	2013 Total
January	6,608	4,212	537	**11,357**	17,35
February	6,629	6,360	615	**13,604**	11,434
March	6,636	6,912	898	**14,446**	19,592
April	6,577	6,614	783	**13,974**	14,16
May	6,583	6,328	658	**13,569**	11,191
June	6,646	4,102	869	**11,617**	12,315
July	6,576	4,081	575	**11,232**	13,247
August	6,850	6,092	733	**13,67**	10,577
September	6,454	5,685	732	**12,871**	10,217
October	6,528	6,438	1,103	**14,069**	14,267
November	6,630	7,060	667	**14,357**	13,000
December	6,518	5,445	319	**12,282**	13,027
Total	79,23	69,329	8,489	**157,053**	160,384

The consortium completed a total of eleven (11) shipments, all with Pilipinas Shell Petroleum Corporation (Shell) with whom a crude oil purchase agreement will expire in February 2015 and is up for renewal for another year. The agreement calls for the Company to commit to deliver parcels of 14,000–20,000 barrels of Nido/Matinloc/North Matinloc crude per month to Shell.

Service for crude shipment to Shell is provided by Global Gas & Oil Carriers, Inc with whom the consortium signed a 5-year contract of carriage in July 2014, subject to the yearly renewal of the crude oil purchase agreement with Shell.

The Company maintains high standard in its petroleum operations, with much emphasis given to safety of personnel, facilities and the environment. Year-round offshore facilities enhancement activities continue to be implemented to ensure safety of the workers and the environment that they worked in. Various training programs aimed at improving manpower skills continued to be implemented.

Nido 1X-1 Re-Evaluation and Development Studies

In January 2014, the Company engaged the services of expert consultant Mr. Frank Witteman for a petrophysical review of the Nido 1X-1 and the Nido A-1 attic structures, mainly to verify the discrepancies between the results obtained from 2 separate studies earlier done on the block, that of RISC Pty Ltd of Australia in mid-2013 and the Company's in-house assessment of both Nido carbonate structures in late 2012. The results of Mr. Witteman's work indicated that both structures are full to spill as inferred from the apparent absence of both a free water table and a water transition zone within the reservoirs. This observation was further supported by the results from an independent evaluation of the drillstem test results of the Nido 1X-1 well which inferred a potential larger hydrocarbon resource volume for the Nido 1X-1 structure than previously certified.

Based on the results of the commissioned studies, the Company re-engaged the services of RISC in April 2014 for another assessment of the reserves/resources of the Nido 1X-1 and Nido A attic structures to incorporate the results of and the new insights provided by those independent evaluation works. In July 2014, RISC submitted their re-assessment works and based on our review of their results, we believe that the RISC computed reserves are still not optimum and that further assessment, preferably by another third-party auditor, is still needed.

The Company also did an in-house economic analysis of the RISC-certified resources based on three developmental scenarios, namely, stand-alone development of the Nido A Attic volume, developing Nido 1X-1 on a stand-alone basis, and developing both fields together. While the first 2 scenarios provide positive project values at certain levels, the third scenario provides the best net present values for field development. Emboldened by the fact that the Nido 1X-1 field can still be developed profitably, The Company contracted a third party auditor that will provide a second opinion to the RISC audited reserves. As of time of writing, consultant Netherland, Sewell & Associates, Inc. was about to conclude their petrophysical review of the Nido 1X-1.

2.0 SRVICE CONTRACT NO. 14 C-1 (Galoc)

The Galoc field's full year production for 2014 totalled to 2,909,421 barrels net of run-down basic sediment and water (BS&W). The total produced volume was about 69% higher than the total output of 1,723,063 barrels in 2013. Production from the Phase 2 wells G5 and G6, which started production in early December 2013, contributed to this increase. Also contributing to the higher production volume was the field's consistently high process system uptime during the year as a result of the upgrading in 2012 of the mooring and riser system of the FPSO Rubicon Intrepid.

Nine (9) offtakes were carried out in 2014. Product buyers included repeat buyers SK Energy South Korea, GS Caltex Singapore, PTT Thailand and Hyundai Oil and new buyer Petco Trading.

By the end of 2014, the Galoc field had already produced a cumulative total of 14.582 million barrels of oil since it was first put onstream in October 2008. With the completion of Phase 2 development, the field's economic life is projected to extend beyond year 2020.

3.0 SERVICE CONTRACT NO. 14 C-2 (West Linapacan)

On the basis of the Gaffney, Cline & Associates' assessment of the in-place volumes and reserves for the West Linapacan A and the nearby West Linapacan B fields made in 2013, block operator RMA West Linapacan Limited (RMA WL) continued with their drilling plans and concept screening for early production and full-field development costing. During the joint Technical Committee and Operating Committee Meetings held in Australia in March 2014, RMA presented the basis for the Final Investment Decision for a 3-well drilling program for the block. RMA WL initially planned to drill two wells (WL A7 and WL A8) on the West Linapacan A structure, with an option for an exploration well in the West Linapacan B structure. They also initiated drilling rig pre-qualification, review and costing for the planned wells and the FPSO-based subsea development scheme.

During the third quarter, RMA WL reported that they have already signed a contract for the drilling rig and have placed tenders and/or orders for some of the equipment and services to be required for their drilling operations. They also reported that they have also prepared agreements for provision of storage vessel and related equipment and services. The operator was looking at possible development drilling starting on the 4th quarter of 2014.

Unfortunately, all these preparations were overtaken by the precipitous drop in oil prices. In the 4th quarter of 2014, RMA WL unilaterally revised their overall strategy for field development. Instead of drilling two multi-lateral wells which was the approved work program by the Consortium in March 2014, RMA WL decided to drill just one well and do an extended production test. The anticipated well spudding was also further extended prompting the joint venture partners to question the readiness and financial capability of the operator to carry the work program. By end-2014, the Joint Venture had not approved RMA WL's new plans and warned RMA WL and its farmin partner Pitkin Petroleum of cancelling the farmin agreement should they fail to fulfil their farmin commitment.

4.0 SERVICE CONTRACT NO. 14 (Pandan, Libro and Tara PLs)

Contractor Enhanced Drilling Solution Limited carried out the final plugging and abandonment (P&A) of the Libro, Pandan and Tara South wells from April 19 to May 10, 2014 using the offshore supply vessel MEO Glory. The total P&A cost was approximately USD 1.8 MM.

No exploration and production activities were carried out on these blocks.

5.0 SERVICE CONTRACT NO. 6A (Octon)

Geophysical contractor Fairfield Vietnam Limited completed in April 2014 the processing of the new 3D seismic data that Seabird Exploration acquired for block operator Pitkin Petroleum in 2013. Results indicate a significant improvement on the quality of data as against the 1997 TQ3D data set. Provisional processed results were delivered to and reviewed by Pitkin in June 2014 and the final data sets delivered in September 2014. Immediately, Pitkin commenced the interpretation of the new data set which they also tied with the interpretation of the old 1997 3D data volume. Mapping was continued towards the northern portion of the block where a number of interesting prospects are located.

Parallel to the seismic mapping, Pitkin also carried out other G&G programs on the block, including petrophysical, biostratigraphic and geochemical analysis of selected wells within the block. A field work program that investigated formation outcrops in onshore Northern Palawan was likewise initiated during the year.

During a partners meeting in August 2014, Pitkin announced their decision to withdraw from their farmin agreement and consequently from the SC 6A consortium and the Service Contract by end-December 2014. Pitkin cited as reason their company strategy to focus resources on their other projects. With Pitkin's decision to withdraw, the Company regained majority ownership and the operatorship of the block by year-end.

6.0 SERVICE CONTRACT NO. 6B (Bonita)

In September 2013, the Department of Energy (DOE) approved the consortium's submitted work program and budget for the remaining months of the first 5-year extension of the contract term. This consisted of in-house resource and economic evaluation of three major structures of commercial interest within the block namely, the East Cadlao and Elephant prospects and the Bonita discovery. The in-house study was completed and the results presented to the consortium in February 2014. The study results indicated that both the East Cadlao prospects and Bonita are handicapped with low computed resource volumes, and are considered uneconomic to develop on a stand-alone basis. An upside, however, is offered by a large untested structure, the Elephant Prospect, which is now the main focus of the various studies planned under the contract's second term extension.

In April 2014, the Company submitted for the DOE's consideration the consortium's proposed forward programs for the first sub-phase of the second 5-year extension of the contract term. The submitted work program under Sub-Phase 1, which will run from March 1, 2014 to February 28, 2016, include satellite gravity modelling and oil seep mapping as initial activities, followed by 3D seismic data re-processing and interpretation as the second part of the program. In May 2014, the Company was able to secure DOE approval for the Sub-Phase 1 work programs which in effect also approved entry into the second 5-year term extension of the contract.

The programmed satellite gravity over the block has been completed. This program in SC 6B was part of a bigger coverage which also included 3 other offshore Palawan blocks, with Cosine International as geophysical contractor. Meanwhile, the Company continued seismic interpretation work which now focused on the northern and eastern section of the block using scanned/vectorized data. Incorporation of the satellite gravity model into the seismic interpretation work will be undertaken when it becomes available.

7.0 SERVICE CONTRACT NO. 41 (Sulu Sea)

A new bidding round, the 5th Philippine Energy Contracting Round (PECR5), was launched by the DOE in May 2014. Nine (9) new petroleum areas were offered for bidding which, unfortunately, did not include the Area 15 - Sulu Sea block offered under PECR4. The Company, Philex and Anglo Philippine Holdings Corporation, the latter having signed an earlier agreement with the Company for the transfer of a portion of its interest in the joint bid, would have likely participated in the PECR5 bidding if Area 15 was again offered.

The exclusion of the Sulu Sea block as one of the areas on offer under PECR5 was a decision of the DOE as the area is within the contemplated regions proposed to be covered by the Bangsamoro Basic Law.

8.0 SERVICE CONTRACT NO. 53 (Onshore Mindoro)

In early 2014, block operator Pitkin contracted Geocon which did a scouting and "walk through" of the proposed lines to be acquired under the programmed Test Mini-Sosie seismic program. Due to operational constraints, it was observed that there were very few areas where the Mini-Sosie seismic survey can be run, thus the program was suspended indefinitely. In lieu of the suspended seismic work, the consortium implemented a test seismic re-processing program. By end-June 2014, Pitkin had sourced, prepared and shipped appropriate seismic tapes for transcription and re-processing by Spectrum Data based in Perth, Australia. The test seismic reprocessing program involved four select lines. While results of the re-processing have shown some improvements on the data, these were considered marginal, and thus Pitkin decided not to proceed with a larger future re-processing program.

Parallel to the cancelled seismic activities, Pitkin continued to prepare for the drilling of the Progreso-2 well. Early in 2014, the operator had secured some of the appropriate endorsements and relevant permits from concerned community organizations and government units and mobilized teams to kick-off information and educational campaign in the various areas where drilling activities will take place. They have likewise finalized tenders and evaluated received bids for most of the major drilling services and equipment.

The Onshore Mindoro Consortium, during a Technical Committee Meeting held in April 2014, agreed to drill another well, Progreso-3, back-to-back with Progreso-2 subject to agreement on the final well locations. Interpretation of the re-processed data later in the year provided support on new locations for the proposed wells, the drilling of which is now seen to materialize in the first half of 2015. By end-2014, the consortium was waiting for partner RMA Limited (RMA) to approve the new well locations and drilling budget requirement. Execution of the drilling rig contract with rig provider DESCO remains on hold pending the RMA approvals.

9.0 SERVICE CONTRACT NO. 74 (Linapacan)

Following Pitkin's assessment of the availability of vintage 2D and 3D seismic and field data for seismic re-processing, the operator immediately commenced the re-processing program by sourcing data from contractors Western Geco for the TQ3D data and EZ Data, the DOE's partner for the PECRs, for the scanned 2D data within and around SC 74 block. Pitkin likewise conducted and completed petrophysical analyses on the old Linapacan B-1 and Linapacan A-1A wells.

The first leg of the programmed geological fieldwork was carried out in March 2014 and covered onshore Northern Palawan. The second leg will cover the neighbouring Calamian Island Group and is scheduled in January 2015. The field program aims to map and sample pre-Nido sequences which are important in understanding the potential of the Linapacan Block.

During the 3rd quarter, Pitkin received and evaluated a proposal from Schlumberger Petro Technical Services for an integrated evaluation of the Linapacan B structure which will include re-processing of the TQ3D seismic dataset as well as reservoir modelling and simulation study of the Linapacan B discovery field. These activities have been initiated and were still ongoing by end-2014.

10.0 SWAN BLOCK (Deepwater Northwest Palawan)

The Company continued to wait for PNOC - Exploration Corporation's review of the proposal to acquire participation in the Company's Nido 1X-1 project for a potential interests swap in their 2 service contracts which now cover the former SWAN Block, located offshore NW Palawan. PNOC-EC's final decision is hampered by Executive Order 556 issued by the Office of the President which limits PNOC-EC's ability to transact through the normal means of farmin/farmout mechanism in acquiring or disposing of interest in service contracts. PNOC-EC is still working to have the said EO amended.

Additional information required by Item 1 (a) is also contained in Note 10 to the Company's 2014 Audited Consolidated Financial Statements.

INVESTMENTS IN ASSOCIATES

The Company's associates are PCIC and PCHI, where the Company has 40% and 13.21% equity interest, respectively.

PCIC posted a total comprehensive income of P51.3 million in 2014, 84% higher than the 2013 comprehensive income of P27.8 million. Gross revenues amounted to P146.3 million in 2014 as compared to P111.2 million in 2013.

PCHI's net income increased to P17.9 million in 2014 from P11.7 million in 2013. Gross revenues totaled P132.7 million in 2014 as compared to P67.7 million in 2013.
Additional information is also contained in Note 8 to the Company's 2014 Audited Consolidated Financial Statements.

The Company has **NO** direct equity interest in Penta Capital Finance Corporation and as such, **NO** disclosure on its business development was made.

NO bankruptcy, receivership or similar proceeding has been filed by or against the Company during the last three (3) years.

NO material reclassification, merger, consolidation, or purchase/sale of a significant amount of assets not in the ordinary course of business has been undertaken by the Company during the last three (3) years.

(2) Key Variable and Other Qualitative and Quantitative Factors

The key performance indicators of the Company are as follows:

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Current Ratio	**9.64:1**	8.58:1	12.79:1
Current Assets	**934,812,125**	673,143,876	1,082,102,402
Current Liabilities	**96,945,906**	78,440,718	84,624,009
Debt to Equity Ratio	**0.03:1**	0.03:1	0.03:1
Total Liabilities	**109,668,268**	85,762,439	84,624,009
Stockholders Equity	**3,309,014,384**	3,210,761,972	3,226,401,399
Equity to Debt Ratio	**30.17:1**	37.44:1	38.13:1
Stockholders Equity	**3,309,014,384**	3,210,761,972	3,226,401,399
Total Liabilities	**109,668,268**	85,762,439	84,624,009
Book Value per Share	**0.01725**	0.01673	0.01682
Stockholders Equity	**3,309,014,384**	3,210,761,972	3,226,401,399
Outstanding shares	**191,868,805,358**	191,868,805,358	191,868,805,358
Income per Share	**0.0020**	0.0016	0.0016
Net Income	**374,653,168**	315,179,222	303,574,858
Weighted Average shares outstanding	**191,868,805,358**	191,868,805,358	191,868,805,358

Current Ratio is 9.64:1 as of December 31, 2014; 8.58:1 as of December 31, 2013; and 12.79:1 as of December 31, 2012. As of December 31, 2014, December 31, 2013 and December 31, 2012, current assets exceeded the current liabilities by P0.838 billion, P0.595 billion and P0.997 billion, respectively. However, a portion of the "Investments" account in the statements of financial position consists mainly of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P281.7 million as of December 31, 2014, P354.5 million as of December 31, 2013 and P487.1 million as of December 31, 2012. If these shares would be considered part of Current Assets, the recomputed current ratio would be 12.55:1 as of December 31, 2014; 13.10:1 as of December 31, 2013 and 18.54:1 as of December 31, 2012.

The Company has a wholly-owned subsidiary, Phoenix Gas & Oil Exploration Co., Inc. (PGO). The Company acquired 100% of PGO's capital stock in May 2007. Since PGO has NO operations, disclosure on performance indicators are as follows:

	December 31, 2014
Current Ratio	*0*
Current Assets	**0**

Current Liabilities	1,288,571
Debt to Equity Ratio	*0.1439:1*
Total Liabilities	1,288,571
Stockholders Equity	8,955,506
Equity to Debt Ratio	*6.95:1*
Stockholders Equity	8,955,506
Total Liabilities	1,288,571
Book Value per Share	*0.0007*
Stockholders Equity	8,955,506
Average shares outstanding	12,505,000,000
Income (Loss) per Share	*0*
Net Income (Loss)	No operation
Average shares outstanding	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

In general, Management is not aware of any material event or uncertainty that has affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

(i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 21 to the Company's 2014 Audited Consolidated Financial Statements.

(ii) The Company's internal source of liquidity comes from revenues generated from operations. The Company's external sources of liquidity come from stock subscriptions, loans and advances. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:

a. Issuing subscriptions call on the balance of the subscriptions receivable;
b. Collecting a portion of Accounts Receivables;
c. Selling a portion of its existing investments and assets; and
d. Generating cash from loans and advances.

(iii) The Company is expected to contribute its share in the exploration and development expenditures in the SC. However, most of the funding for such expenditures is expected to be provided by operations, collection of subscriptions and other receivables, loans/financing from banks and potential farminees to these projects.

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 10 and 21 to the Company's 2014 Audited Consolidated Financial Statements.

(v) There have been **NO** material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

a) Total assets decreased from P3.31 billion as of year-end 2012 to P3.29 billion as of year-end 2013. From the December 31, 2013 balance, total assets increased by P122.2 million to its December 31, 2014 balance of P3.42 billion.

- Cash account decreased by P519.0 million from P613.0 million as of December 31, 2012 to P94.0 million as of December 31, 2013 mainly due to the payments of the Company's share in the Galoc Phase 2 development costs and cash dividends. From its December 31, 2013 balance to December 31, 2014 balance of P421.6 million, an increase of P327.6 million was reflected mainly due to collection of the Company's share in Galoc revenues .

- Receivables account increased by P17.0 million from P443.0 million as of December 31, 2012 to P460.0 million as of December 31, 2013 due to accruals booked as of year-end and advances made to related companies during the period. Receivables decreased by P20.0 million from its December 31, 2013 balance to December 31, 2014 balance of P440.0 million due to collection of trade receivables during the period.

- Crude oil inventory increased by P90.7 million from P26.1 million as of December 31, 2012 to P116.9 million for the Company's share in inventory for the SC14 Galoc, Nido, Matinloc and North Matinloc crude. From its year-end 2013 balance to year-end 2014 balance of P71.8 million, a decrease of P45.0 million was reflected due to lower level of crude oil in storage.

- Other current assets increased from its December 31, 2012 balance of P0.164 million to December 31, 2013 balance of P2.4 million due to prepayments made during the period. From its year-end 2013 balance to year-end 2014 balance of P1.5 million, a decrease of P0.9 million was reflected due to the amortizations of prepaid expenses during the period.

- Property and equipment increased by P508.5 million from its December 31, 2012 balance of P418.2 million to December 31, 2013 balance of P926.7 million due to costs incurred relative to the Phase II development of SC14 Galoc block. From its year-end 2013 balance to year-end 2014 balance of P797.0 million, a net decrease of P129.7 million was reflected due to depletion expense booked during the period (P152.8 million) and additional costs incurred relative to the Phase II development of SC14 Galoc block (P23.0 million).

- Investments in associates increased by P8.3 million from the year-end 2012 balance of P270.5 million to year-end 2013 balance of P278.8 million. While the year-end 2013 balance further increased by P10.3 million to year-end 2014 balance of P289.1 million. These increases were mainly due to the equity share in affiliates' earnings net of cash dividend booked in 2013 and 2014.

- Available-for-sale (AFS) investments decreased by P132.6 million from its year-end 2012 balance of P487.1 million to year-end 2013 balance of P354.5 million. While for year-end 2013 to year-end 2014 balance, a decrease of P72.8 million was also reflected. The decreases were mainly due to the adjustment in the valuation allowance pertaining to listed stock investments of the company.

- Investment in bonds increased by P6.6 million from its year-end 2012 balance of P81.2 million to P87.8 million balance as of year-end 2013 due to revaluation adjustment made. By year-end 2014, the balance slightly increased by P0.6 million for additional revaluation adjustment booked.

- Deferred tax asset (DTA) decreased from its year-end 2012 balance of P31.9 million to P16.5 million balance as of year-end 2013. By year-end 2014, additional adjustment on recognized DTA was booked slightly decreasing the balance to P15.3 million.

- Other non-current assets increased by P8.7 million from its year-end 2012 balance of P5.1 million to year-end 2013 balance of P13.8 million due to additional other deferred charges booked. While for year-end 2013 to year-end 2014 balance of P12.5 million, a decrease of P1.3 million was reflected due to the amortization of other deferred charges booked during the period.

b). Total liabilities increased from its P84.6 million balance in 2012 to P85.8 million balance in 2013, and it further increased by P23.9 million which brought the year-end 2014 balance to P109.7 million.

- Accounts payable and accrued liabilities increased by P4.1 million from its year-end 2012 balance of P43.7 million to year-end 2013 balance of P47.8 million due to the accruals booked during the period. Accrued liabilities decreased by P16.8 million from its year-end 2013 balance to P31.0 million as of December 31, 2014 due to the adjustment on share-based liability. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2014.

- Income tax payable decreased by P17.7 million from its year-end 2012 balance of P23.1 million to year-end 2013 balance of P6.0 million. For year-end 2013 balance to year-end 2014 balance of P33.9 million, an increase of P27.9 million was reflected due to higher income tax liability accrued as of end of period.

- Dividends payable increased from its year-end 2012 balance of P17.8 million to year-end 2013 balance of P24.6 million. It further increased by P7.4 million from its year-end 2013 to year-end 2014 balance of P32.0 million, the increases was due to the unclaimed cash dividends declared in 2012, 2013 and 2014.

- As of year-end 2012, retirement benefit asset amounted to P5.6 million, while for year-end 2013, retirement benefit liability was reflected amounting to P7.3 million. From its year-end 2013 balance to year-end 2014 balance of P12.7 million, an increase of P5.4 million was reflected due to the adjustment in the recognized retirement benefit liability as of end of the period.

c) Stockholders' equity slightly decreased by P15.6 million from its year-end 2012 balance of P3.23 billion to year-end 2013 balance of P3.21 billion. While for year-end 2013 to year-end 2014, the stockholders' equity increased by P98.2 million.

  - Issued capital stock increased by P2.4 million from its year-end 2012 balance of P1.565 billion to year-end 2013 balance of P1.568 billion. As of year-end 2014, balance remained at P1.568 billion.

  - Subscriptions receivable decreased from its year-end 2012 balance of P176.5 million to year-end 2013 balance of P175.3 million. As of year-end 2014, balance remained at P175.3 million.

  - Net unrealized loss on decline in value of AFS financial assets increased by P132.6 million from its year-end 2012 balance of P21.8 million to year-end 2013 balance of P154.5 million due to adjustment booked in the valuation allowance. From year-end 2013 balance to year-end 2014 balance of P227.3 million, the unrealized loss on the decline increased by P72.8 million due to the additional decline booked in the valuation allowance of AFS financial assets.

