SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended

   Jun 30, 2019

2. SEC Identification Number

   38683

3. BIR Tax Identification No.

   000-315-612-000

4. Exact name of issuer as specified in its charter

   THE PHILODRILL CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

   METRO MANILA, PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   8TH FLOOR, QUAD ALPHA CENTRUM, 125 PIONEER ST. MANDALUYONG CITY
   Postal Code
   1550

8. Issuer's telephone number, including area code

   (632)6818151

9. Former name or former address, and former fiscal year, if changed since last report

   N.A.

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

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

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

   (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

The Philodrill Corporation
OV

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2019
Currency (indicate units, if applicable)	PHILIPPINE PESO

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2019	Dec 31, 2018
Current Assets	801,409,554	918,114,898
Total Assets	3,389,194,556	3,480,333,205
Current Liabilities	61,676,967	149,872,056
Total Liabilities	94,893,831	180,961,421
Retained Earnings/(Deficit)	1,581,032,419	1,587,902,186
Stockholders' Equity	3,294,300,725	3,299,371,784
Stockholders' Equity - Parent	3,107,261,382	3,131,929,005
Book Value per Share	0.01	0.01

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	56,940,305	140,465,942	130,188,711	245,375,170
Gross Expense	77,770,434	218,571,711	154,827,698	311,480,034
Non-Operating Income	19,360,378	15,587,103	29,962,571	22,963,041
Non-Operating Expense	26,949,028	121,895,053	44,383,342	123,105,093
Income/(Loss) Before Tax	-20,830,129	-78,105,769	-24,638,987	-66,104,864
Income Tax Expense	-4,915,481	-36,504,095	-17,769,219	-32,877,594
Net Income/(Loss) After Tax	-15,914,648	-41,601,674	-6,869,768	-33,227,270
Net Income Attributable to Parent Equity Holder	-15,914,648	-41,601,674	-6,869,768	-33,227,270
Earnings/(Loss) Per Share (Basic)	-0	-0	-0	-0
Earnings/(Loss) Per Share (Diluted)	-0	-0	-0	-0

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0	-0
Earnings/(Loss) Per Share (Diluted)	-0	-0

Other Relevant Information
-

Filed on behalf by:

Name	Josephine Ilas
Designation	Assistant Corporate Secretary

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

T H E P H I L O D R I L L C O R P O R A T I O N

(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	631-8151
Contact Person	Company Telephone Number

0 6	3 0	**SEC Form 17-Q (June 2019)**	0 6	1 9
Month	*Day*	**FORM TYPE**	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 5 7 2	P0.00	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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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 June 30, 2019

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 Industry Classification Code
jurisdiction of incorporation or organization

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 ₱ 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 1. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 2nd quarter ended 30 June 2019 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 30 June 2019), with comparative Statement of Operations for the comparable period (01 January to 30 June 2018) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 30 June 2019), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 30 June 2018) 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 30 June 2019), as well as the basis of computation thereof.

5. The Company's interim financial report for the 2nd quarter 2019 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 30 June, 2019) as compared with the most recent annual financial statements (2018), 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 30 June 2019), 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 (2018), which had a material effect in the current interim period (01 January to 30 June, 2019).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to June 30, 2019).

11. For the period January 1 to June 30, 2019, NO cash dividends were declared by the Board of Directors.

12. The Company does not generate revenues from a particular segment and its business is not delineated into segments, 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 June 30, 2019) 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 June 30, 2019) 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, 2018) and as of end of current interim period (June 30, 2019), EXCEPT those disclosed in Note 25 to the Company's 2018 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 June 30, 2019).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Financial Performance

Total revenues for the first two quarters ended June 30, 2019 decreased by ₱115.2 million or 47% to ₱130.2 million from ₱245.4 million for the same period last year. Petroleum revenues decreased by ₱122.2 million or 55% to ₱100.2 million from ₱222.4 million for the same period last year. The decrease was brought mainly by the decrease in production volume and crude price for the first two quarters of 2019 as compared to the same period last year. The combined gross production decreased to 396,730 barrels for the first two quarters ended June 30, 2019, from 657,694 barrels produced for the same period last year. The average price per barrel decreased to $64.46 for the period ended June 30, 2019 as compared to $76.19 for the same period last year. Equity in net earnings of associates increased by ₱6.0 million. Interest income also increased by ₱1.1 million. Foreign exchange loss amounted to ₱10.1 million for the first two quarters of 2019 as compared to foreign exchange gain of ₱33.1 million for the same period last year.