  - Retained Earnings from year-end 2012 balance of P1.50 billion to year-end 2013 balance of P1.62 billion, reflected a net increase of P116.0 million due to the net income booked (P315.2 million) and cash dividends declared (P191.9 million) during the period. While for year-end 2013 to year-end 2014 balance of P1.79 billion, the net increase of P170.7 million was due to the net income booked (P375.0 million), cash dividends declared (P191.9 million) and other comprehensive income booked (P12.0 million) during the period.

d) Petroleum revenues in 2014 totaled P969.3 million as compared to P725.5 million in 2013 and P714.2 million in 2012. For the year 2014, the increase in revenues was mainly brought about by the production from the Galoc Phase 2 which commenced on December 4, 2013. Production increased by 63% from its 2013 level of 1.85 million barrels to 3.01 million barrels in 2014. Average prices for 2014 and 2013 were US$98.81 and US$108.82, respectively. For 2012, total production volume was 1.6 million barrels and average price per barrel was US$112.56.

   Equity in net earnings of associates amounted to P14.0 million in 2014, P12.5 million in 2013 and P16.7 million in 2012. The increase of P1.5 million from year-end 2013 to year-end 2014 balance was due to higher level of income of affiliates.

   Interest income totaled to P38.0 million in 2014, P39.7 million in 2013 and P46.6 million in 2012.

e) Total costs and expenses totaled to P581.1 million in 2014, P448.6 million in 2013, and P422.1 million in 2012.

   Share in production and depletion costs amounted to P505.1 million in 2014, P360.2 million in 2013 and P312.7 million in 2012.

   General and administrative expenses totaled to P75.2 million in 2014, P87.0 million in 2013, and P105.8 million in 2012.

   Foreign exchange gains/losses reflected a net gain of P9.7 million for 2014 and P24.1 million for 2013. For the year 2012, foreign exchange loss amounted to P30.1 million.

   Current provision for income taxes amounted to P71.7 million in 2014, P24.4 million for 2013 and P34.0 million for 2012. Recognition of deferred tax (assets)/liability resulted to (benefit from)/additional provision for income taxes. For 2014 and 2013, deferred tax liability was recognized amounting to P6.4 million and P18.5 million, respectively. For 2012, benefit from income taxes was recognized amounting to P13.8 million.

(vi) There have been **NO** seasonal aspects that had material effect on the financial condition or results of operations of the Company.

(vii) There are **NO** events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(viii) 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 information required by this item is contained in Note 25 to the Company's 2014 Audited Consolidated Financial Statements.

Properties

The information required by Item 2 is contained in Notes 6 and 7 to the Company's 2014 Audited Consolidated Financial Statements.

As a participant in SC No.14, the Company reflects its proportionate share in the cost of the production facilities of the Nido, Matinloc, North Matinloc, Galoc and West Linapacan oilfields under the "Wells, platforms and other facilities" account. These production facilities are located in the offshore Palawan area, while the office condominium unit, furnitures, and other equipments are located at 125 Pioneer Street, Mandaluyong City. These properties are in good condition. The Company does not intend to make any substantial property acquisition in the next twelve (12) months.

The Company's exploration properties, which are presented as deferred oil exploration and development costs in the audited consolidated financial statements are presented below:

SC No.	Philodrill's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status
SC6A (Octon)	51.65	PetroEnergy Resources Corp. Anglo Phil. Holdings Trans-Asia Oil&Devt Corp. Forum Energy Phils. Corp. Philex Petroleum Alcorn Gold Resouces Corp.	Philodrill[1]	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC6B (Bonita)	21.8750	Phoenix Gas&Oil Explo Co. Oriental Pet.& Minerals Corp. Nido Petroleum Phils. Pty Trans-Asia Oil&Devt Corp. Forum Energy Phils. Corp. Alcorn Gold Resources Corp.	Philodrill	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration

[1] Still awaiting DOE confirmation.

SC14 (Galoc)	7.21495	Galoc Production Co. Nido Petroleum Phils. Pty. Oriental Pet&Minerals Corp. Forum Energy Phils. Corp.	Galoc Prodn Co.	Aug 12, 2005	Dec 17, 2025	Northwest Palawan	Production
SC53 (Onshore Mindoro)	22.0000	Pitkin Petroleum Ltd RMA Pty. Ltd., Anglo Phil. Holdings Basic Cons. Mining Corp.	Pitkin Petroleum	July 08, 2005	July 08, 2014	Mindoro	Exploration
SC41 (Sulu Sea)	*					Sulu Sea	For bidding application
Swan Block (NW Palawan) Unified	**					Northwest Palawan	Ongoing negotiations with PNOC-EC

**The Company will most likely participate in the 5th Philippine Energy Contracting Round bidding if Area15 will be offered.*
***Ongoing negotiations with PNOC-EC*

Employees

As at 31 March 2015, the Company has 34 employees. The Company anticipates hiring additional personnel within the ensuing twelve (12) months.

Type of employee	Exploration/ Technical	Finance/Administration Legal/Stocks
Executive Officers - Administrative	2	3
AVP, Managers – Technical/Operations	3	4
Rank and File – Clerical	8	14
Total	13	21

The present employees are not subject to Collective Bargaining Agreement. For the past three (3) years, there had not been any strike threat. All regular officers and employees are entitled to supplemental benefits as provided under the applicable labor laws and existing Company's schedule of benefits (i.e. leaves, medical and other cash aid programs, bonuses, retirement, life/hospitalization insurances and others). The Company will continue to provide such benefits within the ensuing twelve (12) months.

IV. Brief Description of the General Nature & Scope of Business of the Company

The Company was incorporated in 1969, originally, with the primary purpose of engaging in oil, gas and mineral exploration and development. In 1989, realizing the need to balance the risk associated with its petroleum activities, the Company changed its primary purpose to that of a diversified holding company while retaining petroleum and mineral exploration and development as one of its secondary purposes. Thereafter, the Company has maintained investments in petroleum exploration and production, financial services, property development, mining and infrastructure development. On 16 January 2008, stockholders representing at least two-thirds of the Company's outstanding capital stock approved to change the Company's primary purpose back to petroleum exploration and development and to relegate and include as a secondary purpose the Company's holding company purpose clause, which the SEC approved on 13 April 2009.

The Company's active petroleum projects cover production and exploration areas in offshore Palawan and South Sulu Sea and onshore Mindoro under various SCs with the Philippine government through the DOE.

In the financial services sector, the Company is a 40% shareholder of PCIC, an investment house. PCIC holds equity interest in several companies such as, Penta Capital Finance Corporation, a finance company (98.75% owned), PCHI, an investment holding company (29.54% owned), Penta Capital Realty Corporation (100% owned) and Intra-Invest Securities, Inc. (68.47% owned). The Company also holds a 13.21% direct equity investment in PCHI.

In the mining sector, the Company holds minor equity interests in the following companies: Atlas Consolidated Mining & Development Corporation; Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

V. Market Price and Dividends

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two (2) years 2014 and 2013 and the first quarter of the current year 2015, expressed in Philippine Pesos, are as follows:

Stock Prices:		**High**	**Low**
2015	First Quarter	0.022	0.015
2014	First Quarter	0.037	0.035
	Second Quarter	0.039	0.035
	Third Quarter	0.037	0.032
	Fourth Quarter	0.032	0.018
2013	First Quarter	0.046	0.041
	Second Quarter	0.045	0.034
	Third Quarter	0.042	0.036
	Fourth Quarter	0.039	0.034

(2) Holders

There were 8,749 shareholders of record as of 31 March 2015 and 8,760 shareholders of record as of 31 December 2014. Common shares outstanding as of 31 December 2014 totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of 16 October 2008. In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on 24 September 2008. On 26 May 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on 18 September 2008. Additional information required is also contained in Note 13 to the Company's 2014 Audited Consolidated Financial Statements.

Top 20 stockholders as of 31 March 2015:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION (Filipino)	172,206,446,417	89.75
2. PCD NOMINEE CORPORATION (Non Filipino)	2,846,293,999	01.48
3. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	00.30
4. MARGARET S. CHUA CHIACO	530,000,000	00.28
5. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	00.19
6. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	00.17
7. CHRISTINE C. CHUA	254,097,005	00.13
8. RCBC TA# 32-314-4	190,900,000	00.10
9. PHIL. REMNANTS CO., INC.	188,247,468	00.10
10. AYALA CORPORATION	188,068,125	00.10
11. CARMENCITA O. REYES	176,415,750	00.09
12. INDEPENDENT REALTY CORPORATION	165,807,000	00.09
13. ANSELMO C. ROQUE	150,000,000	00.08
14. PAULINO G. PE	135,490,200	00.07
15. ANSALDO GODINEZ & CO., INC.	112,338,084	00.06
16. J.A. GONZALEZ	110,400,000	00.06
17. ANGLO PHIL. OIL & MINING DEV CORP.	108,936,264	00.06
18. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	00.06
19. PACIFIC RIM EXPORT & HOLDINGS CORP.	103,335,072	00.05
20. BRISOT ECONOMIC DEV. CORP.	92,279,800	00.05

As of 31 December 2014, the top 20 stockholders are as follows:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION (Filipino)	171,697,853,848	89.49
2. PCD NOMINEE CORPORATION (Non Filipino)	2,939,189,399	01.53
3. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	00.30
4. MARGARET S. CHUA CHIACO	530,000,000	00.28
5. NICASIO ALCANTARA	363,200,000	00.19
6. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	00.19
7. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	00.17
8. CHRISTINE C. CHUA	254,097,005	00.13
9. RCBC TA# 32-314-4	190,900,000	00.10
10. PHIL. REMNANTS CO., INC.	188,247,468	00.10
11. AYALA CORPORATION	188,068,125	00.10
12. CARMENCITA O. REYES	176,415,750	00.09
13. INDEPENDENT REALTY CORPORATION	165,807,000	00.09

14. ANSELMO C. ROQUE	150,000,000	00.08
15. PAULINO G. PE	135,490,200	00.07
16. ANSALDO GODINEZ & CO., INC.	112,118,084	00.06
17. J.A. GONZALEZ	110,400,000	00.06
18. ANGLO PHIL. OIL & MINING DEV CORP.	108,936,264	00.06
19. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	00.06
20. PACIFIC RIM EXPORT & HOLDINGS CORP.	103,335,072	00.05

(3) Dividends

As of the first quarter of 2015 and the years 2014, 2013 and 2012, the Board of Directors approved the declaration of the following cash dividends:

Cash Dividend	Amount	Declared on	Record Date	Payment Date
2014-CD028	P0.0005/share	Oct 29, 2014	Nov 12, 2014	Dec 1, 2014
2014-CD027	P0.0005/share	Feb 19, 2014	Mar 5, 2014	Mar 31, 2014
2013-CD026	P0.0005/share	Oct 23, 2013	Nov 8, 2013	Dec 4, 2013
2013-CD025	P0.0005/share	May 22, 2013	Jun 5, 2013	Jul 2, 2013
2012-CD024	P0.0003/share	Oct 24, 2012	Nov 12, 2012	Dec 7, 2012
2012-CD023	P0.0002/share	Jun 20, 2012	Jul 4, 2012	Jul 30, 2012
2012-CD022	P0.0005/share	Feb 22, 2012	Mar 7, 2012	Mar 30, 2012

The Company's ability to declare and pay dividends is subject to the availability of funds and balance of the Retained Earnings.

VI. Corporate Governance

(a) The Company uses the evaluation system established by the SEC in its Memorandum Circular No. 5 series of 2003, including the accompanying Corporate Governance Self Rating Form (CG-SRF) to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual.

(b) The Company undertakes a self-evaluation process every semester and any deviation from the Company's corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.

(c) the Company is currently in full compliance with the leading practices on good corporate governance as embodied in its Revised Manual on Corporate Governance (July 2014) CG-SRF.

1. The Company has adopted a Code of Conduct for the Board and its employees, and is being aseessed regularly to cope with the dynamics of the business. The Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

2. Employees and officers undergo professional development programs subject to meeting the criteria set by the Company. The Compensation & Remuneration Committee (CRC) is engaged, together with the Management Committee, in the Succession Planning of the Executive officers, including the President. In the latter case, the CRC coordinates closely with the Chairman any and all activities involved in planning for President succession.

(d) The Company shall adopt improvement measures on its corporate governance as the exigencies of its business will require from time to time.

April 29, 2015

ADRIAN S. ARIAS
Corporate Secretary

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 631-1801 TO 05 ; 631-8151/52 ; FAX: (632) 631-8080 , (632) 631-5310

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of The Philodrill Corporation and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The management is also responsible for the preparation and fair presentation of the following supplementary schedules required by SRC Rule 68, as Amended (2011):

a. Schedules required by Annex 68-E
b. Reconciliation of retained earnings available for dividend declaration
c. Map of the conglomerate or group of companies within which the reporting entity belongs
d. Tabular schedule of standards and interpretations as of reporting date

These schedules have been prepared in accordance with the requirements of SRC Rule 68, as Amended (2011) and other related issuances from the Securities and Exchange Commission.

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

SyCip, Gorres, Velayo & Co., the independent auditors and appointed by the Stockholders and the Board of Directors, has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

Alfredo C. Ramos
Chairman of the Board

Francisco A. Navarro
Chief Executive Officer

Reynaldo E. Nazarea
Chief Financial Officer

Signed this 18th day of March 2015

MAR 27 2015

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

NAMES	CTC NO.	DATE OF ISSUE	PLACE OF ISSUE
ALFREDO C. RAMOS	10541336	01/02/2015	Manila
FRANCISCO A. NAVARRO	3452520	02/06/2015	Pasig City
REYNALDO E. NAZAREA	17291348	03/24/2015	Mandaluyong City

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ATTY. RAMON L. CARPIO
NOTARY PUBLIC FOR PASIG CITY
NO. 2A WEST CAPITOL DRIVE
KAPITOLYO, PASIG CITY
APPOINTMENT NO. 63
[illegible]MBER 31, 2015
[illegible] 0350443 01/06/15/ PASIG CITY
[illegible]475 / PASIG CITY
[illegible] ATTORNEY'S NO. 22172
MCLE NO: IV-0006306 /5/19/12/ PASIG CITY

The Philodrill Corporation and Subsidiary

Consolidated Financial Statements
As at December 31, 2014 and 2013
And for the Three Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 8 6 8 3

Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

8 T H F L O O R , Q U A D A L P H A C E N T R U M ,
1 2 5 P I O N E E R S T . , M A N D A L U Y O N G C
I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRU	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@philodrill.com	(632) 631-8151	N / A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
8,760	3rd Wednesday of June	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
Mr. Reynaldo E. Nazarea	renazarea@philodrill.com	(632) 631-8151	N / A

Contact Person's Address

8th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

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

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱421,629,345**	₱93,984,475
Receivables (Note 5)	**439,849,096**	459,898,315
Crude oil inventory (Note 6)	**71,834,993**	116,874,750
Other current assets	**1,498,691**	2,386,336
Total Current Assets	**934,812,125**	673,143,876
Noncurrent Assets		
Property and equipment (Note 7)	**796,989,141**	926,721,222
Investments in associates (Note 8)	**289,106,142**	278,805,093
Available-for-sale (AFS) financial assets (Note 9)	**281,729,139**	354,522,489
Deferred oilexploration costs (Note 10)	**949,737,578**	895,142,259
Advances to a related party (Note 15)	**50,000,000**	50,000,000
Investment in bonds (Note 11)	**88,500,880**	87,857,705
Deferred income tax assets - net (Note 19)	**15,330,960**	16,519,067
Other noncurrent assets	**12,476,687**	13,812,700
Total Noncurrent Assets	**2,483,870,527**	2,623,380,535
TOTAL ASSETS	**₱3,418,682,652**	₱3,296,524,411
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	**₱31,001,675**	₱47,778,604
Income tax payable	**33,927,934**	6,040,546
Dividends payable (Note 13)	**32,016,297**	24,621,568
Total Current Liabilities	**96,945,906**	78,440,718
Noncurrent Liability		
Retirement benefit liability (Note 18)	**12,722,362**	7,321,721
Total Liabilities	**109,668,268**	85,762,439
Equity		
Capital stock - ₱0.01 par value (held by 8,760 equity holders in 2014 and 8,828 in 2013; Note 13)		
Authorized - 200.0 billion shares in 2014 and 2013		
Issued	**1,568,018,151**	1,568,003,703
Subscribed	**350,669,903**	350,684,351
Subscriptions receivable	**(175,334,940)**	(175,342,164)
Paid-in capital from sale of treasury shares (Note 13)	**1,624,012**	1,624,012
Share in other comprehensive income(loss) of an associate (Note 8)	**11,982**	(303,238)
Net unrealized loss on decline in value of AFS financial assets (Note 9)	**(227,253,709)**	(154,460,360)
Retained earnings	**1,791,278,985**	1,620,555,668
Total Equity	**3,309,014,384**	3,210,761,972
TOTAL LIABILITIES AND EQUITY	**₱3,418,682,652**	₱3,296,524,411

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
PETROLEUM REVENUE (Note 6)	**₱969,301,658**	₱725,540,735	₱714,242,193
COSTS AND EXPENSES			
Share in costs and operating expenses (Notes 6 and 16)	**352,331,203**	343,215,956	308,879,442
Depletion expense (Notes 6 and 7)	**152,792,757**	16,955,261	3,834,625
General and administrative expenses (Note 17)	**75,236,223**	87,043,253	105,783,194
	580,360,183	447,214,470	418,497,261
OTHER INCOME– Net			
Interest income (Notes 4, 11, 15 and 18)	**38,026,457**	39,736,512	46,619,431
Equity in net earnings of associates (Note 8)	**13,980,694**	12,519,751	16,664,190
Foreign exchange gains (losses) - net (Notes 4, 5 and 11)	**9,710,856**	24,068,504	(30,143,288)
Dividend income (Note 9)	**2,850,000**	4,750,000	5,450
Interest expense	–	(412,500)	–
Loss on sale of AFS financial assets (Note 9)	–	–	(1,535,283)
Other charges	**(754,913)**	(934,472)	(3,609,529)
	63,813,094	79,727,795	28,000,971
INCOME BEFORE INCOME TAX	**452,754,569**	358,054,060	323,745,903
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**71,749,409**	24,374,887	33,964,735
Deferred	**6,351,992**	18,499,951	(13,793,690)
	78,101,401	42,874,838	20,171,045
NET INCOME	**₱374,653,168**	₱315,179,222	₱303,574,858
EARNINGS PER SHARE (Note 14)			
Basic	**₱0.0020**	₱0.0016	₱0.0016
Diluted	**₱0.0020**	₱0.0016	₱0.0016

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱374,653,168**	₱315,179,222	₱303,574,858
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Items to be reclassified to consolidated statements of income in subsequent periods:			
Changes in fair value of AFS financial assets (Note 9)	**(72,793,349)**	(132,614,551)	3,997,385
Items not to be reclassified to consolidated statements of income in subsequent periods:			
Loss on remeasurement of retirement benefit liability (Note 18)	**(12,061,046)**	(7,353,261)	(367,913)
Share in other comprehensive income(loss) of an associate	**315,220**	(196,324)	(180,420)
	(11,745,826)	(7,549,585)	(548,333)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(84,539,175)**	(140,164,136)	3,449,052
TOTAL COMPREHENSIVE INCOME	**₱290,113,993**	₱175,015,086	₱307,023,910

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012

	Capital Stock (Note 13)			Paid-in Capital from Sale of Treasury Shares (Note 13)	Other Comprehensive (Loss) Income of an associate	Net Unrealized Loss on Decline in Value of AFS Financial Assets (Note 9)	Retained Earnings	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at December 31, 2011	₱1,563,648,953	₱355,039,101	(₱177,515,539)	₱1,624,012	₱73,506	(₱25,843,194)	₱1,393,260,372	₱3,110,287,211
Issuance of capital stock	1,926,166	(1,926,166)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	959,083	–	–	–	–	959,083
Cash dividends declared (Note 13)	–	–	–	–	–	–	(191,868,805)	(191,868,805)
	1,565,575,119	353,112,935	(176,556,456)	1,624,012	73,506	(25,843,194)	1,201,391,567	2,919,377,489
Net income	–	–	–	–	–	–	303,574,858	303,574,858
Transfer to profit or loss from sale of AFS financial assets (Note 9)	–	–	–	–	–	(254,461)	–	(254,461)
Other comprehensive income (loss)	–	–	–		(180,420)	4,251,846	(367,913)	3,703,513
Total comprehensive income	–	–	–	–	(180,420)	3,997,385	303,206,945	307,023,910
Balances at December 31, 2012	1,565,575,119	353,112,935	(176,556,456)	1,624,012	(106,914)	(21,845,809)	1,504,598,512	3,226,401,399
Issuance of capital stock	2,428,584	(2,428,584)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	1,214,292	–	–	–	–	1,214,292
Cash dividends declared (Note 13)	–	–	–	–	–	–	(191,868,805)	(191,868,805)
	1,568,003,703	350,684,351	(175,342,164)	1,624,012	(106,914)	(21,845,809)	1,312,729,707	3,035,746,886
Net income	–	–	–	–	–	–	315,179,222	315,179,222
Other comprehensive loss	–	–	–	–	(196,324)	(132,614,551)	(7,353,261)	(140,164,136)
Total comprehensive income	–	–	–	–	(196,324)	(132,614,551)	307,825,961	175,015,086
Balances at December 31, 2013	1,568,003,703	350,684,351	(175,342,164)	1,624,012	(303,238)	(154,460,360)	1,620,555,668	3,210,761,972
Issuance of capital stock	14,448	(14,448)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	7,224	–	–	–	–	7,224
Cash dividends declared (Note 13)	–	–	–	–	–	–	(191,868,805)	(191,868,805)
	1,568,018,151	350,669,903	(175,334,940)	1,624,012	(303,238)	(154,460,360)	1,428,686,863	3,018,900,391
Net income	–	–	–	–	–	–	374,653,168	374,653,168
Other comprehensive loss	–	–	–	–	315,220	(72,793,349)	(12,061,046)	(84,539,175)
Total comprehensive income	–	–	–	–	315,220	(72,793,349)	362,592,122	290,113,993
Balances at December 31, 2014	₱1,568,018,151	₱350,669,903	(₱175,334,940)	₱1,624,012	₱11,982	(₱227,253,709)	₱1,791,278,985	₱3,309,014,384

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱452,754,569**	₱358,054,060	₱323,745,903
Adjustments for:			
Depletion and depreciationexpense (Note 7)	**156,090,383**	20,468,910	7,417,271
Interest income (Notes 4, 11, 15 and 18)	**(38,026,457)**	(39,736,512)	(46,619,431)
Equity in net earnings of associates (Note 8)	**(13,980,694)**	(12,519,751)	(16,664,190)
Net unrealized foreign exchange losses (gains) - net (Notes 4, 5 and 11)	**(9,204,442)**	(22,740,772)	35,614,421
Retirement benefit expense (Note 18)	**6,022,398**	5,284,650	5,675,300
Dividend income (Note 9)	**(2,850,000)**	(4,750,000)	(5,450)
Amortization of other deferred charges	**1,336,013**	1,336,013	1,336,013
Gain on sale of fully depreciated property and equipment	**(10,000)**	–	–
Interest expense	–	412,500	–
Loss on sale of AFS financial assets (Note 9)	–	–	1,535,283
Net operating income before working capital changes	**552,131,770**	305,809,098	312,035,120
Decrease (increase) in:			
Receivables	**39,311,818**	5,583,226	(53,788,444)
Crude oil inventory	**45,039,757**	(90,748,066)	(26,126,684)
Other current assets	**887,645**	(2,222,218)	(6,082)
Increase (decrease) in accounts payable and accrued liabilities	**(16,776,929)**	4,099,413	(16,218,227)
Net cash generated from operations	**620,594,061**	222,521,453	215,895,683
Income taxes paid including creditable taxes applied	**(43,862,021)**	(41,445,804)	(37,833,272)
Interest received	**19,356,703**	23,432,663	38,637,655
Contributions to retirement fund (Note 18)	**(15,000,000)**	–	(10,000,000)
Dividends received	**6,850,000**	8,750,000	4,798,166
Interest paid	–	(412,500)	–
Net cash flows from operating activities	**587,938,743**	212,845,812	211,498,232
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to:			
Deferred oilexploration costs	**(54,595,319)**	(15,830,180)	(23,985,027)
Investment in bonds	–	–	(81,237,950)
Other noncurrent assets	–	(10,000,000)	–
Acquisitions of property and equipment (Notes 7 and 23)	**(26,358,302)**	(533,244,314)	(133,548,819)
Proceeds from sale of AFS financial assets	–	–	610,000
Net cash flows used in investing activities	**(₱80,953,621)**	(₱559,074,494)	(₱238,161,796)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments of dividends	**(₱184,474,076)**	(₱185,080,592)	(₱184,424,086)
Proceeds from:			
Collection of subscriptions receivable	**7,224**	1,214,292	959,083
Collection of related party advances	–	5,000,000	73,212,800
Advances to related parties	–	(10,000,000)	(110,000,000)
Net cash flows used in financing activities	**(184,466,852)**	(188,866,300)	(220,252,203)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**5,126,600**	16,121,015	(35,614,421)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**327,644,870**	(518,973,967)	(282,530,188)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**93,984,475**	612,958,442	895,488,630
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱421,629,345**	₱93,984,475	₱612,958,442

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorizationfor Issue of Financial Statements

Corporate Information
The Philodrill Corporation (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 26, 1969. The Parent Company and Phoenix Gas and Oil Exploration Co., Inc. (PGO, a wholly owned subsidiary, incorporated in the Philippines and has not yet started commercial operations), collectively referred to as "the Group", are primarily engaged inoilexploration and/or production. The Parent Company is alsoan investment holding company with investments in financial services and mining.