Total costs and expenses including foreign exchange gains/losses decreased by ₱156.7 million from ₱311.5 million for the first two quarters of 2018 to ₱154.8 million for the first two quarters of 2019. Operating costs decreased by 41%. For 2018, plug and abandonment costs for the Libro and Tara wells were incurred, the company's share amounted to ₱124.5 million as of June 30, 2018. The company's net loss after tax amounted to ₱6.9 million for the first two quarters of 2019 as compared to ₱33.2 million for the same period last year.

The Company's top five (5) key performance indicators are as follows:

	June 30 , 2019	December 31, 2018
Current Ratio	*13.0 : 1*	*6.13 : 1*
Current Assets	801,409,554	918,114,898
Current Liabilities	61,676,967	149,872,056
Debt to Equity Ratio	*0.03 : 1*	*0.05 : 1*
Total Liabilities	94,893,831	180,961,421
Stockholders Equity	3,294,300,725	3,299,371,784
Equity to Debt Ratio	*34.72 : 1*	*18.23 : 1*
Stockholders Equity	3,294,300,725	3,299,371,784
Total Liabilities	94,893,831	180,961,421
Book Value per Share	*0.0172*	*0.0172*
Stockholders Equity	3,294,300,725	3,299,371,784
Shares outstanding	191,868,805,358	191,868,805,358
Loss per Share	*0.000036*	*0.000173*
Net Loss*	6,869,768	33,227,270
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to June 30*

The current ratios as of December 31, 2018 and June 30, 2019 are 6.13:1 and 13.0:1, respectively. The Company's current assets exceeded its current liabilities by ₱739.7 million and ₱768.2 million as of June 30, 2019 and December 31, 2018, respectively. The "Financial assets at fair value through other comprehensive income (FVOCI)" 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 ₱79.8 million as of June 30, 2019 and ₱74.2 million as of December 31, 2018. If these shares would be considered part of Current Assets, the recomputed current ratio would be 14.29:1 as of June 30, 2019 and 6.62:1 as of December 31, 2018.

Total assets decreased from ₱3.480 billion as of December 31, 2018 to ₱3.389 billion as of June 30, 2019. Cash and cash equivalents reflected a net decrease of ₱124.3 million or 23% due to the payment of company's share in operating expenses of Galoc, and plug and abandonment costs of Nido, Matinloc and North Matinloc wells. Receivables increased by ₱77.5 million, due to accrual of trade and other receivables at end of the interim period. Crude oil inventory decreased by ₱69.0 million or 82% due to lower volume of crude oil on storage as of June 30, 2019. Other current assets decreased by ₱0.8 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱9.3 million to ₱480.5 million as of June 30, 2019 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI increased by ₱5.5 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱5.9 million due to additional project costs. Deferred tax assets increased by ₱19.3 million or

16% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities decreased by 47% or ₱86.1 million from ₱181.0 million as of December 31, 2018 to ₱94.9 million as of June 30, 2019 mainly due to the payment of cash calls on accrued plug and abandonment costs during the interim period.

Stockholders' equity decreased by ₱5.1 million from ₱3.299 billion as of December 31, 2018 to ₱3.294 billion as of June 30, 2019. For the first two quarters, an adjustment for the decline in value of financial assets at FVOCI of ₱1.8 million in the valuation reserve of the company's listed stock investments was booked. As of June 30, 2019, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱30.1 million as compared to ₱31.9 million as of December 31, 2018. The company's retained earnings amounted to ₱1.581 billion as of June 30, 2019 as compared to ₱1.588 billion as of December 31, 2018.

The Company has a majority-owned subsidiary, Philodrill Power Corporation (PPC) (formerly Phoenix Gas & Oil Exploration Co., Inc.). The Company acquired 100% of its capital stock in May 2007. Since PPC has NOT yet started commercial operations, disclosure on performance indicators are as follows:

	June 30, 2019	December 31, 2018
Current Ratio		*194.42 :1*
Current Assets	8,644,742	8,710,208
Current Liabilities	0	44,800
Debt to Equity Ratio		*0.005 :1*
Total Liabilities	0	44,800
Stockholders' Equity	8,644,742	8,665,408
Equity to Debt Ratio		*193.42 :1*
Stockholders' Equity	8,644,742	8,665,408
Total Liabilities	0	44,800
Book Value per Share	*0.000691*	*0.000693*
Stockholders Equity	8,644,742	8,665,408
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	-	-
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 2018 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 reflected a net decrease of ₱124.4 million or 23% due to the payment of company's share in operating expenses of Galoc and plug and abandonment costs of Nido, Matinloc and North Matinloc wells.

   Receivables increased by ₱77.5 million, due to accrual of trade and other receivables at end of the interim period.

   Crude oil inventory decreased by ₱69.0 million or 83% due to the lower volume of crude oil on storage as of end of the interim period.

   Other current assets decreased by ₱0.8 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a net decrease of ₱9.3 million to ₱480.5 million as of June 30, 2019 due to the booking of depletion and depreciation costs (₱32.2 million), net of additional capital expenditures (₱22.9 million).

Financial assets at FVOCI increased by ₱5.5 million or 7% due to the adjustment in the valuation reserve of the company's listed stock investments.

Deferred tax assets increased by ₱19.3 million or 16% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱3.7 million decrease due to the payment of accrued expenses during the interim period.

Current portion of the provision for plug and abandonment costs decreased by ₱84.6 million or 81% due the payment of cash calls made during the interim period.

Income tax payable reflected an increase of ₱0.2 million due to the accrual of income tax during the interim period.

Retirement benefit liability increased by ₱2.1 million or 21% mainly due the booking of additional pension liability as of the end of the interim period.

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2018 amounted to ₱32.0 million. For the interim period, ₱1.8 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of June 30, 2019, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱30.1 million.

The company's retained earnings amounted to ₱1.581 billion as of June 30, 2019 as compared to ₱1.588 billion as of December 31, 2018. The decrease of ₱6.9 million was due to the net loss booked for the first two quarters of 2019.

Petroleum revenues decreased by ₱122.2 million or 55% to ₱100.2 million from ₱222.4 million for the same period last year due to lower production volume and crude price. The combined gross production decreased to 396,730 barrels for the first two quarters ended June 30, 2019 from 657,694 barrels produced for the same period last year. The average price per barrel decreased to $64.46 for the period ended June 30, 2019 as compared to $76.19 per barrel for the same period last year.

Equity in net earnings of associates increased by ₱6.0 million or 44% due to the higher level of income booked by affiliates.

Interest income increased by ₱1.1 million from ₱8.3 million to ₱9.4 million for the first two quarters ended June 30, 2019.

Foreign exchange loss amounted to ₱10.1 million for the first two quarters of 2019 as compared to foreign exchange gain of ₱33.1 million for the same period last year. For the first two quarters of 2019, foreign exchange loss of ₱10.1 million was brought about by the ₱1.34 appreciation in the reference rates from ₱52.58 to ₱51.24 as of December 31, 2018 and June 30, 2019, respectively. While for the previous first two quarters of 2018, foreign exchange gain of ₱33.1 million was brought about by the ₱3.41 depreciation in the reference rates from ₱49.93 to ₱53.34 as of December 31, 2017 and June 30, 2018, respectively.

Other income decreased by ₱0.1 million due to lower level of miscellaneous income booked during the period.

Share in costs and operating decreased by ₱77.9 million or 41% due to lower level of production costs booked during the first two quarters of 2019. For 2018, plug and abandonment costs for the Libro and Tara wells were incurred. The company's share in these costs amounted to ₱124.5 million as of June 30, 2018.

Net loss amounted to ₱6.9 million for the first two quarters of 2019, as compared to ₱33.2 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 cash flows that 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 June 2019	Consolidated Unaudited June 2019	Consolidated Audited December 2018	Consolidated Audited December 2018
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	412,273,685	412,273,685	536,627,072	536,627,072
Advances to related companies	193,619,601	193,619,601	193,954,601	193,954,601
Accrued interest receivables	37,267,788	37,267,788	36,326,851	36,326,851
Other noncurrent assets	9,528,791	9,528,791	9,528,791	9,528,791
Accounts with partners, others	1,635,708	1,635,708	6,894,299	6,894,299
Financial assets at FVOCI	79,750,544	79,750,544	74,250,675	74,250,675
	734,076,118	**734,076,118**	**857,582,289**	**857,582,289**
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	7,254,886	7,254,886	8,471,930	8,471,930
Dividends payable	33,196,138	33,196,138	33,316,756	33,316,756
	40,451,024	**40,451,024**	**41,729,951**	**41,729,951**