The registered business address of the Group is 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

The Parent Company's shares are listed and are currently traded at the Philippine Stock Exchange (PSE).

Acquisition of PGO
On May 2, 2007, the Parent Company acquired 100% of the shares of PGO, an entity which has participating interests in various oil properties in the Philippines and has not yet started commercial operations as at March 18, 2015.

The identifiable assets of PGO as at acquisition date are wells, platforms and other facilities and deferred oil exploration costs with carrying values of₱21.2 million and ₱10.7 million, respectively. PGO has no liabilities at acquisition date. Since there were no fair values available for the acquired assets, the Parent Company assumed that the carrying values were the assets' fair values and carried the same in its consolidated financial statements. The purchase price for the net assets acquired was ₱32.6 million,resulting to a goodwill of ₱0.7 million. The Parent Company immediately impaired this goodwill at the acquisition date.

The Parent Company, which is operating in only one business segment, has two associates engaged in financial services. The Parent Company and its associates have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding these associates as at and for the years ended December 31, 2014 and 2013is presented in Note 8.

The Group has a portfolio of oil exploration projects in the Philippines. The Group's ability to realize their deferred oilexploration costs (see Note 10) depends on the success of their exploration and future development work in proving the viability of their oil properties to produce oil in commercial quantities, which cannot be determined at this time.

The consolidated financial statements do not include any adjustment that might result from these uncertainties. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

Authorization for Issue of Financial Statements
The accompanying consolidated financial statements of the Group as atDecember 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on March 18, 2015.

2. **Basis of Preparation, Basis of Consolidation, Statement of Compliance, Changes in Accounting Policies and Disclosures, Summary of Significant Accounting Policies and Financial Reporting Practices**

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for crude oil inventory which is valued at net realizable value (NRV)and quoted AFSfinancial assets which are measured atfair value. The consolidated financial statements are presented in Philippine Peso,which is the Parent Company and its subsidiary'sfunctionaland presentation currency, rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions.
The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved when the Parent 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. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group.When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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 Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equ ity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Statement of Compliance
The consolidated financial statements of the Grouphave been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policiesand Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective on January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and also clarify the application of PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The Group continues to present financial assets and financial liabilities at gross since the management has assessed that offsetting arrangements are not automatic.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*(Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair ValueMeasurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for

which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. These amendments have no impact on the consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The Group has no derivatives during the current period but will be considered for future hedging transactions.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not apply discounting on its short-term receivables and payables as the impact is immaterial.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financialstatements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective Date to be Determined

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in

PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities havebeen carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group since it has no agreements for the construction of real estate.

The following new Standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the

period in which the service is rendered, instead of allocating the contributions to the periods of service. The Group has no contributions from employees or third parties to defined benefit plans. Thus, these amendments had no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a) A performance condition must contain a service condition
  b) A performance target must be met while the counterparty is rendering service
  c) A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Company
  d) A performance condition may be a market or non-market condition
  e) If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The amendments affect disclosure only and have no impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  a) An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosure only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying

amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is expected to have no impact on the Group's future financial position or performance since the Group does not use the method in accounting for its property and equipment items and has no intangible assets for revaluation.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a) Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b) This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment is not expected to have any impact to the Group's future financial statements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).The amendment is expected not to have any impact to the Group's future financial statements.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not

constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. These amendments will not have any impact on the Group's financial statements.

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

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's future financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of

PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. These amendments will not have any impact on the Group's financial statements.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be providedfor any period beginning before the annual period in which the entity first applies the amendments.The Group expects that this interpretation will not have any impact on its financial statements.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the Group's financial statements since it is not preparing condensed interim financial statements

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  These amendments will not have any impact on the Group's financial statements.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any impact on the Group's financial statements since it is not preparing interim financial statements.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments- Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The Group shall consider the effects of this amendment in its future hedging transactions.

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

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

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The Group does not expect any significant impact in the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Financial Instruments Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

InitialRecognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in the case of a financial asset) or received (in the case of a financial liability). Except for those designated at FVPL, the initial measurement of financial instruments includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables and derivatives designated as hedging instruments in an effective hedge, as appropriate.
The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2014 and 2013, the Group has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

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

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as FVPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities as at December 31, 2014 and 2013 are in the nature of loans and borrowings. The Group has no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Fair Value Measurement
The Group measures financial instruments, such as, derivatives, and nonfinancial assets such as investment properties, at fair value at each financial reporting date.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

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

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as "Net unrealized loss on decline in value of AFS financial assets".

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2014 and 2013, the Group classifies its investments in shares of stocks as AFS financial assets (see Note 20).

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, loans and receivables are subsequently carried at amortized cost using the EIR method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if their maturity falls within twelve months from reporting date or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

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

As at December 31, 2014 and 2013, the Group's loans and receivables consist of cash and cash equivalents, receivables, investment in bonds and advances to related parties (see Note 20).

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVPL upon the inception of the liability.

After initial recognition, these liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2014 and 2013, the Group classifies its accounts payable and accrued liabilities and dividends payable as loans and borrowings (see Note 20).

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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, or to realize the asset and settle the liability simultaneously.

<u>Impairment of Financial Assets</u>
The Group assesses at each end of the reporting period whether 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 contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. Objective impairment evidence may constitute the increased probability of insolvency, or significant financial difficulties, of the debtor. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets
For AFS financial assets, the Group assesses at end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI, is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through theconsolidated statement of comprehensive income.

If there is objective evidence of impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability are discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Interest in Jointly Controlled 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, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly

- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Crude Oil Inventory
Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory based on Platt's Dubai monthly average of the mid-day crude oil prices for the reporting month and is adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.).

Investments in Associates
Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in OCI is recognized in consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property and Equipment
Property and equipment are stated at cost less accumulated depletion and depreciation, and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection, and the estimated useful lives of the related property and equipment.

Wells, platforms and other facilities are depleted on a field basis under the unit-of-production (UOP) method based upon estimates of proved developed reservesexcept in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

Depreciation of property and equipment, other than wells, platforms and other facilities, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Office condominium units and improvements	20
Transportation equipment	5
Office furniture, fixtures and equipment	3-5

Depletion and depreciationof an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depletion and depreciationceases when an item of property and equipment is fully depreciated, depleted or amortized or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and related accumulated depletion, and depreciation, and any allowance for impairment are removed from the accounts and any gain or loss resulting from their disposals is recognized in consolidated statement of income.

The asset's reserves, useful lives and depletion and depreciation methods are reviewed periodically to ensure that the periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Deferred OilExploration Costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred oilexploration costs" account. The Group's deferred oilexploration costs are specifically identified of each Service Contract (SC) area. All oilexploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement ofincome when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil exploration asset is written off through the consolidated statement of income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oilexploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oilexploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil exploration costs relating to the SC, where oil in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to "Wells, platforms and other facilities" account shown under the "Property and equipment" account in the consolidated statement of financial position.

Deferred oilexploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value fromthe discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred oilexploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Farm-ins and Farm-outs

The Group does not record any expenditure made by the farminee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any cost previously capitalized in relation to the whole interest. Any cash consideration received directly from the farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Impairment of Nonfinancial Assets

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in paid-in capital from sale of treasury shares.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

Dividends on Capital Stock

Dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Petroleum Revenue

Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of productionbased on the Group's participating interest. Revenue is measured at the fair value of consideration received, excluding discounts, and other sales tax or duty based on the Group's participating interest.

Interest Income

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Costs and Expenses
Costs and expenses are recognized in consolidated statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income in the year in which they are incurred.

Share in Costs and Operating Expenses
Share in costs and operating expenses include production costs of SC-14 and transportation costs per lifting and ending inventory which is recognized upon the allocation of the amounts mentioned by the SC. Allocation is done by the use of the Group's participating interest in the SC.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Share-Based Payment
Certain employees (including directors) of the Parent Company receive remuneration in the form of share appreciation right (SAR). This entitles the employees to receive cash which is equal to the excess of the market value of the Company's shares over the award price as of a given date.

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 12.

Retirement Benefit
The Group has a funded, non-contributory defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefit expense" under personnel costs in the consolidated statement ofincome. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest income" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements are recognized in "Retained earnings"after the initial adoption of the Revised PAS 19.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

<u>Leases</u>

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight line basis over the lease term.

Earnings per Share (EPS)
Basic EPS is computed by dividing earnings applicable to common stock by the weighted averagenumber of common shares outstanding, after giving retroactive effect for any stock dividends,stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of commonshares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided using theliability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and

- in respect of taxable temporary difference associated with investments in foreign subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will no reverse in a foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable income 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:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in foreign subsidiaries 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 income will be available against which the temporary differences can be utilitzed.

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

In respect of deductible temporary differences associated with investment in associates, 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 and liabilities are measured at the tax rates that are expected to apply to the period 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 end of the reporting period.

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 income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

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

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable closing functional currency exchange rate at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the consolidated statement of income. Nonmonetary 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 transaction. Nonmonetary 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 transaction of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item

Segment Reporting
Currently, the Group has only one business segment. The Group is primarily involved in oil exploration and production. Revenue generated consists mainly of revenue from petroleum operations. Other income is derived from equity in net earnings of associates. The Group has no geographical segments.

Events After the End of the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of the reporting period (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 to the consolidated financial statements.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the year. The judgments, estimates and assumptions used in the preparation of the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects will be reflected in the consolidated financial statements as they become reasonably determined.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the parent company and its subsidiary has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

Classifying Financial Instruments
The Group classifies financial instruments, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group has investment in bonds. These were purchased not for the purpose of selling and repurchasing in the near term. The Group has classified these instruments under loans and receivables and does not intend to dispose the investments within twelve (12) months from the reporting date.

The Group also has various investments in equity instruments. These assets were purchased not for the purpose of selling and repurchasing in the near term. These are held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. Accordingly, the Group has classified these instruments as AFS financial assets. The Group does not intend to dispose the investments within twelve months from the end of the reporting period.

The classification of financial assets and financial liabilities of the Group are presented in Note 20.

Determining and Classifying a Joint Arrangement
The Group determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form.

The Group is a member in various jointly controlled operations in oil drilling. These jointly controlled operations are entered into with the Philippine Government though SCs and GSECs. Significant influence in each SCs is held by the lead operator. The determination of control of the Group in each SCsis presented in Note 10.

Determining and Classifying Investments in Associates
The Group has investments in associates. These have been shares purchased not for the purpose of trading. The Group considers that it has a significant influence in the associates as the Group is represented in the governance of the associates.

Operating Lease - Group as Lessee
The Group has entered into leases on storage locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertaintyat the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed below:

Estimating Impairment of Receivables
The Group assesses on a regular basis if there is objective evidence of impairment of receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original EIR. The Group uses individual impairment assessment on its receivables. The Group did not assess its receivables for collective impairment due to the few counterparties which can be specifically identified and which can no longer be grouped according to similar credit risk characteristics.

The amount of impairment loss is recognized in the consolidated statement of comprehensive income with a corresponding reduction in the carrying value of the receivables through an allowance account.

Total carrying value of receivables amounted to ₱439.8million and ₱459.9 million as at December 31, 2014 and 2013, respectively. There were no allowance for impairment on these receivables as at December 31, 2014 and 2013 (see Note 5).

Estimating NRV of Crude Oil Inventory
The NRV of crude oil inventory is based on the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. Based on these estimates, an inventory write-down is recognized for any excess of carrying value over the NRV of the inventory. The carrying value of crude oil inventory amounted to ₱71.8 million and ₱116.9 million as at December 31, 2014 and 2013, respectively (see Note 6). No allowance for impairment losses on inventory is recognized in 2014 and 2013.

Estimating Impairment on AFS Financial Assets
The Group treats quoted AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others.
In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments.

For unquoted shares, management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries unquoted AFS financial assets at cost, less any impairment in value.

The fair values of quoted AFS financial assets amounted to ₱281.7 million and ₱354.5 million as at December 31, 2014 and 2013, respectively (see Note 9).

Estimating Proved Oil Reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil properties.The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified
persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the

Production-Sharing Agreements.Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

For the period ended December 31, 2014 there has been no significant change in estimated recoverable reserves for Nido, Matinloc and North Matinloc. For Galoc, the latest report in the 2014 reserves audit indicate estimated remaining recoverable reserves of Proved Developed (1P) reserves of 8.38 million barrels (MMbls), while Proved and Probable Developed (2P) reserves is now quoted at 10.70MMbls, as at December 31, 2014.

Estimating Residual Value and Useful Lives of Property and Equipment
The Group estimates the residual value and useful lives of property and equipment, except wells, platforms and other facilities based on the period over which assets are expected to be available for use. The estimated residual value and useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the residual value and useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above.

No changes in the residual and useful lives of property and equipment were made in 2014 and 2013.

As at December 31, 2014 and 2013, the net book values of property and equipment, except wells, platforms and other facilities, amounted to ₱12.8 million and ₱15.3 million, respectively (see Note 7).

Estimating Depletion Based on UOP
Wells, platforms and other facilities are depleted using the UOP method over the total proved and probable developed reserves. This results in amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasted production based on total proved and probable reserves, or future capital expenditure estimate changes. Changes to proved and probable reserves could arise due to changes in the assumptions used in estimating the reserves. Changes are accounted for prospectively.

As at December 31, 2014 and 2013, the carrying values of well, platforms and other facilities amounted to ₱784.2 million and ₱911.4 million, respectively. In 2014, 2013 and 2012, depletion expense incurred by the Group amounted to ₱152.8 million,₱17.0 million and ₱3.8 million,respectively (see Note 7).

Estimating Impairment of Nonfinancial Assets
Crude oil inventory, property and equipment, investments in associates and other current and noncurrent assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In 2014, 2013 and 2012, the Group has not recognized impairment losses on its crude oil inventory, property and equipment, investment in associates, nonfinancial, other current and noncurrent assets.

The carrying amount of crude oil inventory, which is equal to its NRV, amounted to ₱71.8 million and ₱116.9 million as at December 31, 2014 and 2013, respectively (see Note 6).

The aggregate net book values of property and equipment amounted to ₱797.0 million and ₱926.7 million as at December 31, 2014 and 2013, respectively (see Note 7).

Acquisition cost of investment in associates amounted to ₱188.6 million as at December 31, 2014 and 2013. The carrying value of these investments in associates amounted to ₱289.1 million and ₱278.8 million as at December 31, 2014 and 2013, respectively (see Note 8).

The carrying amount of other nonfinancial assets, which include advances to officers and employees, other current assets and other noncurrent assets, amounted to₱16.1 million and ₱18.7 million as at December 31, 2014 and 2013, respectively.

Estimating Impairment and Write-off of Deferred OilExploration Costs
The Group assesses impairment on deferred oilexploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred oilexploration costs need not be assessed for impairment. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;

- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed in full from successful development or by sale.

As at December 31, 2014 and 2013, the carrying value of deferred oilexploration costs amounted to ₱949.7 million and ₱895.1 million, respectively. There was no allowance for unrecoverable deferred oilexploration costs as at December 31, 2014 and 2013. No impairment losses were recognized in 2014, 2013 and 2012(see Note 10).

Estimating Provision for Rehabilitation and Decommissioning Costs
Significant estimates and assumptions are made in determining the provision for rehabilitation and decommissioning costs. Factors affecting the ultimate amount of liability include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. Plug and abandonment costs are based on estimates made by the SC operation. As at December 31, 2014 using the offshore supply vessel MEO Glory, the contractor enhanced drilling solution carried out the final plugging and abandonment (P&A) of the Libro, Pandan and Tara South wells (see Note 24).

Estimating Retirement BenefitExpense
The cost of defined benefit retirement plans and other benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, investment yield and future salary increases, among others.

While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement obligations. The Group recognized retirement benefit expense amounting to ₱3.2 million, ₱2.4 million and₱3.4 million in 2014, 2013 and 2012, respectively, and related retirement benefitliability amounted to ₱12.7 million and ₱7.3 million as at December 31, 2014 and 2013, respectively (see Note 18).

Estimating Realizability of Deferred Income Tax Assets
The Group reviews the carrying amount of deferred income tax assets at each end of the reporting period and is adjusted accordingly to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group has recognized deferred income tax assets amounting to ₱21.4million and ₱24.4 million as at December 31, 2014 and 2013, respectively (see Note 19).

Estimating Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events (see Note 25).

Determining Fair Value of Financial Instruments
The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate, volatility rates). However,

the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and financial liabilities would affect the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity.

The carrying values of financial assets and financial liabilities as at December 31, 2014 and 2013 approximates its fair value (see Note 20).

4. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	**₱23,137,881**	₱9,876,757
Short-term investments	**398,491,464**	84,107,718
	₱421,629,345	₱93,984,475

Cash in banks earn interest atprevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term investment rates.

Interest earned from cash in banks and short-term investments in 2014, 2013 and 2012amounted to ₱5.6 million,₱10.0 million and₱17.2 million, respectively.

As at December 31, 2014 and 2013, the Group has US$7.8 million and US$0.6 million, respectively, in foreign-currency denominated cash and cash equivalents (see Note 21).

In 2014, 2013 and 2012, foreign exchange gains (losses)attributable to foreign-currency denominated cash and cash equivalents amounted to₱5.6 million,₱16.1million and (₱35.6 million), respectively.

5. Receivables

This account consists of:

	2014	2013
Advances to related parties (Note 15)	**₱229,045,602**	₱228,941,602
Accounts with contract operators (Note 6)	**144,110,759**	181,310,563
Accrued interest (Notes 11 and 15)	**61,257,894**	45,439,963
Advances to officers and employees	**2,168,596**	2,545,333
Others	**3,266,245**	1,660,854
	₱439,849,096	₱459,898,315

The receivables are generally collectible on demand. These are also non-interest bearing except for advances to related parties (see Note 15).

Accounts with contract operators represent the excess of proceeds from crude oil liftings over the amounts advanced by contract operators for the Parent Company's share in exploration, development and production expenditures relating to SC-14.

Accrued interest is earned from advances to related partiesand investmentin bonds.

Advances to officers and employeespertain to cash advances for the operations of the Group subject to liquidation.

As at December 31, 2014 and 2013, intercompany receivable eliminated during consolidation amounted to ₱1.3 million and ₱0.9 million, respectively (see Note 12). This pertains to non-interest bearing advances made by the Parent Company to its wholly owned subsidiary.

No impaired receivables were identified as at December 31, 2014 and 2013.

As at December 31, 2014 and 2013, the Group has US$2.2 million and US$3.4 million, respectively, in foreign-currency denominated receivables (see Note 21).

In 2014, 2013 and 2012, foreign exchange gainsattributable to foreign-currency denominated receivables amounted to₱3.4 million,₱1.3 million and₱5.5 million, respectively.

6. Interest in Jointly Controlled Operations

The Group's interest in the jointly controlled operations in the various SCs, and any assets and liabilities incurred jointly with the other partners, as well as the related revenuesand expenses of the joint operation, which are included in the consolidated financial statements, are as follows:

	2014	2013
Current assets:		
Receivables (Note 5)		
Accounts with contract operators	**₱144,110,759**	₱181,310,563
Crude oil inventory	**71,834,993**	116,874,750
	215,945,752	298,185,313
Noncurrent assets:		
Property and equipment (Note 7):		
Wells, platforms and other facilities	**1,297,361,339**	1,271,761,659
Accumulated depletion	**(513,134,350)**	(360,341,593)
	784,226,989	911,420,066
Deferred oilexploration costs (Note 10)	**949,737,578**	895,142,259
	1,733,964,567	1,806,562,325
	₱1,949,910,319	₱2,104,747,638

	2014	2013	2012
Revenue:			
Share in petroleum revenue	**₱969,301,658**	₱725,540,735	₱714,242,193
Other income:			
Foreign exchange gains - net	**3,305,017**	1,327,734	5,471,133
	972,606,675	726,868,469	719,713,326
Cost of petroleum operations:			
Share in costs and operating expenses (Note 16)	**352,331,203**	343,215,956	308,879,442
Depletion (Note 7)	**152,792,757**	16,955,261	3,834,625
	505,123,960	360,171,217	312,714,067
	₱467,482,715	₱366,697,252	₱406,999,259

7. Property and Equipment

This account consists of:

December 31, 2014	Wells, Platforms and Other Facilities: SC-14 Block D, ,Tara, West Linapacan, Verdeand Deepwater	Wells, Platforms and Other Facilities: SC-14 Block A,B, B - 1, C - 1 and C - 2	Wells, Platforms and Other Facilities: Subtotal	OfficeCondominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:							
Beginning of year	₱250,025,536	₱1,021,736,123	₱1,271,761,659	₱17,934,624	₱12,217,400	₱7,231,364	₱1,309,145,047
Additions	1,879,898	23,719,782	25,599,680	–	66,800	691,822	26,358,302
Retirement	–	–	–	–	(69,300)	(149,950)	(219,250)
End of year	251,905,434	1,045,455,905	1,297,361,339	17,934,624	12,214,900	7,773,236	1,335,284,099
Accumulated depletion and depreciation:							
Beginning of year	12,285,641	348,055,952	360,341,593	9,612,011	5,920,160	6,550,061	382,423,825
Depletion and depreciation (Notes 6 and 17)	–	152,792,757	152,792,757	495,744	2,272,387	529,495	156,090,383
Retirement	–	–	–	–	(69,300)	(149,950)	(219,250)
End of year	12,285,641	500,848,709	513,134,350	10,107,755	8,123,247	6,929,606	538,294,958
Net book values	₱239,619,793	₱544,607,196	₱784,226,989	₱7,826,869	₱4,091,653	₱843,630	₱796,989,141

December 31, 2013	Wells, Platforms and Other Facilities: SC-14 Block D, , Tara, West Linapacan, Verdeand Deepwater	Wells, Platforms and Other Facilities: SC-14 Block A, B, B - 1, C - 1 and C - 2	Wells, Platforms and Other Facilities: Subtotal	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:							
Beginning of year	₱250,323,884	₱493,280,788	₱743,604,672	₱17,270,866	₱12,217,400	₱7,032,846	₱780,125,784
Additions	3,926,703	528,455,335	532,382,038	663,758	–	198,518	533,244,314
Reclassifications (Note 10 and 23)	(4,225,051)	–	(4,225,051)	–	–	–	(4,225,051)
End of year	250,025,536	1,021,736,123	1,271,761,659	17,934,624	12,217,400	7,231,364	1,309,145,047
Accumulated depletion and depreciation:							
Beginning of year	12,285,641	331,100,691	343,386,332	9,130,095	3,650,000	5,788,488	361,954,915
Depletion and depreciation(Notes 6 and 17)	–	16,955,261	16,955,261	481,916	2,270,160	761,573	20,468,910
End of year	12,285,641	348,055,952	360,341,593	9,612,011	5,920,160	6,550,061	382,423,825
Net book values	₱237,739,895	₱673,680,171	₱911,420,066	₱8,322,613	₱6,297,240	₱681,303	₱926,721,222

Depletion rates used in 2014 are ₱115.8 per barrel and ₱723.8 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively. Depletion rates used in 2013 are ₱115.8 per barrel and 133.4 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively. Depletion rates used in 2012 are ₱115.8 per barrel and ₱32.1 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively.