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 (except accounts with contract operators and advances to officers and employees), financial assets at FVOCI, other noncurrent assets, accounts payables 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 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 financial assets at FVOCI, advances to related parties, 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 June 30, 2019, all of the outstanding trade receivables are from the SC14 A, B & C-1 consortiums. 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 June 30, 2019
Loans and receivables	
Cash and cash equivalents	412,273,685
Advances to related companies	193,619,601
Accounts with contract operators and partners	1,635,708
Accrued interest	37,267,788
Other noncurrent assets	9,528,791
Financial assets at FVOCI	79,750,544
Gross maximum credit risk exposure	734,076,118

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2019 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	412,273,685						412,273,685
Advances to related companies	187,810,000				1,055,839	4,753,762	193,619,601
Accounts with partners	1,635,708						1,635,708
Accrued interest			527,383	1,072,881	19,501,086	16,166,436	37,267,788
Other noncurrent assets	9,528,791						9,528,791
Financial assets at FVOCI	79,750,544						79,750,544
Total	690,998,728		527,383	1,072,881	20,556,925	20,920,198	734,076,118

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 declare 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 June 30, 2019 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	412,273,685	0	412,273,685
Receivables			
Advances to related parties	0	193,619,601	193,619,601
Accounts with partners	1,635,708	0	1,635,708
Accrued interest	1,600,264	35,667,522	37,267,788
Other noncurrent assets	9,528,791	0	9,528,791
AFS financial assets	79,750,544	0	79,750,544
	504,788,992	229,287,123	734,076,115

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
June 30, 2019	40,451,024		40,451,024

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 and receivables. 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 and cash and cash equivalents.

As of June 30, 2019, the exchange rate of the Philippine peso to the US$ is ₱51.24 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 financial assets at FVOCI.

PETROLEUM PROJECTS

1.0 **Service Contract 6A (Octon)**

The SC 6A consortium had been negotiating a farm-in deal with Tamarind Resources, the operator of Galoc Field in SC 14 C-1, anchored on the possible development of the Octon discovery operationally tied-up to the FPSO facility of Galoc Field. Under the deal, the farming out partners will assign participating interests to Tamarind after completion of each of the relevant phase of the farminee's earn-in obligations, with Tamarind carrying the partners free on the costs of activities in all the earn-in phases. Only after the completion of a commercial well during the Development Phase that Tamarind gets to earn the maximum 58.88 % participating interests on the block. As of end-June 2019, the parties continued to work on finalizing the farmin proposal.

Meanwhile, Philodrill continue the technical evaluation of the northern block of the Service Contract 6A covering the Malajon-Salvacion-Saddle Rock structure. Philodrill aims to establish a better understanding of the reservoir distribution of the Galoc sands in the mapped structure to be able to identify and propose a drilling location to test/appraise the structure.

2.0 Service Contract 6B (Bonita-Cadlao)

In a letter to the DOE on May 15, 2019, Philodrill and the rest of the SC 6B partners expressed commitment to prosecute the re-development of the Cadlao Field at the soonest time possible subject to the approval of the DOE, with or without Manta Oil's participation. The partners now realize that much time has been lost waiting for the approval of the farmin of Manta Oil and the farminee's inordinate delay in providing requisite documentations. The DOE gave Manta Oil a final deadline (*July 15, 2019 and recently, a new deadline until*

August 15, 2019) to submit proofs of financial capability to fully satisfy the DOE's approval of Manta Oil's qualification as a service contractor and as operator of SC 6B.

3.0 Service Contract No. 14 (Nido/Matinloc)

Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill successfully completed P&A works on seven wells (Matinloc-1, -2, -3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 – May 21, 2019. Upon arrival and after offloading and demobilizing all equipment at the Loyang Offshore Base in Singapore, the vessel was off hire on May 27, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April next year. Both wells have been affectively killed with cement plugs across the reservoir sections.