The depletion expense recognized amounted to ₱152.8 million, ₱17.0 million and₱3.8 millionin 2014, 2013 and 2012, respectively, while total depreciationexpense related to general and administrative expenses amounted to ₱3.3 million, ₱3.5 million and₱3.6 millionin 2014, 2013 and 2012, respectively (see Notes 6 and 17).

As at December 31, 2014 and 2013, the Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost of ₱14.2 million and ₱13.4 million, respectively.

8. Investments in Associates

The Parent Company's associates are PentaCapital Investment Corporation (PCIC) and PentaCapital Holdings, Inc. (PCHI), companies incorporated in the Philippines, where the Parent Company holds 40.00% and 13.21% ownership interest, respectively. PCIC alsohas 29.54% ownership interest in PCHI, making the Parent Company's effective ownership in PCHI at 25.03%.

The details of investments in associates carried under the equity method follow:

	2014	2013
Acquisition costs	**₱188,648,939**	₱188,648,939
Accumulated equity in net earnings:		
Beginning of year	**90,156,154**	81,832,727
Movement on share in net earnings for the year	**13,980,694**	12,519,751
Share in OCI of an associate	**320,355**	(196,324)
Dividends	**(4,000,000)**	(4,000,000)
End of year	**100,457,203**	90,156,154
	₱289,106,142	₱278,805,093

Following are the summarized financial information of PCIC and PCHIas at and for the years ended December 31, 2014 and 2013 (in thousands):

	2014		2013	
	PCIC	**PCHI**	PCIC	PCHI
Total current assets	**₱641,975**	**₱98,129**	₱458,774	₱81,187
Total noncurrent assets	**267,214**	**382,767**	265,121	404,485
Total current liabilities	**246,652**	**5,776**	104,513	7,266
Total noncurrent liabilities	**16,503**	**17,707**	14,620	26,782
Revenue	**146,316**	**132,743**	111,197	67,687
Costs and expenses	**95,846**	**117,900**	85,958	57,826
Total comprehensive income	**51,271**	**17,868**	27,755	11,743

The financial statements of the associates are prepared under the same reporting year as the Parent Company.

9. AFS Financial Assets

AFS financial assets represent equity instruments on investments in quoted shares carried at fair market value as at the end of the reporting period. The quoted shares of stock are traded in the PSE while the quoted golf club shares are traded by the GG&A Club Shares Brokers, Inc.

As at December 31, 2014 and 2013, the Group holds quoted shares amounting to₱281.7 million and ₱354.5 million, respectively.

In2012, the Group sold certain quoted and unquotedAFS financial assets and recognized a loss on sale of AFS financial assetsamounting to ₱1.5 million.

In 2014, 2013 and 2012, dividend income attributable to AFS amounted to₱2.9 million, ₱4.8 million and₱0.005 million, respectively.

The following table illustrates the movement of the "Net unrealized loss on decline in value of AFS financial assets" account in the equity section of the consolidated statements of financial position:

	2014	2013
Beginning of year	**₱154,460,360**	₱21,845,809
Changes in fair value of AFS financial assets during the year, net of tax	**72,793,349**	132,614,551
End of year	**₱227,253,709**	₱154,460,360

10. Deferred OilExploration Costs

The full recovery of deferred oilexploration costs incurred in connection with the Group's participation in the acquisition and exploration of petroleum concessions is dependent upon the discovery of oilin commercial quantities from the respective petroleum concessions and the success of future development thereof.

The following table illustrates the movements in the deferred oilexploration costs account:

	2014	2013
Beginning of year	**₱895,142,259**	₱879,312,079
Additions	**54,595,319**	15,830,180
End of year	**₱949,737,578**	₱895,142,259

Under the SCs entered into with the Department of Energy(DOE) covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as Contractors) are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.

However, if the Contractors fail to comply with their work obligations, they shall pay the government the amount they should have spent in direct proportion to their work obligations. The Contractors have Operating Agreements among themselves which govern their rights and obligations under these contracts.

The Contractors entered into several SCs with the Philippine Government, through the DOE, for the exploration, development and exploitation of the contract areas situated mostly in offshore Palawan where oil discoveries were made. The Group's present petroleum revenues and production costs and related expenses are from certain areas of SC-14, particularly Nido, Matinloc, North Matinloc and Galoc.

The aforementioned SCs provide for certain minimum work expenditure obligations and the drilling of a specified number of wells and are covered by operating agreements which set forth the participating interests, rights and obligations of the Contractor. The Group's share in the jointly controlled assets of the aforementioned SCs is included principally under the "Receivables," "Crude oil inventory,""Property and equipment" and "Deferred oilexploration costs" accounts in the consolidated statements of financial position.

The Parent Company's participating interests (in percentage) in the different SCs as at December 31, 2014 and 2013 are as follows:

Area	Participating Interest (in percentage) 2014	2013
SC-6 (Northwest Palawan):		
Block A (Octon)	**51.65000[1]**	15.49500
Block B (Bonita)	**21.87500**	21.87500
SC-14 (Northwest Palawan):		
Block A (Nido)	**26.10600**	26.10600
Block B (Matinloc)	**41.60800**	41.60800
Block B-1 (North Matinloc)	**33.11100**	33.11100
Block C-1 (Galoc)	**7.21495**	7.21495
Block C-2 (West Linapacan)	**7.01750**	7.01750
Block D (Retention Block)	**33.75100**	33.75100
Tara Block	**27.50000**	27.50000
SC-53 (Onshore Mindoro)	**22.00000**	22.00000
SC-74 (Linapacan)	**30.00000[2]**	30.00000[2]
PECR4 Area 15 (Sulu Sea)	–[3]	–[3]
SWAN Block (Northwest Palawan)	**32.97500[4]**	32.97500[4]

[1] Including Pitkin's participating interest transferred to the Company, Subject to DOE's approval

[2] Subject to Philippine National Oil Company Exploration Corporation (PNOC-EC) 5% option

[3] Exclusion of the area offer under PECR5 as contemplated regions is covered by Bangsamaro Basic Law

[4] Ongoing negotiations with PNOC-EC

Assignment of PGO's participating interest to the Parent Company
On August 14, 2007, PGO assigned its participating interest, except participating interest in SC-6 Block B and SC-14 Tara Block, to the Parent Company by executing a Deed of Assignment and Assumption.

The details of the assigned participating interest (in percentage) are as follows:

Area	ParticipatingInterest (inpercentage)	Carried Interest (in percentage)
SC-6 Block A (Octon)	1.10000	2.50000
SC-14:		
Block B-1 (North Matinloc)	15.26100	–
Block C-1 (Galoc)	0.62050	–
Block C-2 (West Linapacan)	2.48200	–

The remaining participating interests not yet assigned by PGO to the Parent Company are as follows:

Area	Participating Interest (in percentage)
SC-6 Block B (Bonita)	28.12500
SC-14 Tara Block	22.50000

Assignment of Vulcan Industrial and Mining Corporation's (VIMC) participating interest to the Parent Company

On May 23, 2011, VIMC assigned its participating interest in SC-6 Block A and SC-14 Tara Block to the Parent Company by executing a Deed of Assignment and Assumption in exchange for the Parent Company's receivable from VIMC and cash. This was approved by the DOE on October 17, 2011.

The details of the assigned participating interest (in percentage) are as follows:

Area	Participating Interest (in percentage)
SC-6 Block A (Octon)	7.2200
SC-14 Tara Block	5.0000

SC-6 BLOCK A

In a June 2009 letter, the DOE approved the extension of the production term of the Octon Block.The 15-year extension shall be for a series of three five-year terms, subject to compliance withcertain conditions such as yearly submission of work program and budget, and payment oftechnical assistance and training fund to the DOE. The term extension is reckoned from March 1, 2009.

In April 2011, the Parent Company negotiated with potential farminee Pitkin Petroleum Plc(Pitkin) which offered to do a 3-phased work involving new seismic data acquisition and blockevaluation for the initial phase and drilling of well/s during the subsequent phases contingent onthe results from the previous phases. The negotiations progressed and culminated with the signingof the farm-in agreement on July 11, 2011. The DOE approved on December 6, 2011 the transferof 70% interest of the Parent Company and its partners to Pitkin which was appointed as the newoperator. The DOE likewise approved the Parent Company's request to replace an earliersubmitted work program with Pitkin's new 3D data acquisition.

In early 2012, Pitkin contracted RPS Energy for the parameters design and tendering of the 500 sq km 3D seismic program over the northern part of the block to further evaluate a number of prospects and leads that they have previously identified. Prominent in the interpreted data are three (3) defining fault blocks that host 3 potential horizons of interest, namely the Galoc Clastic Unit, the Nido Limestone and the underlying Malajon Conglomeratic Unit. Several prospects and leads have been identified in these zones, the resource volumes of which are yet to be firmed up with the planned additional 3D seismic data.

For the most part of 2013, Pitkin waited to getendorsement/approval from the Provincial Government Board (PGB) of Palawan and the Palawan Council for Sustainable Development (PCSD) for their programmed 3D seismic survey. PGB and PCSD clearances for the 3D seismic program were finally received in early September 2013.Pitkin commissioned geophysical contractor Seabird Exploration to complete bathymetric survey of the survey area in the same month. Four companies have submitted tenders for the processing of the newly acquired 3D and 2D seismic data. Of these, the Vietnam-based Fairfield Limited was selected being the lowest bidder. Processing commenced on November 22, 2013 at Fairfield's Ho Chi Minh Processing Center and was completed on April 2014. Results indicate a significant improvement on the quality of data as against the 1997 TQ3D data set. Provisional processed results were delivered to and reviewed by Pitkin in June 2014 and the final data sets were delivered in September 2014.

Immediately, Pitkin commenced the interpretation of the new data set which they also tied with the interpretation of the old 1997 TQ3D data volume. Mapping was continued towards the northern portion of the block where a number of interesting prospects are located.

Parallel to the seismic mapping, Pitkin also carried out other geological and geophysical (G&G) programs on the block, including petrophysical, biostratigraphic and geochemical analysis of select wells within the block. A field work program that investigated formation outcrops in onshore Northern Palawan was likewise initiated during the year.

During a partners meeting in August 2014, Pitkin announced their decision to withdraw from their farmin agreement and consequently from the SC 6A consortium and the Service Contract by the end of December 2014. Pitkin cited as reason their company strategy to focus resources on their other projects. With Pitkin's decision to withdraw, The Parent Company regained majority ownership and the operatorship of the block by year-end.

SC-6 BLOCK B
During 2nd quarter of 2007, VenturOil Philippines, Inc. (VenturOil), in partnership with the Australia-based Blade Petroleum Philippines, Inc. (Blade), extended the coverage of their technical review of the Northwest Palawan acreages to include the Bonita Block. The Parent Company, as operator of the block, started providing them with technical data on the block under the cover of a Confidentiality Agreement.

Similar to the SC-6A Octon Block, the Parent Company had a series of negotiations with the DOE for the extension of the production term of SC-6B - Bonita Block contract which expired on February 28, 2009. In support of the request, the Parent Company submitted VenturOil's proposed work program as the Bonita Consortium's commitment. In June 2009, the DOE granted the extension of the production term of the contract on similar terms and conditions as that of the SC-6A extension and likewise reckoned from March 1, 2009.

On September 10, 2010, the Parent Company received from Peak Oil and Gas Philippines Ltd. (Peak Oil), Blade Petroleum and Venturoil (the Peak Group) a revised offer seeking sole and exclusive right to conduct a defined work program on the block in exchange for 70% assigned interest from farming-out partners who will be carried free up to first oil. The SC-6B Bonita Joint Venture had a series of meetings to agree and finalize the farm-in agreement.

The Bonita Consortium received a new offer from VenturOil in partnership with the Peak Group. The Peak Group offered to complete all outstanding work programs that VenturOil had earlier committed to the consortium. Thereafter, the parties negotiated and executed a farm-in agreement (FIA) and submitted the same to the DOE in February 2011.

In April 2011, the farming-in group submitted their evaluation study of the Bonita Block and on this basis, they formally exercised their option to farm-in. Negotiations were concluded and the documents effecting the transfers and assignment of interests were submitted to the DOE in December 2011, where it remained pending as at December 31, 2012.

Under the terms of the FIA between the farminees and the consortium, the parties have one (1) year to secure DOE approval. As this had already lapsed without any of the farminees qualifying as party to the contract due to their inability to comply with the DOE requirements, the Parent Company advised the farminees that they are terminating the FIA and cancelling the requested interest transfer which has been contested by Peak Oil arguing that their consent is necessary for the termination of the FIA.

In July 2013, the DOE formally gave its decision disapproving the request. It cited the farminees' continued failure to comply with the required financial documents proving their qualification as service contractors. With this development, the contract reverted to its original structure, with the Parent Company as operator.

During a partners meeting in August 2013, the original consortium members agreed on and approved a new work program and budget for the remaining months of Year 5 of the first 5-year extension of contract term. This was submitted to and approved by the DOE in September 2013. The approved work program consisted of in-house resource and economic evaluation of the East Cadlao prospect, the Elephant Prospect and the Bonita discovery, the major structures of commercial interests within the block. The in-house study was completed and the results presented to the consortium in February 2014. The study results indicated that both the East Cadlao prospects and Bonita are handicapped with low computed resource volumes, and are considered uneconomicto develop on a stand-alone basis. An upside, however, is offered by the large untested structure, the Elephant Prospect, which is now the main focus of the various studies planned under the contract's second term extension.

In April 2014, The Parent Company submitted to the DOE the consortium's proposed forward programs for the first sub-phase of the second 5-year extension of the contract term.
The submitted work program under Sub-Phase 1, which will run from March1, 2014 to February 28, 2016, include satellite gravity modelling and oil seep mapping as initial activities, followed by 3D seismic data re-processing and interpretation as the second part of the program. In May 2014, The Parent Company was able to secure DOE approval for the Sub-Phase 1 work programs which in effect also approved entry into the second 5-year term extension of the contract.

As at December 31, 2014, the programmed satellite gravity over the block has been completed. This program in SC 6B was part of a bigger coverage which also included 3 other offshore Palawan blocks, with Cosine International as geophysical contractor. Meanwhile,
The Parent Company continues seismic interpretation work which is now focused on the northern and eastern section of the block using scanned/vectorized data. Incorporation of the satellite gravity model into the seismic interpretation work will be undertaken once it becomes available.

SC-14
The contract areas covered by SC-14 are situated offshore northwest of Palawan Island.
Until April 2004, SC-14 was under the operatorship of Alcorn Production Philippines, Inc. (APPI). Blocks A and B and B1of SC-14 are currently in the production stage.

In July 1, 2004, the Parent Company assumed the operatorship of the SC-14 from erstwhile operator APPI. As operator, the Parent Company oversees the production operations at the Nido, Matinloc and North Matinloc fields. On December 17, 2010, DOE granted the SC-14 consortium a 15 year extension on the production term.

In the early part of 2011, Nido Petroleum commenced the re-processing of a wide band of 3D data over their SC-54A block extending to parts of SC-14A including the Nido 1X-1 discovery.
The Parent Company signed a Participation Agreement with Nido Petroleum in October 2011 on the use of their re-processed data, which was received by the Parent Company by end of 2011.
Upon receipt of the data volume, the Parent Company started an in-house re-mapping and evaluation of the Nido 1X-1 structure. The activity was completed in September 2012 and covered interpretation PSDM data, velocity analysis, depth conversion, and resource volumetrics.
Based on the available data and the methodology employed, the Nido 1X-1 structure has indicative

recoverable resource potential ranging from 0.6 million barrels of oil (mmbo) to a high of 6.5 mmbo. The nearby Nido A field which was also covered by the study, on the other hand, could contain as much as 1.08 mmbo remaining in its attic which can be an upside potential for future development.

The Nido 1X-1 structure straddles both SC14A and the Nido Petroleum-operated SC 54A. While a diver survey of the area has confirmed that the well head of Nido 1X-1 is located within SC 14A, it is imperative that any development plans for the field should also involve the SC 54A consortium. Hence, a Data Swap/Agreement was signed between the two consortia in which both agreed to exchange data and information to facilitate the technical review of the Nido 1X-1 project. The Parent Companysubsequently drafted a tender document which aimed to solicit a consolidated proposal for various engineering activities associated with drilling of an appraisal/development well on the structure. The proximity of Nido 1X-1 field, discovered by Philippines - Cities Service, Inc. in 1979, to the existing production infrastructure on the Nido "A" field, the competitive oil price at that time, and the indicated resources presently identified all help to make the Nido 1X-1 a viable development opportunity.

In 2012, the Parent Company, acting on behalf of the SC 14B Consortium, had notified the DOE of its intention to turn-over control and ownership of the idle Pandan and Libro platforms to the Philippine Government in accordance with provisions of SC 14. The Parent Company also submitted a Release and Waiver document to the DOE as the consortium has no further use of those offshore facilities.

In accordance with generally accepted offshore oilfield practices, the Consortium had to plug and abandon the existing wells serviced by these platforms. In this regard, the Parent Company contracted EDSL Consultants (EDSL) to conduct an integrity test program for the Libro and Pandan wells, as well as for the Tara South well which is under Trans-Asia's operatorship. EDSL had prepared the design and costing for the actual P&A operations which were carried out from April 19 to May 10, 2014 using the offshore supply vessel MEO Glory.

In 2013, the Parent Company undertook a formal tender process which aimed to solicit consolidated proposals for various engineering activities associated with the drilling of appraisal/development wells on the mentioned Nido carbonate reef structures, as well as a review of the existing production facilities at the Nido AP platform. In June 2013, the Malaysia-based AWT International (AWT) was selected over five other companies that submitted tender bids.

Contractor AWT and its partner IntecSea commenced work on the Nido 1X-1 project in July 2013 with an ocular investigation of the Nido AP, AW and BW platforms, as well as the Pandan and Libro facilities to assess usability of such facilities in case the Nido 1X-1 development pushes through. From the gathered field data and information provided by the Parent Company, the contractors developed well designs and drilling programs for a development well on the Nido 1X-1 and another well that will test the attic volume on the nearby producing Nido A structure. Overall, the AWT studies indicate the viability of the project by employing the simplest development strategy for the fields.

In moving forward with the Nido 1X-1 project, the Parent Company engaged the services of the third party consultant RISC Operations Pty Ltd. (RISC) of Australia for an independent reserves certification and economics evaluation of the Nido 1X-1 and Nido A attic resources. By and large, the RISC assessment results diverge significantly from the results of the Parent Company's in-house assessment works. The divergence appears to have come from some of the critical parameters employed in the RISC studies vis-à-vis the Parent Company's in-house assessment work, which has much bearing on the computed resources and impact on the development plans for the Nido 1X-1 field and the Nido A field attic.

In January 2014, the company engaged the services of expert consultant Mr. Frank Witteman for a petrophysical review of the Nido 1X-1 and the Nido A-1 attic structures, mainly to verify the discrepancies between the results obtained from 2 separate studies earlier done on the block. These two separate studies include RISC in mid-2013 and the Parent Company's in-house assessment of both Nido carbonate structures in late 2012. The results of Mr. Witteman's work indicated that both structures are full to spill as inferred from the apparent absence of both a free water table and a water transition zone within the reservoirs. This observation was further supported by the results from an independent evaluation of the drillstem test results of the Nido 1X-1 well which inferred a potential larger hydrocarbon resource volume for the Nido 1X-1 structure than previously certified.

Based on the results of the commissioned studies, The Parent Company re-engaged the services of RISC in April 2014 for another assessment of the reserves/resources of the Nido 1X-1 and Nido A attic structures to incorporate the results of the previous studies and the new insights provided by those independent evaluation works. In July 2014, RISC submitted their re-assessment work. A review of the results indicate that the RISC computed reserves are still not optimum and that further assessment, preferably by another third-party auditor, is still needed.

The Parent Company also did an in-house economic analysis for the RISC-certified resources based on three developmental scenarios, namely, stand-alone development of the Nido A Attic volume, developing Nido 1X-1 on a stand-alone basis, and developing both fields together. While the first 2 scenarios provided positive project values at certain levels, the third scenario provided the best net present values for field development. Emboldened by the fact that the Nido 1X-1 field can still be developed profitably, The Parent Company contracted a third party auditor that will provide a second opinion to the RISC audited reserves. Consultant Netherland, Sewell & Associates, Inc. will conclude their petrophysical review of the Nido 1X-1 for the first quarter of 2015.

SC-14 C1 Galoc Block
In September 2004, the Parent Company, together with other SC-14 consortium members, entered into a farm-in agreement with UK-based and Australia-based companies (collectively, the Farminees) to farm-in to the Galoc Field in Block C of SC-14. The agreement provides for, among others, the designation of the farminees as the Operator and the assignment of 58.29% participating interest, with the existing Filipino partners carried free in the development of the production area in exchange for the contribution of the working capital, technical expertise and other resources to develop the Galoc Field.

In August 2005, the Galoc Production Company (GPC) was formed as the special-purpose company to accept the assigned 58.29% participating interest and assume operatorship of the Galoc Block.

In August 2006, the consortium secured an approval from the DOE regarding theGaloc Plan of Development (POD). Additionally, the Department of Environment and Natural Resources through the Environmental Management Bureau, granted the Environmental Compliance Certificate to the Galoc Area Development, which also covers the Octon Field in SC-6A.

A new Joint Operating Agreement that will govern the SC-14 C1 Block affairs was approved and adopted by the consortium on September 12, 2006. Another important document, the Block C Agreement that defined the distribution to all parties of the revenues from the Galoc field production, was also approved and signed in 2006.

GPC entered into a Crude Agency Agreement with Vitol Asia Pte. Ltd. for the marketing of their share of the Galoc production and offered the same marketing arrangement to the other partners, including the Parent Company.

The Floating Production and Storage Offloading (FPSO) vessel "Rubicon Intrepid" arrived at the Galoc Site on May 11, 2008, but actual hook-up commenced on May 21, 2008, but had to be discontinued due to adverse weather. The Galoc Field finally commenced production on October 9, 2008, initially with the G3 well. The other well, G4, was opened on October 13, 2008 at controlled choke openings for clean-up flow.

In 2009, the 182-day extended production test (EPT) for the Galoc Field ended. The EPT was granted by the DOE in August 2006 to allow GPC to fully assess the viability of long term production from the field. The gathered data from the EPT period proved sufficient for this goal, thus the EPT was terminated on June 19, 2009 and commerciality of the field declared on June 22, 2009 with effectivity on June 19, 2009.

The Parent Company's interest in Galoc has increased from 7.01750% to 7.21495% effective June 30, 2009 following the execution of the sale by Petro Energy Resources Corp. and Alcorn Gold Resources Corporation of their respective equities in the Galoc Block.

In the 4th quarter of 2011, production in Galoc was suspended due to installation and refurbishment of the FPSO. On April 2, 2012, production from Galoc oil field has been resumed. As a result of the temporary field shut down, GPC managed to carry out only four (4) offtakes in 2012, involving about 1.40 million barrels.