Operations for the partial stripping of the production facilities of the platforms have been started which will continue until November 2019. Once all production wells are properly plugged and the platforms completely stripped in accordance with the provisions of the Service Contract, ownership of the platforms reverts to the national government, represented by the DOE. The DOE have started negotiating with the Department of National Defense for the transfer to the latter of possession and control of the Nido and Matinloc platforms.

4.0 Service Contract No. 14 C-1 (Galoc)

The Galoc Field produced about 183,500 barrels during the second quarter of 2019, almost the same volume from the previous quarter's output of 185,760 barrels. The Galoc-3 well continued to produce under cyclic production scheme while the Galoc-4 well remained shut-in due to problems in the well's subsurface mechanism which operator Galoc Production Company continued to investigate and resolve. As at end-June 2019, cumulative production from the field stood at 21,725,000 barrels, with calculated commercial oil in storage of 67,700 barrels on board the FPSO Rubicon Intrepid after GPC completed another lifting in early June, the second cargo shipment for the year.

The Condensate Recovery Project is already delayed, as a result of unexpected but necessary design modification on the low-pressure Condensate Recovery Unit (CRU) module, being fabricated and now nearing completion in Malaysia. Installation of the CRU is scheduled to commence in the first week of August with final tie-in and commissioning to be completed in September, with expectations of first gas by early October 2019. The CRU facility will recover condensates from the gas stream for an additional liquid production of about 300 barrels per day.

5.0 Service Contract No. 14 C-2 (West Linapacan)

The Service Contract 14 C2 Joint Venture is in the early stages of negotiations with UK-based Desert Rose Petroleum Limited (DRPL) which intends to acquire interests in the West Linapacan Block. Early this year, DRPL submitted separate Non-Binding Offers to the JV partners willing to divest their interest on the block either by outright sale of their working interest or by farm-out. Some of the partners, including Philodrill, opted for the sale of its working interest but still retaining portion of its interest through divestment by farm-out. Philodrill continued to provide DRPL with relevant documents in support of the Sale and Purchase Agreement currently being finalized.

The Joint SC 14 C2 (West Linapacan) and SC 74 (Linapacan) QI Project is discussed in more detail under the Service Contract 74 part of this update.

6.0 Service Contract No. 53 (Onshore Mindoro)

In a letter to operator Mindoro-Palawan Oil and Gas, Inc. (MPOGI) dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. This came as a big surprise as the non-operator partners (Philodrill, Anglo Philippine Holdings and Basic Energy) all have been demanding MPOGI, but with no success, to schedule a partners meeting to rectify their glaring operational deficiency. The partners also requested the DOE for a similar meeting with the Joint Venture which the DOE failed to take action. It later turned out the MPOGI received the termination letter on June 17, 2019, but neither operator nor the DOE notified the other JV partners, as the partners came to know of the termination only on July 4, 2019 during an inquiry with the DOE.

A letter to Secretary Alfonso Cusi to consider their decision was prepared and delivered to the DOE on July 8, 2019. In the letter, we strongly argued that MPOGI had not informed the partners on the developments on the service contract and that the DOE similarly kept the other partners not informed on the true compliance of the operator. We also argued that the decision was without regard to the other partners' right to be heard. A meeting with the DOE was set on July 12, 2019 for partners to present the JV's side on the SC 53 termination.

7.0 Service Contract No. 74 (Linapacan)

As earlier mentioned in this report, the Joint Quantitative Interpretation (QI) Study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B in SC 74. As of end-June 2019, the Phase 1a of the study has been completed and the 2 Joint Venture consortia are now discussing on proceeding to the next phase of the Joint QI work which will involve trial inversion work on 30 sq km data volume of contiguous areas in SC 14 C2 and SC 74 that cover the West Linapacan and Linapacan discoveries.

8.0 SULU SEA (PCECP Area 7)

Philodrill is participating in the Philippine Conventional Energy Contracting Program (PCECP) which the DOE launched in November last year and has been joined by PXP Energy Corporation in preparing and submitting bid document for Area 7 in Sulu Sea, one of the 14 Pre-Determined Areas on offer. The PCECP Area 7 was formerly covered by Service Contract 41. The DOE had extended the deadline until August 19 for submission of application for the pre-determined areas, instead of the May 22, 2019 deadline as per the original program timetable.

9.0 SWAN Block (Deepwater Northwest Palawan)

There are no significant developments to report on the SWAN Block from the previous quarter.

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 30 June 2019).