Phase 2 Development

During an Operating Committee meeting (OCM)/Technical Committee meeting (TCM) in August 2011, GPC proposed to acquire 184 sq km of new 3D seismic data over the Galoc Block as part of the overall planning strategy for the Project's Phase 2 development. They believe that with new 3D data, an improved resolution within the Galoc Clastic Unit (GCU) reservoir can optimize well/s placement and potentially negate the need for pilot holes, similar to what GPC did during the Phase 1 drilling. The new seismic data may also help in the delineation and de-risking of the North Galoc prospect as an upside to the Galoc development. Although with some reservations from the other joint venture partners, GPC proceeded with the program and tapped geophysical contractor China Oilfield Services Limited (COSL) to do the seismic survey. COSL brought in its vessel Bin Hai 512 in early November, which failed to carry out the program due to persistent defects in some critical vessel equipment. As a consequence, GPC rescinded the COSL contract and tapped Western Geco to complete the survey in January 2012.

In September 2011, the joint venture approved the proposed work plans and budget for Phase 2 Front End Engineering Design (FEED). The FEED work scope was intended to cover the wide range of activities necessary to enable the joint venture to make a Final Investment Decision (FID) for the Phase 2 development. These include subsurface reservoir modeling, drilling and completion design, subsea engineering and tie-back design for the new wells to be drilled, as well as project financing considerations for the joint venture.

The consortium arrived at a FID in September 2012, commencing infrastructure, equipment and services contracting. Total budget for the Galoc Phase II work was at US$ 188.0 million. The consortium had secured the services of the Diamond Offshore-owned *Ocean Patriot*, a semi-submersible drilling rig which will execute the firm two development well program. While the FEED work progressed as planned, other JV partners manifested their preference to have a third well, the Galoc-Mid, be drilled to take advantage of the opportunity that existed at that time for the drilling of an exploration well. However, GPC prevailed over the non-operator members citing the limitations of the contracted drilling rig.

Actual drilling was delayed by a few months according to original schedule as the JV waited for the release of the semi-submersible rig "Ocean Patriot" which had an extended run in Vietnam. Upon rig arrival at the site, GPC spudded Galoc-6 well on 4 June 2013, and the Galoc-5 well six days later. Both wells were drilled using the efficient batch drilling method wherein similar hole sections in the 2 wells were completed before proceeding to subsequent hole section(s). Galoc-6 well reached a final measured depth (MD) of 3,958.5 meters [2,211 meters true vertical depth (TVD)]. Galoc-5 had a final depth of 4,497 meters MD (2,211.7 meters TVD). Both wells drilled a combined total of 3,177 meters through horizontal reservoir sections within which about 1,650 meters of net oil pay has been encountered. The rig remained at the site until the third week of October 2013 for well clean-up and was off-hire on November 2nd upon arrival in Singapore.

The construction vessel "SkandiSkansen" arrived at the Galoc site on October 31, 2013 for the subsea facilities installation/offshore construction and hook-up of Phase 1 and Phase 2 wells to the re-furbished FPSO. The Galoc-5 well finally commenced production on December 4th at an initial rate of 7,550 barrels of oil per day (bopd) while the Galoc-6 was put on stream the following day at initially the same rate level. The achieved initial rates from the clean-up flow tests were in line with the overall field forecast production rate of 12,000 bopd, with final operating rates to be set according to optimum facility and reservoir management constraints.

By the end of 2014, the Galoc field had already produced a cumulative total of 14.582 million barrels of oil since it was first put onstream in October 2008. The estimated remaining reserves for the combined Phase 1 and Phase 2, based on the latest 2P estimates provided by third party consultant RISC, is placed at about 13.4 million barrels with end-of-field life projected to extend beyond year 2020.

SC-14 C-2 West Linapacan Block

In January 2007, Pitkin submitted a farm-in proposal for the West Linapacan Block for them to earn 70% participating interest in exchange for carrying the farming-out parties in the drilling of one exploration well. During the negotiations, the parties agreed to amend certain provisions on the farm-in terms. The consortium earlier asked for a 50%-50% split in the historical cost account for Pitkin's pay 100% to earn 75% offer. The consortium likewise asked for a similar production bonus scheme as in the Galoc deal where the farming out parties receives bonuses at production start-up and when cumulative production reaches specific benchmark levels. The parties likewise agreed that since Pitkin would not share in the abandonment cost of the existing West Linapacan wells, the costs related to the drilling of these wells amounting to approximately $80.0 million would be excluded from the farm-in. In effect, Pitkin would only share in effectively $12.0 million of the historical costs and this share will only be assigned to Pitkin upon completion of Phase 3 or effectively "first oil".

The Pitkin farm-in agreement was signed in May 2008 and the same were submitted to the DOE in June 2008 for evaluation and approval. The DOE approved the farm-in and the transfer of 58.29075% participating interest and operatorship to Pitkin in September 2008.

Pitkin immediately started implementing some of its farm-in commitments and by September 2009 had completed a number of these activities albeit somehow delayed.

Because of the unexpected delays in the completion of the G&G studies, Pitkin sought for an extension in the implementation of its remaining Phase 1 commitments, which expired in August 2009 as per the farm-in agreement. The West Linapacan Consortium granted the extension with the issuance of an executed amendment to the farm-in agreement moving the completion date of the Phase 1 work on or before June 30, 2010.

In early 2011, Pitkin completed negotiations with Resource Management Associates Pty Limited of Australia (RMA) whose entry into the West Linapacan joint venture was formally approved by the DOE in July 2011. Pitkin transferred 50% of its participating interest or 29.145375% on the block to RMA. Pitkin, however, remained as the block operator.

During the OCM/TCM held in November 2011, Pitkin presented the preliminary results of their ongoing G&G and engineering studies. Recognizing some ambiguity in the results attained thus far, the joint venture agreed on the need to conduct a more thorough evaluation before any drilling and developmental plans could be finalized. The consortium requested the operator to revise an earlier approved work program and budget by pushing program timelines and placing the drilling activities and budget, earlier approved as firm commitments for 2012, as contingent programs for contract year 2012. The Parent Company is carried in all of the G&G activities as well as in the drilling of a development well up to first oil.

In April 2012, operatorship was transferred to RMA. For the most part of 2013, RMA continued to undertake various G&G activities aimed at firming up confidence on the viability of the West Linapacan Field for re-development. Specifically, the operator conducted reservoir simulation studies that investigated the range of uncertainty for reserves within the primary reservoir Linapacan Limestone as well as the additional potential offered by the other discovered reservoirs including the Galoc Clastic Unit and the Intermediate Limestone. The studies also provided the basis for a new geomodel development, which in turn, will help to determine optimum well location and infrastructure to recover the remaining reserves.

As this developed, the operator contracted Gaffney, Cline & Associates (GCA), an independent company, for third party probabilistic assessment of in-place volumes and reserves for West Linapacan A and the nearby West Linapacan B Field. Parallel to the reserves re-certification, RMA also continued with well planning and concept screening for early production and full-field development costing. GCA's resource assessment for the West Linapacan gives a current recoverable reserves range of 9.6 mmbo, 16.5 mmbo and 21.0 mmbo, respectively from 1P, 2P and 3P estimation. These forecasts were based on a two multilateral well development program that RMA and its JV partners consider as the most viable option for field development.

As at December 31, 2013 RMA started rig pre-qualification, review and costing for the two planned wells (WL A7 and WL A8) and FPSO-based subsea development scheme, with an option for an exploration well in the West Linapacan B field. The operator was looking at possible development drilling starting on the fourth quarter 2014.

On the basis of the Gaffney, Cline & Associates' assessment of the in-place volumes and reserves for the West Linapacan A and the nearby West Linapacan B fields made in 2013, block operator RMA West Linapacan Limited (RMA WL) continued with their drilling plans and concept screening for early production and full-field development costing. During the joint Technical Committee and Operating Committee Meetings held in Australia in March 2014, RMA presented the basis for the Final Investment Decision for a 3-well drilling program for the block. RMA WL initially planned to drill two wells (WL A7 and WL A8) on the West Linapacan A structure, with an option for an exploration well in the West Linapacan B structure. They also initiated drilling rig pre-qualification, review and costing for the planned wells and the FPSO-based subsea development scheme.

During the third quarter of 2014, RMA WL reported that they have already signed a contract for the drilling rig and have placed tenders and/or orders for some of the equipment and services to be required for their drilling operations. They also reported that they have also prepared agreements for provision of storage vessel and related equipment and services.

Unfortunately, all of these preparations were overtaken by the precipitous drop in oil prices. In the 4th quarter of 2014, RMA WL unilaterally revised their overall strategy for field development. Instead of drilling two multi-lateral wells which was the approved work program by the Consortium in March 2014, RMA WL decided to drill just one well and do an extended production test. The anticipated well spudding was also further extended prompting the joint venture partners to question the readiness and financial capability of the operator to carry the work program. By the end of 2014, the Joint Venture had not approved RMA WL's new plans and warned RMA WL and its farmin partner Pitkin of cancelling the farmin agreement should they fail to fulfil their farmin commitment.

SC-41
In 2003, the SC-41 shallow and deep water areas (Block A and Block B, respectively) were unitized. The Filipino Group (as defined in the Operating Agreement) assigned to Unocal Sulu, Ltd. (Unocal), the block operator, the excess of their aggregate 15% participating interest in exchange for a free carry in the next exploratory drilling in the block.

In early 2005, Unocal withdrew from the service contract. The other partners namely, Sandakan Oil LLC, BHP Billiton Ltd. and Trans-Asia have likewise withdrawn, leaving a small all-Filipino consortium. The continuing partners negotiated for a reduction in its Year 8 work commitment. Under Basic Energy Corporation (formerly Basic Consolidated Inc.), which was designated as the lead operator, the new consortium implemented a G&G program in lieu of a well commitment. As a result of the unitization and assignment, the Parent Company, which used to have a participating equity of 9.125% in Block A, now has a 3.398% participating interest in the entire contract area.

In early 2006, Tap Oil (Phils.), Ltd. (Tap Oil) negotiated with the Joint Venture and offered to carry the costs of a full 3D seismic acquisition program and an option well. Tap Oil's entry into the SC-41 was formalized on June 23, 2006, the date their farm-in became effective.

Efforts by block operator Tap Oil to invite new partners into the Sulu Sea Block and to secure extension of the term of SC-41 from the DOE, unfortunately, were not favorably rewarded.

During a partners' meeting in July 2010, the consortium executed an Operating Committee Resolution for the surrender of the block to the DOE on August 9, 2010. The Sulu Sea block then became an open area, which the DOE included as among the areas being offered under the 4th Philippine Energy Contracting Round (PECR4)which opened in June 2011.

In early 2012, the Parent Company executed a Joint Application and Participation Agreement with Philex Petroleum Corporation to jointly participate in the bidding for Area 15, one of the fifteen areas offered by the DOE under the PECR4. The parties agreed on a 60% - 40% participation in favor of the Parent Company. Area 15 covers the old SC 41 block previously operated by Tap Oil Limited. The Parent Company as the lead party, prepared the bid application documents which it then submitted to the DOE on May 30, 2012.While results for some of the areas offered under the PECR4 were already announced, the DOE has yet to release the results for Area 15. A newspaper release in early December 2012 stated that the DOE may re-bid some of the areas on offer including Area 15 - Sulu Sea.

A new bidding round, the PECR5, was launched by DOE in May 2014. Nine new petroleum areas were offered for bidding which, unfortunately, did not include the Area 15 - Sulu Sea block offered under PECR4. The Parent Company, Philex and Anglo Philippine Holdings Corporation, the latter having signed an earlier agreement with The Parent Company for the transfer of a portion of its interest in the joint bid, would have likely participated in the PECR5 bidding if Area 15 was again offered.

The exclusion of the Sulu Sea block as one of the areas on offer under PECR5 was a decision of DOE as the area is within the contemplated regions proposed to be covered by the Bangsamoro Basic Law.

SC-53
Following the withdrawal by Laxmi Organic Industries Ltd. (Laxmi), the onshore Mindoro Joint Venture executed a FIA with Pitkin in September 2007. Pitkin offered to pay 100% of the seismic program costs of $3.0 million in exchange for Pitkin earning 70% interest and the operatorship of the block. The Pitkin farm-in agreement was submitted to DOE on September 2007 and was approved on June 11, 2008. In July 2008, Pitkin presented the programmed activities and budget for the block's First and Second Sub-Phases. The program consists of firm G&G commitments (seismic acquisition, processing and interpretation) and contingent tasks (additional onshore seismic and new offshore seismic surveys), among others.

In April 2009, Pitkin requested for the extension of Sub-Phase 1 for them to acquire its onshore seismic commitment for SC-53. In response to Pitkin's request, the DOE merged the first 2 sub-phases to form a new Sub-Phase 1 (July 2005 to March 2011) with the work commitment of minimum 200 line-km 2D seismic acquisition and drilling of one well. The new Sub-Phase 2 will be for the period March 2011 to July 2012 with a commitment to drill 2 wells. The DOE likewise increased the Onshore Mindoro Block area from 600,000 hectares to 734,000 hectares.

On July 4, 2011, the DOE approved the transfer of 50% of Pitkin's interests in the block to RMA. Amendments to existing legal documents have been introduced to formalize the recognition of RMA as a Joint Venture party. Pitkin Petroleum remains as the block operator.

During the November 2011 partners' meeting, Pitkin recommended that the joint venture enter the Sub-Phase 2 of the contract, which carries a minimum work program obligation of two wells. The operator likewise proposed a work program for the joint venture for 2012 which consists of drilling the Progreso-2 well, the acquisition of an airborne gradiometry survey and other field programs and studies designed to further evaluate the block and enhance its prospectivity.

In May 2012, Pitkin completed the reprocessing by Quantum Geophysical Singapore of the 200 line-kilometers onshore seismic data acquired in 2010. Interpretation of the same data set was started in March with the higher priority lines over the Progreso structure. Initial results indicated a better resolution of the subsurface structure; however, additional geophysical data such as gradiometry can further improve subsurface imaging of the Progreso and other notable features in the area.

The gradiometry survey was carried out in April and May 2012, with about 9,700 line-kilometers of data acquired for the Consortium by contractor Bell Geospace (UK). The same contractor acquired LIDAR (Light Detection and Ranging Survey) data which provided an accurate topographic imagery of the surface and was used in the static corrections for the gradiometry survey. The combined results have verified existing structures and helped in modifying structural styles and dimensions for the identified structures, mostly in the foreland part of the Onshore Mindoro basin where most of the prospects and structures of commercial interest are located. Data interpretation has likewise identified several anomalies or new potential leads, hitherto not seen in existing seismic data although these need additional seismic work to confirm and upgrade to prospect status.

Parallel to the geophysical activities, Pitkin started preparations for the drilling of the Progreso 2 well. A preliminary drilling program for Progreso is now being prepared, with an indicative cost of US$8.2 million with test. The operator had sent out tenders for the various services and equipment required for the drilling campaign, although re-tendering for long lead items is being contemplated.

Pitkin likewise completed a study of the Mindoro Island power situation and how any hydrocarbon discovery will impact on the overall power requirement/development in the island.

Block operator Pitkin continued with their evaluation of the Onshore Mindoro Block utilizing the new gradiometry and aeromagnetic data integrated into the seismic data interpretation. The combined results have resulted in the confirmation of the seismically-defined structures and the identification of two additional structural leads. To firm up their results, Pitkin proposed to undertake a Test Mini-Sosie seismic program in 2014 which is seen to help to confirm and upgrade some of the identified structures to prospect status. Pitkin plans to shoot an initial test program of 50 line km of Mini-Sosie seismic survey whose coverage may be enlarged to a full 250 line km program if test results proved to be successful. As of the end of 2013, Pitkin was finalizing the seismic program with Geocon, its selected geophysical contractor for the seismic program.

Parallel to the seismic work, the operator likewise continued to prepare for the drilling of Progreso-2 well on the second half of 2014. Aside from re-issuing tenders for the various equipment and services to be required, Pitkin had prior consultation with local services providers and did ocular inspection of ports of entry and access facilities for the various equipments to be brought in. They have likewise initiated meetings with local and provincial government units to gain approval for the various planned geophysical and drilling activities. A community relations team has been mobilized to kick-off the information and education campaign in the areas where these activities will be conducted.

In early 2014, block operator Pitkin contracted Geocon which did a scouting and "walk through" of the proposed lines to be acquired under the programmed Test Mini-Sosie seismic program. Due to operational constraints, it was observed that there were very few areas where the Mini-Sosieseismic survey can be run, thus the program was suspended indefinitely. In lieu of the suspended seismic work, the consortium implemented a test seismic re-processing program. By the end of June 2014, Pitkin had sourced, prepared and shipped appropriate seismic tapes for transcription and re-processing by Spectrum Data based in Perth, Australia. The test seismic reprocessing program involved four select lines. While results of the re-processing have shown some improvements on the data, these were considered marginal, and thus Pitkin decided not to proceed with a larger future re-processing program.

Parallel to the cancelled seismic activities, Pitkin continued to prepare for the drilling of the Progreso-2 well. Early in 2014, the operator had secured some of the appropriate endorsements and relevant permits from concerned community organizations and government units and mobilized teams to kick-off information and educational campaign in the various areas where drilling activities will take place. They have likewise finalized tenders and evaluated received bids for most of the major drilling services and equipment.

The Onshore Mindoro Consortium, during a Technical Committee Meeting held in April 2014, agreed to drill another well, Progreso-3, back-to-back with Progreso-2 subject to agreement on the final well locations. Interpretation of the re-processed data later in the year provided support on new locations for the proposed wells, the drilling of which is now seen to materialize in the first half of 2015. By the end of 2014, the consortium was waiting for partner RMA Limited (RMA) to approve the new well locations and drilling budget requirement. Execution of the drilling rig contract with rig provider DESCO remains on hold pending the RMA approvals.

SC-74
The joint bid of The Parent Company and Pitkin on Area 5 under the PECR4 won the bid and was confirmed by the Department of Energy in a letter dated 14 February 2013. In September 2013, the joint venture finally received the new contract which was assigned the number SC No. 74 covering the Linapacan A and Linapacan B fields discovered by Philippines - Cities Service, Inc. in 1982.

The SC 74 joint venture held its first Technical Committee/Operating Committee Meeting on November 15, 2013, where the partners have agreed on the work program and budget for 2013 -2014. A firm portion of the proposed work program consists of various G&G evaluation and engineering studies. During the meeting, the JV also agreed on the formulation of the Joint Operating Agreement that will govern the legal, technical and financial aspects of the SC 74 partnership. Pitkin Petroleum, as operator, owns 70% interest and the Parent Company the remaining 30%. Prior to the bid submission, however, The Parent Company had initially agreed with PNOC – Exploration Corporation (PNOC–EC) to transfer 10% interest from the Parent Company's participating interests share in the contract. A Deed of Assignment affecting the conveyance of interests to PNOC-EC remains on hold following the advice that under an existing DOE circular, PNOC-EC's entitlement was limited to five percent (5%). PNOC - EC have agreed to accept the 5% and the appropriate changes are being drafted in to the Deed.

Following Pitkin's assessment of the availability of vintage 2D and 3D seismic and field data for seismic re-processing, the operator immediately commenced the re-processing program by sourcing data from contractors Western Geco for the TQ3D data and EZ Data, the DOE's partner for the PECRs, for the scanned 2D data within and around SC 74 block. Pitkin likewise conducted and completed petrophysical analyses on the old Linapacan B-1 and Linapacan A-1A wells.

The first leg of the programmed geological fieldwork in Northwest Palawan was carried out in March 2014 which covered onshore Northern Palawan. The second leg will cover the neighbouring Calamian Island Group and is scheduled in January 2015. The field program aims to map and sample pre-Nido sequences which are important in understanding the potential of the Linapacan Block.

During the 3rd quarter of 2014, Pitkin received and evaluated a proposal from Schlumberger Petro Technical Services for an integrated evaluation of the Linapacan B structure which will include re-processing of the TQ3D seismic dataset as well as reservoir modelling and simulation study of the Linapacan B discovery field. These activities have been initiated and were still ongoing by end of December 31, 2014.

SWAN Block
Despite the inclusion of the SWAN Block in the areas bidded out by the government under the first PECR, the consortium did not receive any notification from the DOE that they were rescinding the application. As there was no company that bid over the area, the consortium initiated the conversion of the GSEC application into a full service contract application. However, the DOE granted instead new SCs that both partially covered the area being applied for. PNOC-EC's SC-57 and SC-58 were awarded in September 2005 and January 2006, respectively.

In January 2007, the Parent Company explored the possibility of including the SWAN Consortium in both the new contracts through a letter to PNOC-EC. Under the proposed participation set-up, the Parent Company will get 15% carried interest in each of SC-57 and SC-58.
In exchange, the Parent Company will assign to PNOC-EC 5% participating interest in SC-14 - West Linapacan Block.

PNOC-EC agreed in principle to the proposal and asked and have been granted ample time to conduct due diligence to evaluate the merits of the proposed interest swap. For the rest of 2007, they continued with their review of the offer. As at Decemeber 31, 2008, however, the Parent Company did not receive any firm indication of PNOC-EC's response.

In November 2009, PNOC-EC advised the Parent Company that their technical and legal groups continue to evaluate the relevant data that the Parent Company had provided PNOC-EC to assess the block's potential and the merit of the Parent Company's proposed participation in SC-57 and SC-58 blocks.

In December 2012, the Parent Company received a letter from PNOC-EC which is the operator for SC-57 expressing interest in acquiring participation in Nido 1X-1 project for a potential swap on interests. As at December 31, 2012, the Parent Company was still evaluating the merits of PNOC-EC's proposal.

In 2014, PNOC -EC and the Parent Company continued to work on the possible swap of participating interests in some of the Parent Company's acreages in exchange for interests in PNOC-EC's SC Nos. 57 and 58 which cover the old SWAN Block. The Company's efforts, however, are hampered by Executive Order (EO) 556 issued by the Office of the President which limits PNOC-EC's ability to transact through the normal means of farmin/farmout mechanisms in acquiring or disposing of interests in Service Contracts. PNOC - EC is currently working to have the EO amended.

11. Investment in Bonds

During the first quarter of 2012, the Parent Company invested in a five (5) year US$1.98 million or₱81.20 million unquoted bond issued by Carmen Copper Corporation (CCC/the Issuer), a subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC). The bond carries with it a 6.5% coupon rate per annum payable semi-annually in arrears on March 21 and September 21 of each year which commenced on September 21, 2012.

At any time prior to March 21, 2015, the Issuer may redeem up to 35% of the bonds at a redemption price of 106.5% of the principal amount, plus accrued and unpaid interests, if any. In the event of change in control, CCC may redeem the bonds, in whole but not in part, at a price equal to 100% of the principal amount, premiums, and any accrued or unpaid interest as applicable. Further, if the Issuer or any of the subsidiary guarantors would be obligated to pay certain additional amounts as a result of certain changes in tax laws, CCC may redeem the bonds in whole but not in part at a redemption price equal to 100% of the principal amount of the bonds.

As at December 31, 2014 and 2013, the carrying value of the investment in bonds amounted to ₱88.5 millionand ₱87.9 million, respectively.

Accrued interest from CCC bonds amounted to ₱1.6 millionand ₱1.4 million as at December 31, 2014 and 2013 respectively, while interest income in2014, 2013 and 2012 amounted to₱7.6 million,₱5.3 million and ₱4.1 million, respectively.

Foreign exchange gains (losses)attributable to investment in bonds amounted to ₱0.6 million, ₱6.7 million and (₱3.4 million),in 2014, 2013 and 2012, respectively.

12. Accounts Payable and Accrued Liabilities

This account consists of:

	2014	2013
Accrued liabilities	**₱17,769,584**	₱13,645,802
Share-based liability	**8,245,577**	24,185,037
Withholding taxes	**4,347,330**	5,507,104
Others	**639,184**	4,440,661
	₱31,001,675	₱47,778,604

Accrued liabilities include accrual for bonus, salaries and other employee benefits.