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: 8/14	Date: 8/14/19
ALFREDO C. RAMOS	REYNALDO E. NAZAREA
President	Treasurer & VP-Administration

THE PHILODRILL CORPORATION
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SEC FORM 17Q

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*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 Statement of Financial Position

	(Unaudited) June 30 2019	(Audited) December 31 2018
ASSETS		
Current Assets		
Cash & cash equivalents	412,273,685	536,627,072
Receivables	373,605,865	296,119,832
Crude oil inventory	14,634,822	83,675,982
Other current assets	895,182	1,692,012
Total Current Assets	801,409,554	918,114,898
Noncurrent Assets		
Property and equipment - net	480,515,872	489,779,532
Investments - Associates	794,417,526	790,123,956
Financial assets at fair value through other comprehensive income	79,750,544	74,250,675
Deferred oil exploration and development costs	1,064,428,658	1,058,527,067
Deferred tax assets	140,542,279	121,198,148
Other noncurrent assets	28,130,123	28,338,929
Total Noncurrent Assets	2,587,785,002	2,562,218,307
TOTAL ASSETS	3,389,194,556	3,480,333,205
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	7,964,652	11,707,062
Current portion of provision for plug and abandonment costs	20,297,900	104,864,027
Income tax payable	218,277	42,946
Dividends payable	33,196,138	33,258,021
Total Current Liabilities	61,676,967	149,872,056
Noncurrent Liability		
Non current portion of provision for plug and abandonment costs	21,149,782	21,149,782
Retirement benefit liability	12,067,082	9,939,583
Total Noncurrent Liabilities	33,216,864	31,089,365
TOTAL LIABILITIES	94,893,831	180,961,421
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,018,150	1,568,018,150
Subscribed	350,669,903	350,669,903
Subscriptions receivable	(175,334,286)	(175,334,286)
Paid in capital from sale of treasury	1,624,012	1,624,012
Share in other comprehensive income of an associate	35,335,091	35,335,091
Unrealized loss on decline in value of financial assets at FVOCI	(30,154,814)	(31,953,522)
Remeasurement loss on retirement benefit liability	(36,889,750)	(36,889,750)
Retained Earnings	1,581,032,419	1,587,902,186
Total Equity	3,294,300,725	3,299,371,784
TOTAL LIABILITIES AND EQUITY	3,389,194,556	3,480,333,205

THE PHILODRILL CORPORATION
Consolidated Statement of Comprehensive Income

	January 1 to June 30 2019	Jan 1 to Jun 30 2018	Apr 1 to Jun 30 2019	Apr 1 to Jun 30 2018
PETROLEUM REVENUE	100,226,140	222,412,129	37,579,927	124,878,839
COSTS AND EXPENSES				
Share in costs and operating	(110,444,356)	(188,374,941)	(50,821,406)	(96,676,658)
General and administrative	(34,324,253)	(31,721,018)	(17,528,761)	(15,030,333)
	(144,768,609)	(344,561,597)	(68,350,167)	(229,112,865)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates - net	19,596,564	13,580,982	14,387,419	10,522,116
Interest income	9,423,526	8,320,761	4,972,725	5,063,497
Foreign exchange gains (losses)	(10,059,089)	33,081,563	(9,420,267)	10,541,154
Others	942,481	1,061,298	234	1,490
	19,903,482	56,044,604	9,940,111	26,128,257
INCOME (LOSS) BEFORE INCOME TAX	(24,638,987)	(66,104,864)	(20,830,129)	(78,105,769)
PROVISION FOR INCOME TAX	(17,769,219)	(32,877,594)	(4,915,481)	(36,504,095)
NET INCOME (LOSS)	(6,869,768)	(33,227,270)	(15,914,648)	(41,601,674)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in unrealized losses on financial assets at financial value through other comprehensive income	1,798,708	(3,071,255)	(6,068,157)	(2,975,255)
TOTAL COMPREHENSIVE INCOME (LOSS)	(5,071,060)	(36,298,525)	(21,982,805)	(44,576,929)

Earnings (loss) per share was computed as follows:

Net income (loss)	(6,869,768)	(33,227,270)	(15,914,648)	(41,601,674)
Weighted average no. of shs	191,868,805,358	191,868,805,358	191,868,805,358	191,868,805,358
Income (Loss) per share	(0.00004)	(0.00017)	(0.00008)	(0.00022)