Share-based liability pertains to theSAR plan.

On April 11, 2011, the Parent Company's BOD approved the initial award of 1.97 billion rights to the Parent Company's qualified employees and directors in accordance with the SAR plan. The award price is ₱0.0143, based on the average of the Parent Company's share price for the period March 14, 2011 to April 8, 2011.The SARs are only redeemable from the Parent Company in cash. The fair value of the SARs is measured at each reporting period using binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Maximum number of outstanding rights as of any given time should not exceed 4% of the outstanding common shares of the Parent Company. The SARs shall become vested as follows: 35% upon award, 35% on first anniversary of award and 30% on second anniversary of award.

On May 2, 2011, the initial award under the SAR plan was implemented. The period during which the SAR may be exercised shall be specified by the compensation committee provided that no SAR shall be exercisable after the expiration of ten (10) years from the date of award.

The following illustrates the movement of SARs as at December 31, 2014 and 2013:

	2014	2013
Beginning of year	**985,100,000**	1,096,300,000
Exercised during the year	**2,500,000**	111,200,000
End of year	**982,600,000**	985,100,000
Exercisable at December 31	**982,600,000**	985,100,000

The following table lists the inputs to the binomial model used for the years ended December 31, 2014 and 2013:

	2014	2013
Dividend yield	**5.56%**	2.86%
Expected volatility	**58.86%**	64.67%
Risk-free interest rate	**4.09%**	3.68%
Expected life of SARs (in years)	**6.250**	7.250
Weighted average share price (in PHP)	**0.0190**	0.0350
Spot price (in PHP)	**0.0180**	0.0350

Withholding taxes are payable within 14 days after the close of the month.

Others mainly consist of accrued professional fees and are normally settled within 15 to 30 days.

As at December 31, 2014 and 2013, intercompany payable eliminated during consolidation amounted to ₱1.3 million and ₱0.9 million(see Note 5).

13. Equity

The details and changes in the Parent Company's issued and subscribed shares follow (number of shares not rounded-off):

On issued shares:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Beginning of year	**156,800,370,235**	**₱1,568,003,703**	156,557,511,853	₱1,565,575,119
Issuance of shares	**1,444,787**	**14,448**	242,858,382	2,428,584
End of year	**156,801,815,022**	**₱1,568,018,151**	156,800,370,235	₱1,568,003,703

On subscribed shares:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Beginning of year	**35,068,435,123**	**₱350,684,351**	35,311,293,505	₱353,112,935
Issuance of shares	**(1,444,787)**	**(14,448)**	(242,858,382)	(2,428,584)
End of year	**35,066,990,336**	**₱350,669,903**	35,068,435,123	₱350,684,351

In 2006, the Parent Company sold the shares received from VIMC through a stock broker for about ₱42.3 million. The excess of the proceeds over the cost of the said shares amounting to ₱1.6 million was recognized as "Paid-in capital from sale of treasury shares" in the equity section of the consolidated statements of financial position.

On May 26, 2008, the Parent Company filed a Registration Statement covering 38,373,761,071 offer shares at ₱0.01 par value per share with the SEC in accordance with the provisions of the Securities Regulation Code. The registration was approved by the SEC on September 18, 2008. On February 15, 2008, the Parent Company filed its application for listing and trading of the offer shares in the First Board of the PSE and the PSE approved the application on September 24, 2008.

On October 28, 2008, the Parent Company requested for the deferment of the original offer period set from November 3 to 28, 2008 to January 15to February 11, 2009, and the amendment of the terms of the stock rights offering to change the minimum initial payment for subscription from 50% upon subscription, the balance upon call not later than December 31, 2009 to 25% uponsubscription, 25% after 60 days from the end of the offer period and the balance upon call not later than December 31, 2009. The PSE approved the same on October 29, 2008. A similar application for deferment of the original offer period and amendment of the minimum initial subscription payment was filed with the SEC. On November 6, 2008, the SEC approved the deferment of the offer period.

On April 13, 2009, the SEC had approved the Parent Company's increase in authorized stock from 155,000,000,000 shares with par value of ₱0.01 each, to 200,000,00,000 shares with par value of ₱0.01 each.

On December 17, 2014, the BOD approved that the 50% balance on subscriptions to the Parent Company's 2009 stock rights offering shall be called for payment by the BOD no later than December 31, 2015, instead of December 31, 2014.

On February 22, 2012, the BOD approved the declaration of cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable March 30, 2012. Also, on June 20, 2012, the BOD approved the declaration of a 2% cash dividend equivalent to ₱0.0002 per share or an aggregate of ₱38.4 million payable on July 30, 2012. Moreover, on October 24, 2012, the BOD approved the declaration of 2% cash dividend equivalent to ₱0.0003 per share or an aggregate amount of ₱57.6 million payable December 7, 2012.

On May 22, 2013, the BOD approved the declaration of cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on July 2, 2013. Also, on October 3, 2013, the BOD approved the declaration of another5% cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on December 4, 2013.

On February 19, 2014, the BOD approved the declaration of a 5% cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on March 31, 2014. Also, on October 29, 2014, the BOD approved the declaration of another5% cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on December 1, 2014.

As at December 31, 2014 and 2013, the Company has unpaid dividends amounting to ₱32.0million and ₱24.6 million, respectively.

14. Earnings per Share

	2014	2013	2012
Net income	**₱374,653,168**	₱315,179,222	₱307,174,858
Weighted average number of common shares issued and outstanding during the year (Note 13)	**191,868,805,358**	191,868,805,358	191,868,805,358
Basic EPS	**₱0.0020**	₱0.0016	₱0.0016

As at December 31, 2014 and 2013, the equivalent potential common share issued was the subscriptions of common shares.

There were no dilutive shares as at December 31, 2014, 2013 and 2012.

15. **Related Party Disclosures**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

The Group, in the normal course of business, has transactions with related parties which principally consist of loans and cash advances.

a. As at December 31, 2014 and 2013, The Parent Company's advances to related parties and the corresponding interest income from these advances are as follows:

Related Party		Transactions	Outstanding Balance (Note 5)	Accrued Interest Receivable (Note 5)	Terms	Condition
Stockholder						
Alakor Corporation(Alakor)	**2014**	**₱–**	**₱173,236,001**	**₱39,403,830**	Payable on demand; 6%-8% interest	Unsecured, no impairment
	2013	₱10,000,000	₱173,132,001	₱25,817,454	Payable on demand; 8%-10% interest	Unsecured, no impairment
Under common stockholders						
Anglo Philippine Holdings Corporation (APHC)	**2014**	–	**100,000,000**	**4,088,889**	Payable in 2016 and 2015; 8% interest	Unsecured, no impairment
	2013	–	100,000,000	2,044,444	Payable in 2015 and 2014 8% intst	Unsecured, no impairment
Fil-Energy Corporation	**2014**	–	**4,753,762**	**16,166,436**	Payable on demand; non-interest bearing	Unsecured, no impairment
	2013	N–	4,753,762	16,166,436	Payable on demand; non-interest bearing	Unsecured, no impairment
United Paragon Mining Corporation	**2014**	–	**1,055,839**	–	Payable on demand; non-interest bearing	Unsecured, no impairment
	2013	–	1,055,839	–	Payable on demand; non-interest bearing	Unsecured, no impairment
Totals	**2014**	**₱–**	**₱279,045,602**	**₱59,659,155**		
Totals	2013	₱10,000,000	₱278,941,602	₱44,028,334		

In 2014, the Company classified ₱50.0 million advances to APHC due on June 30, 2015 as current, and renewed the remaining₱50.0 million due on January 6, 2016as noncurrent.

On February 10, 2015, APHC made a full payment of its outstanding advances.

b. The interest income earnedby the Parent Company from its advances to related parties follow:

	Interest Income		
	2014	2013	2012
Alakor	**₱13,755,537**	₱13,334,675	₱11,809,444
APHC	**8,126,469**	8,111,111	8,066,667
ACMDC	**–**	–	3,099,878
	₱21,882,006	₱21,445,786	₱22,975,989

c. The compensation of key management personnel are as follows:

	2014	2013	2012
Short-term employee benefits	**₱18,353,818**	₱18,633,325	₱30,333,817
Post-employment benefits	**12,078,295**	11,299,060	24,781,637
	₱30,432,113	₱29,932,385	₱55,115,454

Key management personnel are those individual having authority and responsibility for planning, directing, and controlling the activities of the Parent Company, directly or indirectly, including any directors (whether executive or otherwise) of the group.

16. Share in Costs and Operating Expenses

This account consists of:

	2014	2013	2012
Petroleum operations	**₱341,439,112**	₱332,573,583	₱296,679,498
Personnel costs	**10,892,091**	10,642,373	12,199,944
	₱352,331,203	₱343,215,956	₱308,879,442

17. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Personnel costs	**₱46,671,470**	₱51,261,878	₱79,803,044
Transportation and travel	**4,850,143**	4,682,948	4,268,404
Entertainment, amusement and recreation	**3,708,039**	3,100,024	2,706,528
Dues and subscriptions	**3,614,393**	3,798,602	3,156,747
Software licenses and maintenance fees	**3,361,459**	3,516,306	–
Depreciation (Note 7)	**3,297,626**	3,513,649	3,582,646
Outside services	**3,231,890**	9,214,886	6,912,143
Supplies	**1,779,689**	1,617,872	707,128
Insurance	**1,439,398**	1,445,916	1,463,283
Utilities	**1,313,691**	1,587,830	1,715,764
Repairs and maintenance	**718,089**	502,663	833,395
Rent	**401,708**	322,278	120,456
Taxes and licenses	**236,416**	276,975	248,375
Advertising	**157,212**	147,852	261,864
Others	**455,000**	2,053,574	3,417
	₱75,236,223	₱87,043,253	₱105,783,194

Personnel costs include salaries, allowances and employee benefits and facilities.

18. Retirement Benefit Liability

The Parent Company has a funded noncontributory defined benefit retirement plan covering its regular permanent employees. Retirement benefit expenses are based on each employee's number of years of service and final covered compensation.

The following tables summarize the components of net pension cost recognized in the statements of comprehensive income and the liabilities recognized in the statements of financial position.

Changes in defined benefit liability (asset) and fair value of plan assets in 2014 are as follows:

	Defined Benefit Liability	**Fair Value of Plan Asset**	**Net Defined Benefit Liability (Asset)**
At January 1	**₱135,957,200**	**(₱128,635,479)**	**₱7,321,721**
Current service cost	**6,022,398**	**–**	**6,022,398**
Net interest	**2,515,618**	**(5,367,441)**	**(2,851,823)**
Retirement benefitexpense (income) charged to profit or loss	**8,538,016**	**(5,367,441)**	**3,170,575**
Benefits paid	**(32,812,050)**	**32,812,050**	**–**
Actuarial changes arising from:			
Experience adjustments	**9,797,234**	**–**	**9,797,234**
Financial assumptions	**2,329,000**	**–**	**2,329,000**
Loss on plan assets (excluding amount included in net interest)	**–**	**5,103,832**	**5,103,832**
Pension cost charged to OCI	**12,126,234**	**5,103,832**	**17,230,066**
Contributions	**–**	**(15,000,000)**	**(15,000,000)**
At December 31	**₱123,809,400**	**(₱111,087,038)**	**₱12,722,362**

Changes in defined benefit liability (asset) and fair value of plan assets in 2013 are as follows:

	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability (Asset)
At January 1	₱116,585,000	(₱122,152,070)	(₱5,567,070)
Current service cost	5,284,650	–	5,284,650
Net interest	3,207,085	(6,107,603)	(2,900,518)
Retirement benefits expense (income) charged to profit or loss	8,491,735	(6,107,603)	2,384,132
Actuarial changes arising from:			
Experience adjustments	8,328,865	–	8,328,865
Financial assumptions	2,551,600	–	2,551,600
Return on plan assets (excluding amount included in net interest)	–	(375,806)	(375,806)
Pension cost charged to OCI	10,880,465	(375,806)	10,504,659
At December 31	₱135,957,200	(₱128,635,479)	₱7,321,721

Retirement benefitexpense is composed of current service cost which is shown under "personnel costs" while net interest is shown under "interest income" in the consolidated statements of comprehensive income:

	2014	2013	2012
Current service cost	**₱6,022,398**	₱5,284,650	₱5,675,300
Net interest	**(2,851,823)**	(2,900,518)	(2,315,118)
	₱3,170,575	₱2,384,132	₱3,360,182

The latest actuarial valuation of the plan is as at December 31, 2014. The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2014	2013	2012
Discount rate	**4.28%**	4.63%	5.00%
Investment yield	**5.00%**	5.00%	5.00%
Salary increase	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2014
Discount rates	1%	₱6,347,400
	-1%	(7,254,100)
Salary increase rate	1%	6,557,900
	-1%	(5,868,300)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2014	2013	2012
Fixed income securities	**81.07%**	80.56%	69.70%
Deposits in banks	**–%**	16.33%	29.43%
Others	**18.93%**	3.11%	0.87%
	100.00%	100.00%	100.00%

The Parent Company expects to contribute ₱18.0 million to the defined benefit pension plan in 2015.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014
Within the next twelve (12) months	₱37,333,852
Between two (2) and five (5) years	50,111,008
Between five (5) and ten (10) years	48,198,929
Between ten (10) and twenty (20) years	66,039,497
More than twenty (20) years	74,234,123
Total expected payments	₱275,917,409

The average duration of the defined retirement benefits liability as at December 31, 2014 and 2013 is 14.4 years and 14.1 years, respectively.

19. Income Taxes

a. The details of provision for current income tax are as follows:

	2014	2013	2012
RCIT	**₱71,108,166**	₱22,463,187	₱30,649,483
Final taxes	**641,243**	1,911,700	3,315,252
	₱71,749,409	₱24,374,887	₱33,964,735

The reconciliation of provision for income tax computed using the statutory income tax rate with provision for income tax in the statement of income is as follows:

	2014	2013	2012
Provision for income tax computed at the statutory income tax rate	**₱135,826,371**	₱107,416,218	₱97,123,771
Add (deduct) tax effect of:			
Nontaxable income	**(207,580,833)**	(169,910,947)	(165,069,400)
Nondeductible expenses	**151,539,792**	109,963,065	94,491,468
Interest income subjected to final tax	**(1,683,929)**	(4,593,498)	(6,374,794)
	₱78,101,401	₱42,874,838	₱20,171,045

b. Net deferred income tax assets represents the following:

	2014	2013
Deferred income tax assets:		
Retirement benefits and unamortized past service cost	**₱18,716,750**	₱16,900,156
SAR expense	**2,488,558**	7,255,511
Provision for impairment losses on deferred oil and gas exploration costs	**197,624**	197,624
	21,402,932	24,353,291
Deferred income tax liabilities:		
Unearned crude oil lifting	**(3,305,504)**	(5,379,893)
Unrealized foreign exchange gains	**(2,761,333)**	(2,454,331)
Share in OCI of associate	**(5,135)**	–
	(6,071,972)	(7,834,224)
	₱15,330,960	₱16,519,067

20. Financial Instruments

Classifications and Fair Values of Financial Instruments
PFRS defines fair value as a 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 carrying amounts of financial assets (except AFS financial assets, advances to a related party and investment in bonds) and financial liabilities approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Unquoted AFS financial assets are carried at cost since its fair value cannot be reliably measured. Advances to a related party and investment in bonds are long-term and interest-bearing, thus, fair value is equal to the carrying value.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Quoted AFS financial assets amounting to ₱281.7 million and ₱354.5 million as at December 31, 2014 and 2013, respectively are classified as Level 1.

21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables (except advances to officers and employees), AFS financial assets, accounts payable and accrued liabilities (except withholding taxes) and dividends payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit Risk
Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short-term investments, receivables, AFS financial assets, advances to related parties and investment in bonds, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business. All of the outstanding accounts with contract operators are from the SC-14 consortium.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2014	2013
Loans and receivables:		
Cash in banks and cash equivalents	**₱421,576,252**	₱93,964,475
Receivables:		
Advances to related parties	**279,045,602**	278,941,602
Accounts with contract operators	**144,110,759**	181,310,563
Accrued interest	**61,257,894**	45,439,963
Others	**3,266,245**	1,660,854
Investment in bonds	**88,500,880**	87,857,705
AFS financial assets:		
Quoted equity instruments	**281,729,139**	354,522,489
	₱1,279,486,771	₱1,043,697,651

The tables below show the credit quality of the Group's financial assets by class based on the Group's credit evaluation process and the aging of past due but not impaired financial assets:

	Neither past due nor impaired		Past due but not impaired				
December 31, 2014	High Grade	Standard Grade	1 to 30 Days	31 to 90 Days	Over 90 Days	Impaired	Total
Loans and receivables:							
Cash in banks and cash equivalents	₱421,576,252	₱–	₱–	₱–	₱–	₱–	₱421,576,252
Accounts with contract operators	144,110,759	–	–	–	–	–	144,110,759
Advances to relatedparties	273,236,000	–	–	–	5,809,602	–	279,045,602
Investment in bonds	88,500,880	–	–	–	–	–	88,500,880
Accrued interest	5,687,629	–	1,168,757	2,299,813	52,101,695	–	61,257,894
Others	939,828	–	–	–	2,326,417	–	3,266,245
AFS financial assets:							
Quoted equity instruments	281,729,139	–	–	–	–	–	281,729,139
	₱1,215,780,487	₱–	₱1,168,757	₱2,299,813	₱60,237,714	₱–	₱1,279,486,771

	Neither past due nor impaired		Past due but not impaired				
December 31, 2013	High Grade	Standard Grade	1 to 30 Days	31 to 90 Days	Over 90 Days	Impaired	Total
Loans and receivables:							
Cash in banks and cash equivalents	₱93,964,475	₱–	₱–	₱–	₱–	₱–	₱93,964,475
Accounts with contract operators	178,854,376	–	–	–	2,456,187	–	181,310,563
Advances to related parties	273,132,000	–	–	–	5,809,602	–	278,941,602
Investment in bonds	87,857,705	–	–	–	–	–	87,857,705
Accrued interest	–	–	2,260,665	4,442,063	38,737,235	–	45,439,963
Others	1,660,854	–	–	–	–	–	1,660,854
AFS financial assets:							
Quoted equity instruments	354,522,489	–	–	–	–	–	354,522,489
	₱989,991,899	₱–	₱2,260,665	₱4,442,063	₱47,003,024	₱–	1,043,697,651

Credit quality of cash and cash equivalents,receivables and AFS financial assetsare based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default.However, the Group cannot demand any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity Risk

Liquidity risk is the risk that the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilitiesand dividends payable based on contractual undiscounted payments.

	Less than three months	Three to twelve months	Total
2014	**₱26,654,345**	**₱32,016,297**	**₱58,670,642**
2013	₱42,183,253	₱24,621,568	₱66,804,821

The table below summarizes the aging analyses of the Group's financial assets as at December 31, 2014 and 2013 that are used to manage the liquidity risk of the Company:

2014	**Less than three months**	**Three to twelve months**	**Total**
Cash and cash equivalents	**₱421,629,345**	**₱–**	**₱421,629,345**
Receivables:			
Advances to related parties	**223,236,000**	**5,809,602**	**229,045,602**
Accounts with contract operators	**144,110,759**	**–**	**144,110,759**
Accrued interest	**9,156,199**	**52,101,695**	**61,257,894**
Others	**939,828**	**2,326,417**	**3,266,245**
AFS financial assets	**281,729,139**	**–**	**281,729,139**
	₱1,080,801,270	**₱60,237,714**	**₱1,141,038,984**

2013	Less than three months	Three to twelve months	Total
Cash and cash equivalents	₱93,984,475	₱–	₱93,984,475
Receivables:			
Advances to related parties	223,132,000	5,809,602	228,941,602
Accounts with contract operators	178,854,376	2,456,187	181,310,563
Accrued interest	6,702,728	38,737,235	45,439,963
Others	1,660,854	–	1,660,854
AFS financial assets	354,522,489	–	354,522,489
	₱858,856,922	₱47,003,024	₱905,859,946

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates and equity price.

Foreign Currency Risk
Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and investment in bonds.The Group's foreign currency-denominated monetary assets as at December 31, 2014 and 2013 follow:

	2014		2013	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Cash and cash equivalents	**$7,786,944**	**₱348,232,136**	$602,287	₱26,738,531
Receivables	**2,237,601**	**100,065,517**	3,365,541	149,413,193
Investment in bonds	**1,979,000**	**88,500,880**	1,979,000	87,857,705
Net monetary assets	**$12,003,545**	**₱536,798,533**	$5,946,828	₱264,009,429

The table below demonstrates the sensitivity of the Group's income before income tax (solely from foreign currency revaluation) to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax due to changes in the carrying value of financial assets and liabilities. The sensitivity range is based on the historical volatility of the foreign exchange rate for the past year. The analysis is based on the assumption that last year's foreign currency rate volatility will be the same in the following year.

	Percentage Change in Foreign Exchange Rate	Effect on Income Before Income Tax
2014	Depreciation of the PHP against the USD by 2%	**₱10,735,971**
	Appreciation of the PHP against the USD by 1%	**(5,367,985)**
2013	Depreciation of the PHP against the USD by 2%	₱5,280,189
	Appreciation of the PHP against the USD by 1%	(2,640,094)

As at December 31, 2014 and 2013, the exchange rate of the Philippine peso to the US$ is ₱44.72 and ₱44.40to US$1.00, respectively.

Foreign currency risk has no other impact on the Group's equity other than through profit or loss.

Equity Price Risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks.The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as AFS financial assets.

The following table shows the sensitivity of the Group's equity (through OCI) from changes in the carrying value of the Group's AFS financial assets due to reasonably possible changes in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through OCI) due to changes in the carrying value of the Group's AFS financial assets. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through the adjusted betas of each individual stock. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be the same in the following year.

	Percentage Change in PSEi	Effect on Equity
2014	**Increase by 12%**	**₱12,921,874**
	Decrease by 12%	**(12,921,874)**
2013	Increase by 23%	₱75,364,896
	Decrease by 23%	(75,364,896)

The impact of equity price risk on the Group's equity excludes the impact on transactions affecting profit or loss.

22. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and the earnings potential of the Group's resources, ensuring that the Group complies with externally imposed, legal or contractual, capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

The following table summarizes the total capital considered by the Group:

	2014	2013
Capital stock	**₱1,568,018,151**	₱1,568,003,703
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Retained earnings	**1,786,109,965**	1,620,555,668
	₱3,355,752,128	₱3,190,183,383

23. Notes to Consolidated Statement of Cash Flows

In 2013, the Group transferred₱4.2 million from property and equipment to receivables, pertaining to the share in P&A received from Trans-Asia.

In 2012, the Group's principal non-cash investing activities includes capitalization from deferredoilexploration costs to property and equipment amounting to ₱20.9 million.

24. Provision for Rehabilitation and Decommissioning Costs

The Parent Company expects to continue to produce oil from the Nido, Matinloc, North Matinloc and Galocoil fields until they reach their maximum economic limits. The SC-14Blocks A, B, B-1 and Block C-1 Consortium has set asidecontingency funds for any future costs that may be incurred in connection with the decommissioning of these wells in accordance with good oilfield practice.

25. Contingent Liability

In relation to the Parent Company's acquisition of VIMC's interest in Tara and Octon blocks, the Parent Company is contingently liable for US$500,000 per contract area payable within sixty (60)days from the date of commercial discovery in the contract areas.

26. Segment Information

The Group has only one business segment which is primarily involved in oil exploration and production. The Group only operates in one geographical location, thus, no information on geographical segments is presented.

THE PHILODRILL CORPORATION AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2014

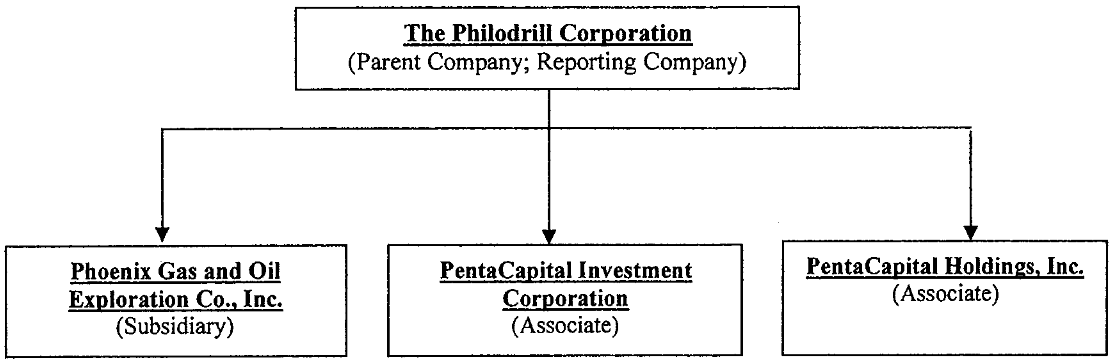
THE PHILODRILL CORPORATION AND SUBSIDIARY
8th Floor, Quad Alpha Centrum, 123 Pioneer St., Mandaluyong City

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱1,620,509,801
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents		4,077,843
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		1,624,587,644
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	₱374,653,168	
Less:Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	13,980,694	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	4,077,843	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	356,594,631	
Add:Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period	**356,594,631**	
Add (Less):		
Dividend declarations during the period	(191,868,805)	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	(191,868,805)	**164,725,826**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		₱1,789,313,470

SCHEDULE II
THE PHILODRILL CORPORATION AND SUBSIDIARY
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

	2014	2013
Profitability Ratios:		
Return on assets	**10.96%**	9.56%
Return on equity	**11.32%**	9.82%
Gross profit margin	**47.89%**	50.36%
Net profit margin	**38.65%**	43.44%
Liquidity Ratios:		
Current ratio	**9.64:1.00**	8.58:1.00
Quick ratio	**8.89:1.00**	7.06:1.00
Financial Leverage Ratios:		
Asset to equity ratio	**1.03:1.00**	1.03:1.00
Debt to equity ratio	**0.033:1.00**	0.027:1.00

SCHEDULE III
THE PHILODRILL CORPORATION AND SUBSIDIARY
MAP OF THE RELATIONSHIPS OF THE
COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014



<u>SCHEDULE IV</u>

THE PHILODRILL CORPORATION AND SUBSIDIARY
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as atDecember 31, 2014:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		4		
PFRSs Practice Statement Management Commentary		4		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			4
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			4
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			4
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			4
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			4
	Amendments to PFRS 1: Government Loans			4
PFRS 2	Share-based Payment	4		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	4		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			4
PFRS 3 (Revised)	Business Combinations			4
PFRS 4	Insurance Contracts			4
	Amendments to PAS 39 and PFRS 4: Financial			4

		Adopted	Not Adopted	Not Applicable
	Guarantee Contracts			
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			4
PFRS 6	Exploration for and Evaluation of Mineral Resources	4		
PFRS 7	Financial Instruments: Disclosures	4		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			4
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			4
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	4		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			4
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			4
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			4
PFRS 8	Operating Segments	4		
PFRS 9	Financial Instruments			4
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			4
PFRS 10	Consolidated Financial Statements	4		
PFRS 11	Joint Arrangements	4		
PFRS 12	Disclosure of Interests in Other Entities	4		
PFRS 13	Fair Value Measurement	4		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	4		
	Amendment to PAS 1: Capital Disclosures	4		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			4
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	4		
PAS 2	Inventories	4		
PAS 7	Statement of Cash Flows	4		

		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	4		
PAS 10	Events after the Reporting Period	4		
PAS 11	Construction Contracts			4
PAS 12	Income Taxes	4		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	4		
PAS 16	Property, Plant and Equipment	4		
PAS 17	Leases	4		
PAS 18	Revenue	4		
PAS 19	Employee Benefits	4		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	4		
PAS 19 (Amended)	Employee Benefits	4		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			4
PAS 21	The Effects of Changes in Foreign Exchange Rates	4		
	Amendment: Net Investment in a Foreign Operation			4
PAS 23 (Revised)	Borrowing Costs			4
PAS 24 (Revised)	Related Party Disclosures	4		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			4
PAS 27	Consolidated and Separate Financial Statements	4		
PAS 27 (Amended)	Separate Financial Statements	4		
PAS 28	Investments in Associates	4		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	4		
PAS 29	Financial Reporting in Hyperinflationary Economies			4
PAS 31	Interests in Joint Ventures	4		

		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	4		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			4
	Amendment to PAS 32: Classification of Rights Issues			4
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			4
PAS 33	Earnings per Share	4		
PAS 34	Interim Financial Reporting	4		
PAS 36	Impairment of Assets	4		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	4		
PAS 38	Intangible Assets			4
PAS 39	Financial Instruments: Recognition and Measurement	4		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			4
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			4
	Amendments to PAS 39: The Fair Value Option			4
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			4
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			4
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			4
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			4
	Amendment to PAS 39: Eligible Hedged Items			4
PAS 40	Investment Property			4
PAS 41	Agriculture			4
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			4

		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			4
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	4		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			4
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			4
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			4
IFRIC 9	Reassessment of Embedded Derivatives			4
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			4
IFRIC 10	*Interim Financial Reporting and Impairment*	4		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			4
IFRIC 12	Service Concession Arrangements			4
IFRIC 13	Customer Loyalty Programmes			4
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			4
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			4
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			4
IFRIC 17	Distributions of Non-cash Assets to Owners			4
IFRIC 18	Transfers of Assets from Customers			4
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			4
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			4
IFRIC 21	Levies	4		
SIC-7	Introduction of the Euro			4
SIC-10	Government Assistance - No Specific Relation to Operating Activities			4

		Adopted	Not Adopted	Not Applicable
SIC-12	Consolidation - Special Purpose Entities			4
	Amendment to SIC - 12: Scope of SIC 12			4
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			4
SIC-15	Operating Leases - Incentives			4
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			4
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			4
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			4
SIC-29	Service Concession Arrangements: Disclosures.			4
SIC-31	Revenue - Barter Transactions Involving Advertising Services			4
SIC-32	Intangible Assets - Web Site Costs			4

The Group has not early adopted any PFRS, PAS, and Philippine Interpretations effective January 1, 2015 onwards.

SCHEDULE V - A
THE PHILODRILL CORPORATION AND SUBSIDIARY
FINANCIAL ASSETS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
AFS Investments			
Atlas Consolidated Mining and Development Corporation	19,502,293	₱198,923,389	₱2,850,000
Vulcan Industrial and Mining Company	3,200,000	5,536,000	–
United Paragon Mining Corporation	6,839,068,254	75,229,751	–
Camp John Hay Golf Club	17	2,040,000	–
Investment in Bonds			
Carmen Copper Corporation	US$1,979,000	88,500,880	1,598,740

SCHEDULE V - B

THE PHILODRILL CORPORATION AND SUBSIDIARY

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS

(OTHER THAN RELATED PARTIES)

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2014

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period

- None -

SCHEDULE V - C

THE PHILODRILL CORPORATION AND SUBSIDIARY
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Amounts Written off	Current	Not Current	Balance at end period
Phoenix Gas and Oil Exploration Co., Inc. (Wholly-owned subsidiary)	₱1,070,181	₱218,390	₱–	₱–	₱–	₱–	₱1,288,571

SCHEDULE V - D

THE PHILODRILL CORPORATION AND SUBSIDIARY
INTANGIBLE ASSETS - OTHER ASSETS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance

-None-

SCHEDULE V - E

THE PHILODRILL CORPORATION AND SUBSIDIARY

LONG-TERM DEBT

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2014

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet

-None-

SCHEDULE V - F

THE PHILODRILL CORPORATION AND SUBSIDIARY

INDEBTEDNESS TO RELATED PARTIES

(LONG-TERM LOANS FROM RELATED COMPANIES)

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2014

Name of Related Party	Balance at beginning of period	Balance at end of period

- None -

SCHEDULE V - G

THE PHILODRILL CORPORATION AND SUBSIDIARY
GUARANTEES OF SECURITIES OF OTHER ISSUERS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

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 owed by person for which statement is filed	Nature of guarantee

- None -

SCHEDULE V - H
THE PHILODRILL CORPORATION AND SUBSIDIARY
CAPITAL STOCK
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	200,000,000,000	191,868,805,358	–	99,312,219,331	838,642,355	1,024,136

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
The Philodrill Corporation and Subsidiary

We have audited the accompanying consolidated financial statements of The Philodrill Corporation and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that The Philodrill Corporation and Subsidiary's ability to realize their deferred oil exploration costs depends on the success of their exploration and future development work in proving the viability of their oil properties to produce oil in commercial quantities, which cannot be determined at this time.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 4751289, January 5, 2015, Makati City

March 18, 2015

COVER SHEET

3	8	6	8	3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

8th Floor, Quad Alpha Centrum Building, 125 Pioneer Street Mandaluyong City

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

Reynaldo E. Nazarea
Contact Person

631-8151
Company Telephone Number

03 *Month* 31 *Day*

SEC Form 17-Q (March 2015)
FORM TYPE

06 *Month* 17 *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

8749
Total No. of Stockholders

Total Amount of Borrowings

P0.00	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2015

2. SEC Identification Number: 38683

3. BIR Tax Identification No.: 000-315-612-000

4. Exact name of registrant as specified in its charter : THE PHILODRILL CORPORATION

5. Philippines 6. ______________ (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code

7. 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of principal office Postal Code

8. (632) 631-8151/52
Registrant's telephone number, including area code

9. Not Applicable

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

Number of Common Stock Outstanding
191,868,805,358

	Amount of Debt Outstanding
Total Loans Payable	P 0.00

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

    Yes [x] No [ ]

12. Check whether the issuer

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

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PART 1 – FINANCIAL INFORMATION

Item I. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 1st quarter ended 31 March 2015 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.

2. Interim Statements of Operations for the current interim period (01 January to 31 March 2015), with comparative Statement of Operations for the comparable period (01 January to 31 March 2014) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 31 March 2015), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 31 March 2014) are attached to this report.

4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 31 March 2015), as well as the basis of computation thereof.

5. The Company's interim financial report for the 1st quarter 2015 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.

6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 31 March, 2015) as compared with the most recent annual financial statements (2014), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.

7. There were NO seasonal or cyclical aspects that had a material effect on the financial condition or results of interim operations of the Company.

8. There were NO unusual items during the interim period (01 January to 31 March 2015), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.

9. There were NO changes in the estimates of amounts reported in prior financial year (2014), which had a material effect in the current interim period (01 January to 31 March, 2015).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to March 31, 2015).

11. For the period January 1 to March 31, 2015, NO cash dividends were declared by the Board of Directors..

12. The Company does not generate revenues from any particular segment and its business is not delineated into any segment, whether by business or geography. The Company is not required to disclose segment information in its financial statements.

13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to March 31, 2015) that have not been reflected in the financial statements for said interim period.

14. There were NO changes in the composition of the Company during the interim period (January 1 to March 31, 2015) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.

15. The Company has NO contingent liabilities or contingent assets as of its last annual balance sheet date (December 31, 2014) and as of end of current interim period (March 31, 2015), EXCEPT those disclosed in Note 25 to the Company's 2014 Audited Financial Statements.

16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to March 31, 2015).

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

Financial Performance

Total revenues for the first quarter ended March 31, 2015 decreased by P195.6 million or 60% to P132.8 million from P328.4 million for the same period last year. Petroleum revenues decreased by P197.7 million or 63% to P118.6 million from P316.2 million for the same period last year. The decrease was brought mainly by the decrease in average crude prices in the first quarter of 2015 as compared to the same period last year. The average price per barrel decreased to $55.59 for the period ended March 31, 2015 as compared to $108.64 for the same period last year. The combined gross production also decreased to 613,924 barrels for the first quarter ended March 31, 2015, from 849,015 barrels produced for the same period last year. Equity in net earnings of associates increased by P1.5 million while interest income slightly increased by 2%.

Total costs and expenses decreased by P46.5 million from P162.5 million for the first quarter of 2014 to P116 million for the first quarter of 2015. Operating costs decreased by 24%. Foreign exchange gain remained at the same level of P1.04 million for the first quarters of 2015 and 2014. The company's net income after tax amounted to P17.1 million for the first quarter of 2015 as compared to P151.6 million for the same period last year.

The Company's top five (5) key performance indicators are as follows:

	Mar 31 , 2015	Dec 31, 2014
Current Ratio	*11.31 : 1*	*9.64 : 1*
Current Assets	1,010,480,042	934,812,125
Current Liabilities	89,367,303	96,945,906
Debt to Equity Ratio	*0.03 : 1*	*0.03 : 1*
Total Liabilities	98,259,484	109,668,268
Stockholders Equity	3,306,054,675	3,309,014,384
Equity to Debt Ratio	*33.65 : 1*	*30.17 : 1*
Stockholders Equity	3,306,054,675	3,309,014,384
Total Liabilities	98,259,484	109,668,268
Book Value per Share	*0.018145*	*0.018160*
Stockholders Equity *(gross of Subs. Receivable)*	3,481,389,615	3,484,349,324
Shares outstanding	191,868,805,358	191,868,805,358
Income per Share	*0.0000892**	*0.0007903**
Net Income	17,113,189	151,631,496
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to March 31*

The current ratios as of December 31, 2014 and March 31, 2015 are 9.64:1 and 11.31:1, respectively. The Company's current assets exceeded its current liabilities by P921.1 million as of March 31, 2015 and P837.9 million as of December 31, 2014. The "Available-for-sale (AFS) financial assets" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of P261.6 million as of March 31, 2015 and P281.7 million as of December 31, 2014. If these shares would be considered part of Current Assets, the recomputed current ratio would be 14.23:1 as of March 31, 2015 and 12.55:1 as of December 31, 2014.

Total assets decreased from P3.42 billion as of December 31, 2014 to P3.40 billion as of March 31, 2015. Cash and cash equivalents increased by P144.8 million or 34% due to the collection of the company's share in Galoc revenues. Receivables decreased by P43.9 million or 10% due to the full payment from a related party of its advances from the company. Crude oil inventory decreased by P24.9 million or 35% due to lower volume of crude oil on storage as of March 31, 2015. Other current assets decreased by P0.3 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of P29.7 million to P767.3 million as of March 31, 2015 mainly due to the booking of depletion costs. Available-for-sale (AFS) financial assets decreased by P20.1 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by P5.6 million due to additional project costs. Advances to a related party – net of current portion also decreased by 100% due to the full payment made by the related party of its advances from the company last February 10, 2015. Deferred income tax assets increased by P0.8 million or 5% due to adjustments in the recognition of deferred tax assets as of end of the interim period. Other noncurrent assets slightly decreased by P0.5 million or 4%.

Total liabilities reflected a net decrease of 10% or P11.4 million from P109.7 million as of December 31, 2014 to P98.3 million as of March 31, 2015 mainly due to expenses paid as of end of interim period.

Stockholders' equity decreased by P2.9 million from P3.309 billion as of December 31, 2014 to P3.306 billion as of March 31, 2015. The net unrealized loss on decline in value of AFS financial assets increased by P20.1 million to P247.4 million as of March 31, 2015 due to the adjustment in the valuation reserve of the company's listed stock investments. The company's retained earnings amounted to P1.81 billion as of March 31, 2015 as compared to P1.79 billion as of December 31, 2014.

The Company has a majority-owned subsidiary, Phoenix Gas & Oil Exploration Co., Inc. (PGO). The Company acquired 100% of PGO's capital stock in May 2007. Since PGO has NOT yet started commercial operations, disclosure on performance indicators are as follows:

	Mar 31, 2015	Dec 31, 2014
Current Ratio	0	0
Current Assets	0	0
Current Liabilities	1,288,571	1,288,571
Debt to Equity Ratio	0.14 : 1	0.14 : 1
Total Liabilities	1,288,571	1,288,571
Stockholders' Equity	8,955,506	8,955,506
Equity to Debt Ratio	6.95 : 1	6.95 : 1
Stockholders' Equity	8,955,506	8,955,506
Total Liabilities	1,288,571	1,288,571
Book Value per Share	0.007	0.007
Stockholders Equity *(gross of Subs. Receivable)*	93,330,506	93,330,506
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	0	0
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

In general, Management is not aware of any material event or uncertainty that has affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

1. There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have material impact on the Company's liquidity. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:
    a) collecting a portion of Accounts Receivables;
    b) selling a portion of its existing investments and assets;
    c) generating cash from loans and advances; and
    d) issuing subscriptions call on the balance of the subscriptions receivable.

2. There are NO events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

3. 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, EXCEPT those disclosed in Note 25 to the Company's 2014 Audited Financial Statements.

4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from: operations, collection of subscriptions and other receivables, and from loans/financing, or to avoid incurring these expenditures altogether by way of farm-outs.

5. There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income of the Company from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

7. There have been NO material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

Cash and cash equivalents increased by P144.8 million mainly due to the collection of the company's share in the Galoc revenues.

Receivables decreased by P43.9 million or 10% due to the collection of advances to a related party during the interim period.

Crude oil inventory decreased by P24.9 million or 35% due to the lower volume of crude oil on storage as of end of the interim period.

Other current assets decreased by P0.3 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a decrease of P29.7 million to P767.3 million as of March 31, 2015 mainly due to the booking of depletion costs.

Available-for-sale investments decreased by P20.1 million due to the adjustment/decline in the valuation reserve booked as of end of interim period.

Advances to a related party-net of current portion decreased by P50.0 million or 100% due to the collection in full of the advances to a related company last February 10, 2015.

Accounts payable and accrued liabilities reflected a P6.6 million decrease due to payments of accrued expenses during the interim period.

Income tax payable increased by P146,923 due to the additional provision for income taxes accrued in the interim period.

Dividends payable decreased by P1.1 million mainly due to the payments of cash dividend made during the interim period.

Retirement benefit liability decreased by P3.8 million or 30% mainly due the additional contribution made to the retirement fund.

Net unrealized loss on decline in value of AFS financial assets as of December 31, 2014 amounted to P227.3 million. For the interim period, P20.1 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of March 31, 2015, net unrealized loss on decline in market value of AFS financial assets amounted to P247.4 million.

The company's retained earnings amounted to P1.81 billion as of March 31, 2015 as compared to P1.79 billion as of December 31, 2014. The net increase of P17.2 million was due to the net income booked for the first quarter of 2015.

Petroleum revenues decreased by P197.7 million or 63% to P118.6 million from P316.2 million for the same period last year due to lower production and lower crude prices. The combined gross production decreased to 613,924 barrels for the first quarter ended March 31, 2015 from 849,015 barrels produced for the same period last year. While the average price per barrel decreased to $55.59 for the period ended March 31, 2015 as compared to $108.64 per barrel for the same period last year.

Equity in net earnings of associates increased by 61% due to the higher level of income booked by Penta Capital Investment Corporation.

Foreign exchange gain remained at the same level of P1.04 million for the first quarters of 2015 and 2014.

Share in costs and operating decreased by P32.9 million or 24% due to lower level of production costs booked during the first quarter of 2015.

Net income amounted to P17.1 million for the first quarter of 2015, as compared to P151.6 million for the same period last year.

8. There are NO seasonal aspects that had material effect on the financial condition or results of operations.

Item 3. Management's Assessment and Evaluation of Financial Risk Exposures

A. Financial Instruments

Since there were NO financial assets reclassified into and from each category, disclosures on the following are:

a. The financial assets reclassified into and from each category; - Not Applicable

b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods;- Not Applicable

c. For financial assets reclassified in rare circumstances, the facts that would establish such kind of circumstances; -Not Applicable

d. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods;- Not Applicable

e. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized;-Not Applicable

f. As at date of reclassification, the effective interest rates and estimated amounts of cash flows the company expects to recover. – Not Applicable

Fair Values of Financial Instruments

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Consolidated Unaudited March 2015	Consolidated Unaudited March 2015	Consolidated Audited December 2014	Consolidated Audited December 2014
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	566,484,775	566,484,775	421,629,345	421,629,345
Advances to related companies	179,196,500	179,196,500	229,045,602	229,045,602
Accounts with contract operators	149,402,520	149,402,520	144,110,759	144,110,759
Accrued interest receivables	59,013,969	59,013,969	61,257,894	61,257,894
Accounts with partners	2,301,996	2,301,996	0	0
Others	4,190,101	4,190,101	4,382,348	4,382,348
Long term investment	88,461,300	88,461,300	88,500,880	88,500,880
Advances to a related party net of current portion	0	0	50,000,000	50,000,000
	1,049,051,161	**1,049,051,161**	**998,926,828**	**998,926,828**
AFS financial assets				
Quoted equity instruments	261,585,090	261,585,090	281,729,140	281,729,140
	261,585,090	**261,585,090**	**281,729,140**	**281,729,140**
	1,310,636,251	**1,310,636,251**	**1,280,655,968**	**1,280,655,968**
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities				
Accrued liabilities	15,840,256	15,840,256	16,694,809	16,694,809
Accrued interest	0	0	0	0
Others	728,468	728,468	733,949	733,949
Dividends payable	30,906,759	30,906,759	32,016,297	32,016,297
	47,475,483	**47,475,483**	**49,445,055**	**49,445,055**

Quoted AFS investments are carried at fair value based on the quoted values of the securities.

B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables, AFS financial assets, accounts payables and accrued liabilities (except withholding taxes), dividends payable and subscriptions payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risks, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit risks
Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short term investments, receivables and AFS financial assets, advances to related parties and investments in bonds, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.

As of March 31, 2015, all of the outstanding trade receivables are from the SC14 A, B, B-1 & C-1 consortiums. At present, the SC14 A, B & B-1 consortium has a supply agreement with Pilipinas Shell Petroleum Corporation (Pilipinas Shell), assuring Pilipinas Shell with sale of the SC14 A, B & B-1 consortium's petroleum products. For SC14 C-1 consortium, the operator, Galoc Production Company has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	Unaudited balances as of March 31, 2015
Loans and receivables	
Cash and cash equivalents	566,484,775
Accounts with contract operators	149,402,520
Advances to related companies	179,196,500

Accrued interest	59,013,969
Account with partners	2,301,996
Others	4,190,101
Advances to a related party net of current portion	0
AFS investments	
Quoted	261,585,090
Long term investment	88,461,300
Gross maximum credit risk exposure	1,310,636,251

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2015 based on the Group's credit evaluation process:

			Past due but not impaired				
	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	1-30 days	31-90 days	Over 90 days	Impaired Financial Assets	Total
Loans and receivables							
Cash and cash equivalents	566,484,775						566,484,775
Accounts with contract operators	149,402,520						149,402,520
Advances to related companies	173,386,899				5,809,601		179,196,500
Accrued interest			1,268,989	2,224,347	55,520,633		59,013,969
Account with partners	2,301,996						2,301,996
Others					4,190,101		4,190,101
AFS investments:							
Quoted equity instruments	261,585,090						261,585,090
Long term investment	88,461,300						88,461,300
Total	1,241,622,580	0	1,268,989	2,224,347	65,520,336	0	1,310,636,251

Credit quality of cash and cash equivalents, receivables and AFS financial assets are based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default. However, the Group cannot demand any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity risk
Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a

balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the aging analyses of the Group's financial assets as of March 31, 2015 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	566,484,775	0	506,923,618
Receivables			
Advances to related parties	173,386,899	5,809,601	179,196,500
Accounts with contract operators	149,402,520	0	149,402,520
Accrued interest	3,493,336	55,520,633	59,013,969
Account with partners	2,301,996		2,301,996
Others	4,190,101	0	4,190,101
AFS financial assets	261,585,090	0	261,585,090
	1,160,844,717	61,330,234	1,222,174,951

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilities and dividends payable based on contractual undiscounted payments.