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to June 30 2019	January 1 to June 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(6,869,768)	(33,227,270)
Adjustments for:		
Depletion, depreciation and amortization	32,166,418	50,932,292
Equity in net losses (earnings) of associates - net	(19,596,564)	(13,580,982)
Operating loss before working capital changes	5,700,086	4,124,040
Decrease (increase) in:		
Receivables	(77,242,401)	(19,093,257)
Crude oil inventory	69,041,160	12,064,112
Other current assets	796,829	1,156,567
Retirement benefits assets	2,127,499	1,879,374
Increase in accounts payable and accrued expenses	(88,711,837)	(1,346,929)
Net cash from (used in) operating activities	(88,288,663)	(1,216,092)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	15,302,994	14,642,395
Reductions in (additions to):		
Property and equipment	(22,902,758)	(2,443,835)
Deferred oil exploration costs and other inv	(5,901,591)	(6,492,722)
Advances to affiliated companies - net	335,000	(852,500)
Investments	(3,701,160)	0
Other noncurrent assets	(19,135,326)	(37,701,992)
Subscriptions payable	0	0
Net cash from (used in) investing activities	(36,002,840)	(32,848,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/Adjustments (Payments) of:		
Subscriptions receivable	0	0
Dividends payable	(61,883)	(25,898)
Loans payable	0	0
Net cash from (used in) financing activities	(61,883)	(25,898)
NET INCREASE (DECREASE) IN CASH	(124,353,387)	(34,090,644)
CASH, BEGINNING	536,627,072	634,385,523
CASH, ENDING	412,273,685	600,294,879

THE PHILODRILL CORPORATION

Consolidated Statements of Changes in Equity

	Unaudited June 2019	June 2018
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,018,150	1,568,018,150
Issuances for the period	0	0
Balance at end of second quarter	1,568,018,150	1,568,018,150
Subscribed		
Balance at the beginning of year	350,669,903	350,669,903
Issuances for the period	0	0
Balance at end of second quarter	350,669,903	350,669,903
Subscriptions receivable		
Balance at the beginning of year	(175,334,286)	(175,334,286)
Collection of subscriptions receivable		
Adjustment	0	0
Balance at end of second quarter	(175,334,286)	(175,334,286)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Movements during the period	0	0
Balance at end of second quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(31,953,523)	(30,285,162)
Adjustment during the period	1,798,709	(3,071,255)
Balance at end of second quarter	(30,154,814)	(33,356,418)
Share in other comprehensive income of associates		
Balance at the beginning of year	35,335,091	36,732,814
Movements during the period	0	0
Balance at end of second quarter	35,335,091	36,732,814
Remeasurement loss on retirement benefit liability		
Balance at the beginning of year	(36,889,750)	(35,944,976)
Movements during the period		
Balance at end of second quarter	(36,889,750)	(35,944,976)
Retained Earnings		
Balance at the beginning of year	1,587,902,186	1,849,859,460
Cash dividend declared	0	0
Net income (loss) for the period	(6,869,768)	(33,227,270)
Balance at end of second quarter	1,581,032,418	1,816,632,190
Total Stockholders' Equity	3,294,300,724	3,529,041,389

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED JUNE 30, 2019

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	2,654,903	761,774	879,249		2,537,429		2,537,429
	2,654,903	761,774	879,249	0	2,537,429	0	2,537,429

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 JUNE 30, 2019

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	309,656,376	12,980,760		12,000,000		1,600,000	310,637,136	
Penta Capital Holdings, Inc.	300,000	72,723,523	1,590,240		3,302,994		300,000	71,010,769	
Atlas Consolidated Mining and Development Corporation	19,502,293	412,953,201	(183,581)				19,502,293	412,769,620	
		795,333,100	14,387,419	0	15,302,994	0		794,417,525	0
Amount shown under the caption "Available For Sale Investments"									
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
Vulcan Industrial & Mining Corp.	3,200,000	4,150,876				0	3,200,000	4,150,876	
Oriental Petroleum & Mining Corp	2,336,600,000	29,984,318		1,086,210			2,426,600,000	31,070,528	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
		108,819,149	0	1,086,210	0	0		109,905,359	0
less-allowance for decline in market value		(24,086,656)				(6,068,158)		(30,154,814)	
		84,732,493	0	1,086,210	0	(6,068,158)	0	79,750,545	0
		880,065,593	14,387,419	1,086,210	15,302,994	(6,068,158)	0	874,168,069	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED JUNE 30, 2019