	Less than three months	Three to twelve months	Total
March 31, 2015	47,475,483		47,475,483

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and equity price.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and investment in bonds. The Parent Company's entire share in petroleum operations revenue is denominated in United States Dollar (USD). Consequently, the Group is exposed to foreign exchange risk arising from its USD-denominated receivables, cash and cash equivalents and investment in bonds.

As of March 31, 2015, the exchange rate of the Philippine peso to the US$ is P44.70 to US$1.00.

Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks.

The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as AFS financial assets.

PETROLEUM PROJECTS

1.0 Service Contract 6A (Octon)

Erstwhile block operator Pitkin Petroleum Plc opted to withdraw from the service contract effective 31 December 2014. Prior to Pitkin's formal exit, the remaining consortium members approved a resolution selecting Philodrill as the new block operator effective January 1, 2015. Consequently, a Deed of Assignment was crafted and executed by the consortium to formalize the transfer of Pitkin's interest back to the continuing partners. This was submitted for approval to the Department of Energy in March 2015 where it remains pending.

During the 1st quarter, Philodrill commenced a more detailed mapping and review of the whole block using data sets and interpretations received from Pitkin.

2.0 Service Contract 6B (Bonita)

The programmed satellite gravity study of the block, initiated last year, had been completed. This program in SC 6B is part of a bigger coverage which also included three other offshore Palawan blocks, with Cosine International as contractor.

During the first quarter, Philodrill continued the extended seismic interpretation work focusing on the northern and eastern sections of the block. Philodrill also started reviewing the coverage area for the programmed seismic re-processing work. A formal request/quote for a 200 – 400 km^2 reprocessing work was sent to a prospective contractor in early March.

3.0 Service Contract No. 14 (Production Blocks)

1st Quarter 2015 Crude Oil Production Summary (in barrels)

	Nido	Matinloc	North Matinloc	Total
January	6,443	7,717	948	15,108
February	1,539	6,884	850	9,273
March	6,484	4,028	1,298	11,810
total	14,466	18,629	3,096	36,191

The consortium completed four shipments during the first quarter, involving 41,953 barrels of combined Nido-Matinloc-North Matinloc crudes, including the inventory from the previous quarter. As of end-March 2015, about 693 barrels of the crude mix were onboard the storage vessels.

Philodrill had introduced cost cutting measures to lessen the negative impact of the prevailing lower crude prices to its operation. The company successfully negotiated with the helicopter provider INAEC for the joint use of one helicopter unit with another field operator at reduced costs. The company also cut down on non-recurring expenditures, as well as cost savings on platform personnel and services. Those measures are being implemented without jeopardizing the safety of operations.

Nido 1X-1 Appraisal/Development Studies
The economic analysis of the RISC-certified resources done by Philodrill in 2014 indicated that the Nido 1X-1 field may still be developed. This prompted Philodrill to contract third party auditor Netherland, Sewell & Associates, Inc (NSAI) to provide a second opinion to the RISC audited reserves. NSAI's findings, however, in general are consistent with the previous RISC audit results.

4.0 <u>Service Contract No. 14D (Retention Block)</u>
In February 2015, Philodrill proposed to the partners to conduct a short-term G&G evaluation work for the block aimed at providing a better understanding of its prospectivity and potential. The proposal was formally presented during a partners meeting on February 24, 2015. The same was submitted to the DOE on March 2, 2015 along with a request for the utilization of the rental fee, amounting to Php343,720, to partially cover the cost of the program.

5.0 <u>Service Contract No. 14 C-1 (Galoc)</u>
The Galoc Field produced 588,175 barrels during the period from January 1 to March 31, 2015. Cumulative production stood at 15,170,879 barrels as at end-March. The field achieved its 15 million barrels production milestone on March 5, 2015

Field operator Galoc Production Company (GPC) completed two offtakes during the quarter, involving 682,515 barrels. Both cargoes were sold to ThaiOil Public Company Limited, a repeat buyer. As of 31 March 2015, about 266,050 barrels were on board the FPSO Rubicon Intrepid.

In February 2015, Nido Petroleum completed the acquisition of GPC from Otto Energy and had formally taken over the management of GPC.

6.0 <u>Service Contract 14 C-2 (West Linapacan)</u>
Late last year, the West Linapacan farming out partners gave operator RMA WL until end-December 2014 to secure the necessary funding for the drilling completion, and extended well test of West Linapacan A-7, which did not materialize. This prompted the farmors to terminate the farm-in agreement in January 2015. A final extension by the consortium and the DOE giving RMA until March 5, 2015 to show substantial proof of funding and financial capability to carry out its obligations under the Service Contract and the FIA had also lapsed. In early March, the

consortium formally sought for the withdrawal of DOE approvals of the interest assignments to Pitkin and RMA, the reversion to the contract's participating interest structure prior to the assignments, and the appointment of Philodrill as the operator. By the end of the first quarter, the DOE's reply and action on the consortium request remained pending.

7.0 Service Contract No. 53 (Onshore Mindoro)

Joint Venture partner RMA Limited has yet to approve the proposed locations for the Progreso-2 and Progreso-3 wells, the P2 Formation Evaluation Program, and the P2 dry hole AFE. Execution of the drilling rig contract with rig provider DESCO remains on hold pending the RMA approvals. Well drilling is now seen to materialize in the second half of 2015.

8.0 Service Contract No. 74 (Linapacan)

The second leg of the North Palawan geological field work was carried out in early January. The field teams are now consolidating the results from the first and second legs. The field campaigns were designed to map and sample pre-Nido sequences and how they correlate with the formations found offshore Northwest Palawan.

The DOE approved in February the extension of Sub-Phase 1 from 13 February 2015 to 13 August 2015 to allow re-processing of the necessary portion of the TQ3D data set and completion of the reservoir modeling studies for the Linapacan discoveries. Except for the reservoir modeling, the other activities for Sub-Phase 1 have already been undertaken.

9.0 SWAN Block

Philodrill continued to wait for PNOC-Exploration Corporation's review of the proposal to acquire participation in Philodrill's Nido 1X-1 project for a potential interest swap in their service contracts which now cover the former SWAN Block.

PART II – OTHER INFORMATION

There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 31 March 2015).

SIGNATURES

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

By:

Date: ________________
FRANCISCO A. NAVARRO
President

Date: 04/29/15
REYNALDO E. NAZAREA
Treasurer & VP-Administration

THE PHILODRILL CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17Q

*These schedules, which are required by Part IV(e) of RSA 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.

THE PHILODRILL CORPORATION

Consolidated Statements of Financial Position

	(Unaudited) March 31 2015	(Audited) December 31 2014
ASSETS		
Current Assets		
Cash and cash equivalents	566,484,775	421,629,345
Receivables	395,902,936	439,849,096
Crude oil inventory	46,921,837	71,834,993
Other current assets	1,170,494	1,498,691
Total Current Assets	1,010,480,042	934,812,125
Noncurrent Assets		
Property and equipment - net	767,287,105	796,989,141
Investments in associates	293,017,542	289,106,142
Available-for-sale (AFS) financial assets	261,585,090	281,729,139
Deferred oil exploration costs	955,355,980	949,737,578
Advances to a related party - net of current portion	0	50,000,000
Investment in bonds	88,461,300	88,500,880
Deferred income tax assets	16,103,421	15,330,960
Other noncurrent assets	12,023,679	12,476,687
Total Noncurrent Assets	2,393,834,117	2,483,870,527
TOTAL ASSETS	3,404,314,159	3,418,682,652
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	24,385,687	31,001,675
Income tax payable	34,074,857	33,927,934
Dividends payable	30,906,759	32,016,297
Total Current Liabilities	89,367,303	96,945,906
Noncurrent Liability		
Retirement benefit liability	8,892,181	12,722,362
TOTAL LIABILITIES	98,259,484	109,668,268
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,018,150	1,568,018,151
Subscribed	350,669,903	350,669,903
Subscriptions receivable	(175,334,940)	(175,334,940)
Paid in capital from sale of treasury shares	1,624,012	1,624,012
Share in other comprehensive (loss) of an associate	11,982	11,982
Net unrealized loss on decline in value of AFS financial assets	(247,397,759)	(227,253,709)
Retained earnings	1,808,463,327	1,791,278,985
Total Equity	3,306,054,675	3,309,014,384
TOTAL LIABILITIES AND EQUITY	3,404,314,159	3,418,682,652

THE PHILODRILL CORPORATION

Consolidated Statements of Income
(Unaudited)

	January 1 to March 31 2015	January 1 to March 31 2014
PETROLEUM REVENUE	118,561,351	316,247,261
COSTS AND EXPENSES		
Share in costs and operating	(102,312,934)	(135,195,762)
General and administrative	(13,692,549)	(27,297,646)
	(116,005,483)	(162,493,408)
OTHER INCOME (CHARGES)		
Equity in net earnings of associates	3,911,400	2,430,600
Interest income	8,572,351	8,420,427
Foreign exchange gains (losses)	1,040,220	1,048,326
Others	715,866	272,382
	14,239,837	12,171,735
INCOME BEFORE INCOME TAX	16,795,705	165,925,588
PROVISION FOR (BENEFIT FROM) INCOME TAX	(317,484)	14,294,092
NET INCOME	17,113,189	151,631,496
OTHER COMPREHENSIVE INCOME (LOSS)		
Changes in fair value of AFS financial assets	(20,144,050)	(7,117,749)
TOTAL COMPREHENSIVE INCOME (LOSS)	(3,030,861)	144,513,747

Earnings per share was computed as follows:

Net income (loss)	17,113,189	151,631,496
Weighted average number of shares	191,868,805,358	191,868,805,358
Income (loss) per share	0.0000892	0.0007903

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to March 31 2015	January 1 to March 31 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	17,113,189	151,631,496
Adjustments for:		
Depletion, depreciation and amortization	31,533,213	45,051,615
Equity in net losses (earnings) of associates - net	(3,911,400)	(2,430,600)
Operating loss before working capital changes	44,735,002	194,252,511
Decrease (increase) in:		
Receivables	(7,223,011)	(1,411,227)
Crude oil inventory	24,913,156	7,136,643
Other current assets	328,194	1,381,165
Retirement benefits assets	(3,830,181)	(4,101,252)
Increase in accounts payable and accrued expenses	(6,469,065)	24,940,974
Net cash from (used in) operating activities	52,454,096	222,198,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Reductions in (additions to):		
Property and equipment	(1,831,178)	(40,789,809)
Deferred oil exploration costs and other inv	(6,663,352)	(3,893,442)
Advances to affiliated companies - net	100,041,349	(493,140)
Investments	0	0
Other noncurrent assets	1,964,054	(3,637,345)
Subscriptions payable	0	0
Net cash from (used in) investing activities	93,510,873	(48,813,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) of:		
Subscriptions receivable	0	7,224
Dividends payable	(1,109,539)	(5,705,523)
Loans payable	0	0
Net cash from (used in) financing activities	(1,109,539)	(5,698,299)
NET INCREASE (DECREASE) IN CASH	144,855,430	167,686,779
CASH, BEGINNING	421,629,345	93,984,475
CASH, ENDING	566,484,775	261,671,254

THE PHILODRILL CORPORATION

Consolidated Statements of Changes in Equity

	Unaudited March 2015	March 2014
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,018,150	1,568,003,703
Issuance during the first quarter	0	14,447
Balance at end of first quarter	1,568,018,150	1,568,018,150
Subscribed		
Balance at the beginning of year	350,669,903	350,684,351
Issuance during the first quarter	0	(14,447)
Balance at end of first quarter	350,669,903	350,669,904
Subscriptions receivable		
Balance at the beginning of year	(175,334,940)	(175,342,164)
Collection of subscriptions receivable	0	7,224
Balance at end of first quarter	(175,334,940)	(175,334,940)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Movement during the first quarter	0	0
Balance at end of first quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(227,253,708)	(154,460,360)
Adjustment during the first quarter	(20,144,050)	(7,117,749)
Balance at end of first quarter	(247,397,759)	(161,578,110)
Share in other comprehensive income of an associate		
Balance at the beginning of year	11,982	(303,238)
Movement during the first quarter	0	0
Balance at the ending of year	11,982	(303,238)
Retained Earnings		
Balance at the beginning of year	1,791,350,138	1,620,618,143
Cash dividend declared	0	(95,934,403)
Net income (loss) for the first quarter	17,113,189	151,631,496
Balance at end of first quarter	1,808,463,327	1,676,315,236
Total Stockholders' Equity	3,306,054,675	3,259,411,014

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED MARCH 31, 2015

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	2,168,596	662,613	1,033,358		1,797,850		1,797,850
	2,168,596	662,613	1,033,358	0	1,797,850	0	1,797,850

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE QUARTER ENDED MARCH 31, 2015

Name of Issuing Entity and Description of Investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/ Accrued from Investments Not Accounted for by the Equity Method
	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	
Investments in associates:									
Penta Capital Investment Corp.	1,600,000	233,352,201	3,911,400				1,600,000	237,263,601	
Penta Capital Holdings, Inc.	300,000	55,753,941	0				300,000	55,753,941	
		289,106,142	3,911,400	0	0	0		293,017,542	0
Amount shown under the caption "Available For Sale Investments"									
Atlas Consolidated Mining and Development Corporation	19,502,293	430,148,018					19,502,293	430,148,018	
Vulcan Industrial & Mining Corp.	3,200,000	4,150,876				0	3,200,000	4,150,876	
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
Philippine Gold	325,000	10,877,340					325,000	10,877,340	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
		519,860,189	0	0	0	0		519,860,189	0
less-allowance for decline in market value		238,131,049				20,144,050		258,275,099	
		281,729,140		0		20,144,050		261,585,090	
		570,835,282	3,911,400	0	0	20,144,050	0	554,602,632	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED MARCH 31, 2015

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	173,236,001	173,386,899
Anglo Philippine Holdings Corporation	50,000,000	0
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,055,838	1,055,838
	229,045,601	179,196,499

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2015

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,297,361,339	1,831,179			1,299,192,518
Office condominium units and improvements	17,934,623		0		17,934,623
Office furniture, fixtures and equipment	7,500,310	0			7,500,310
Transportation equipment	12,214,900				12,214,900
	1,335,011,173	1,831,179	0	0	1,336,842,352

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE FIRST QUARTER ENDED MARCH 31, 2015

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	513,134,350	30,711,106			543,845,456
Office condominium units and improvements	10,107,754	123,936			10,231,690
Office furniture, fixtures and equipment	6,699,939	84,033			6,783,972
Transportation equipment	8,313,540	380,587			8,694,127
	538,255,583	31,299,663	0	0	569,555,246

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE FIRST QUARTER ENDED MARCH 31, 2015

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	949,737,578	5,618,402				955,355,980
	949,737,578	5,618,402	0	0	0	955,355,980

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE QUARTER ENDED MARCH 31, 2015

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	200,000,000,000	156,801,815,022	35,066,990,336	0	888,642,355	190,980,163,003

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE FIRST QUARTER ENDED MARCH 31, 2015

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & items in litigation
a) Trade receivables									
1) Account with contract operator and par	151,704,516	21,941,150	129,763,366						
less allowance for doubtful accounts	0								
Net Trade Receivables	151,704,516	21,941,150	129,763,366	0	0	0	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	59,013,969	1,195,085	2,298,236	3,434,029	7,830,190	28,089,993		16,166,436	
less allowance for doubtful accounts	0								
2) Account with officers and employees	1,797,850	161,549	501,064	394,088	741,149				
3) Advances to related companies	179,196,500					173,386,899		5,809,601	
less allowance for doubtful accounts									
4) Others	4,190,101				4,190,101				
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	244,198,420	1,356,633	2,799,300	3,828,117	12,761,440	201,476,893	0	21,976,037	0
Net Receivables	395,902,936	23,297,784	132,562,666	3,828,117	12,761,440	201,476,893	0	21,976,037	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Accounts Receivable	Nature/Description	Collection Period
a) Trade receivables		
1) Account with contract operator	share in crude oil revenue net of share in production costs	30 days
b) Non-trade receivables		
1) Accrued interest receivable	interest receivable on advances	
2) Account with officers and employees	other advances to officers and employees	
3) Advances to related companies	loans and advances to related parties	

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
MARCH 31, 2015

	March 2015	December 2014
Profitablity Ratios:		
Return on assets	0.50%	10.96%
Return on equity	0.52%	11.32%
Gross profit margin	13.70%	47.89%
Net profit margin	14.43%	38.65%
Liquidity Ratios:		
Current ratio	11.31 :1	9.64 :1
Quick ratio	10.77 :1	8.89 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.03 :1	1.03 :1
Debt to equity ratio	0.03 :1	0.03 :1

Basis of Preparation, Basis of Consolidation, Statement of Compliance, Changes in Accounting Policies and Disclosures, Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for crude oil inventory which is valued at net realizable value (NRV)and quoted AFS financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company and its subsidiary's functional and presentation currency, rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions.

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved when the Parent 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. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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 Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective on January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 27, *Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and also clarify the application of PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The Group continues to present financial assets and financial liabilities at gross since the management has assessed that offsetting arrangements are not automatic.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*(Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. These amendments have no impact on the consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The Group has no derivatives during the current period but will be considered for future hedging transactions.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not apply discounting on its short-term receivables and payables as the impact is immaterial.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014

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

Effective Date to be Determined

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of
  PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC).
  Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group since it has no agreements for the construction of real estate.

The following new Standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The Group has no contributions from employees or third parties to defined benefit plans. Thus, these amendments had no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a) A performance condition must contain a service condition
  b) A performance target must be met while the counterparty is rendering service
  c) A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Company
  d) A performance condition may be a market or non-market condition
  e) If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The amendments affect disclosure only and have no impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of
  PAS 39, (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  a) An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosure only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is expected to have no impact on the Group's future financial position or performance since the Group does not use the method in accounting for its property and equipment items and has no intangible assets for revaluation.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a) Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b) This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment is not expected to have any impact to the Group's future financial statements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).The amendment is expected not to have any impact to the Group's future financial statements.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. These amendments will not have any impact on the Group's financial statements.

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

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's future financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that

produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
  These amendments will not have any impact on the Group's financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  These amendments will not have any impact on the Group's financial statements.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.
  An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The Group expects that this interpretation will not have any impact on its financial statements.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the Group's financial statements since it is not preparing condensed interim financial statements

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  These amendments will not have any impact on the Group's financial statements.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any impact on the Group's financial statements since it is not preparing interim financial statements.

Effective January 1, 2018:

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

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.
The Group shall consider the effects of this amendment in its future hedging transactions.

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

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

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The Group does not expect any significant impact in the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

<u>Financial Instruments Initial Recognition and Subsequent Measurement</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in the case of a financial asset) or received (in the case of a financial liability). Except for those designated at FVPL, the initial measurement of financial instruments includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables and derivatives designated as hedging instruments in

an effective hedge, as appropriate.
The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate,
re-evaluates such designation at the end of each reporting period.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2014 and 2013, the Group has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

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

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as FVPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities as at December 31, 2014 and 2013 are in the nature of loans and borrowings. The Group has no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Fair Value Measurement
The Group measures financial instruments, such as, derivatives, and nonfinancial assets such as investment properties, at fair value at each financial reporting date.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis,
the Group determines whether transfers have occurred between Levels in the hierarchy by
re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

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

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as "Net unrealized loss on decline in value of AFS financial assets".

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2014 and 2013, the Group classifies its investments in shares of stocks as AFS financial assets (see Note 20).

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, loans and receivables are subsequently carried at amortized cost using the EIR method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if their maturity falls within twelve months from reporting date or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

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

As at December 31, 2014 and 2013, the Group's loans and receivables consist of cash and cash equivalents, receivables, investment in bonds and advances to related parties (see Note 20).

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVPL upon the inception of the liability.

After initial recognition, these liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2014 and 2013, the Group classifies its accounts payable and accrued liabilities and dividends payable as loans and borrowings (see Note 20).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether 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 contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability
to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. Objective impairment evidence may constitute the increased probability of insolvency, or significant financial difficulties, of the debtor. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets
For AFS financial assets, the Group assesses at end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI, is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

If there is objective evidence of impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.
When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability are discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Interest in Jointly Controlled 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, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Crude Oil Inventory
Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory based on Platt's Dubai monthly average of the mid-day crude oil prices for the reporting month and is adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.).

Investments in Associates
Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in OCI is recognized in consolidated statement of comprehensive income. The cumulative
post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property and Equipment
Property and equipment are stated at cost less accumulated depletion and depreciation, and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection, and the estimated useful lives of the related property and equipment.

Wells, platforms and other facilities are depleted on a field basis under the unit-of-production (UOP) method based upon estimates of proved developed reserves except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

Depreciation of property and equipment, other than wells, platforms and other facilities, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Office condominium units and improvements	20
Transportation equipment	5
Office furniture, fixtures and equipment	3-5

Depletion and depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depletion and depreciation ceases when an item of property and equipment is fully depreciated, depleted or amortized or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and related accumulated depletion, and depreciation, and any allowance for impairment are removed from the accounts and any gain or loss resulting from their disposals is recognized in consolidated statement of income.

The asset's reserves, useful lives and depletion and depreciation methods are reviewed periodically to ensure that the periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Deferred Oil Exploration Costs
Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred oil exploration costs" account. The Group's deferred oil exploration costs are specifically identified of each Service Contract (SC) area. All oil exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil exploration asset is written off through the consolidated statement of income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil exploration costs relating to the SC, where oil in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to "Wells, platforms and other facilities" account shown under the "Property and equipment" account in the consolidated statement of financial position.

Deferred oil exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.
The recoverability of deferred oil exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Farm-ins and Farm-outs
The Group does not record any expenditure made by the farminee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any cost previously capitalized in relation to the whole interest. Any cash consideration received directly from the farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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

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

<u>Capital Stock</u>
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in paid-in capital from sale of treasury shares.

<u>Retained Earnings</u>
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

<u>Dividends on Capital Stock</u>
Dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the reporting period.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Petroleum Revenue
Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest. Revenue is measured at the fair value of consideration received, excluding discounts, and other sales tax or duty based on the Group's participating interest.

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

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

<u>Costs and Expenses</u>
Costs and expenses are recognized in consolidated statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income in the year in which they are incurred.

Share in Costs and Operating Expenses
Share in costs and operating expenses include production costs of SC-14 and transportation costs per lifting and ending inventory which is recognized upon the allocation of the amounts mentioned by the SC. Allocation is done by the use of the Group's participating interest in the SC.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

<u>Other Comprehensive Income (Loss)</u>

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Share-Based Payment
Certain employees (including directors) of the Parent Company receive remuneration in the form of share appreciation right (SAR). This entitles the employees to receive cash which is equal to the excess of the market value of the Company's shares over the award price as of a given date.

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 12.

Retirement Benefit
The Group has a funded, non-contributory defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

*Service cost
*Net interest on the net defined benefit liability or asset
*Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefit expense" under personnel costs in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest income" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements are recognized in "Retained earnings" after the initial adoption of the Revised PAS 19.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight line basis over the lease term.

Earnings per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary difference associated with investments in foreign subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will no reverse in a foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable income 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:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in foreign subsidiaries 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 income will be available against which the temporary differences can be utilized.

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

In respect of deductible temporary differences associated with investment in associates, 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 and liabilities are measured at the tax rates that are expected to apply to the period 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 end of the reporting period.

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 income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

Contingencies

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

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable closing functional currency exchange rate at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the consolidated statement of income. Nonmonetary 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 transaction. Nonmonetary 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 transaction of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item

Segment Reporting

Currently, the Group has only one business segment. The Group is primarily involved in oil exploration and production. Revenue generated consists mainly of revenue from petroleum operations. Other income is derived from equity in net earnings of associates. The Group has no geographical segments.

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (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 to the consolidated financial statements.