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	188,125,000	187,810,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,055,839	1,055,839
	193,934,601	193,619,601
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	189,180,839	188,865,839

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE SECOND QUARTER ENDED JUNE 30, 2019

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,385,909,313	20,923,727			1,406,833,040
Office condominium units and improvements	18,961,929	0			18,961,929
Office furniture, fixtures and equipment	7,899,865	115,300			8,015,165
Transportation equipment	13,887,100				13,887,100
	1,426,658,208	21,039,027	0	0	1,447,697,235

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE SECOND QUARTER ENDED JUNE 30, 2019

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	923,970,921	15,443,032			939,413,953
Office condominium units and improvements	12,248,305	136,778			12,385,083
Office furniture, fixtures and equipment	7,710,025	21,688			7,731,713
Transportation equipment	7,044,173	606,440			7,650,613
	950,973,424	16,207,938	0	0	967,181,362

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE SECOND QUARTER ENDED JUNE 30, 2019

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	1,060,694,335	3,734,323				1,064,428,658
	1,060,694,335	3,734,323	0	0	0	1,064,428,658

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE QUARTER ENDED JUNE 30, 2019

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	969,071,573	190,899,733,785

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE SECOND QUARTER ENDED JUNE 30, 2019

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 receviables									
1) Account with contract operator	159,465,536	68,454,828	10,481,976		37,873,208		42,655,525		
less allowance for doubtful accounts	0								
2) Account with partners	1,394,499		1,394,499						
Net Trade Receivables	160,860,036	68,454,828	11,876,475	0	37,873,208	0	42,655,525	0	0
b) Non-trade receivables									
1) Accrued interest receivable	37,267,787	527,383	1,072,881	1,036,652	545,498	12,288,069	5,630,867	16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Account with officers and employees	2,537,429		2,537,429						
3) Advances to related companies	193,619,602					27,810,000	160,000,000	5,809,602	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
4) Others	241,208			0	241,208				
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	212,745,828	527,383	3,610,310	1,036,652	786,706	40,098,069	165,630,867	1,055,840	0
Net Receivables	373,605,864	68,982,211	15,486,785	1,036,652	38,659,914	40,098,069	208,286,392	1,055,840	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
JUNE 30, 2019

	June 2019	December 2018
Profitablity Ratios:		
Return on assets	-0.20%	-7.53%
Return on equity	-0.21%	-7.94%
Gross profit margin	-10.20%	-51.25%
Net profit margin	-24.58%	-92.10%
Liquidity Ratios:		
Current ratio	12.99 :1	6.13 :1
Quick ratio	12.74 :1	5.56 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.03 :1	1.05 :1
Debt to equity ratio	0.03 :1	0.05 :1

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), financial assets at FVOCI 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's 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Parent Company'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 Parent Company 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; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company 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 that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*

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

The Group applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Difference arising from the adoption of PFRS 9 has no material impact, thus has not been recognized.

a. *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, receivables and other noncurrent assets previously classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortized cost beginning January 1, 2018.
- Listed equity investments previously classified as AFS financial assets are now classified and measured as FVOCI. The Group elected to classify irrevocably its listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

b. *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

Upon adoption of PFRS 9, impairment losses did not reduce the carrying amount of the Group's cash and cash equivalents and receivables as at January 1, 2018.

c. *Hedge accounting*

The Group has no existing hedge relationships as at December 31, 2017, thus will not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group has no existing hedge relationships as at December 31, 2017, thus will not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group is a member of various jointly controlled operations in oil drilling. These jointly controlled operations are entered into within the Philippine Government through Service Contracts. The Group holds different participating interests to these Service Contracts. The Group's sale of petroleum products is out of scope of PFRS 15 since the Group is recognizing its revenue on the basis of its entitlement from the sale of its joint operations with other consortium members which is in accordance of par. 20(c) of *PFRS 11, Joint Arrangements* which states "A joint operator shall recognize in relation to its interest in a joint operation its share of the revenue from the sale of the output by the joint operation".

The Group assessed that the adoption of PFRS 15 has no material impact since the Group's main source of revenues is from its share in revenue from the joint operation. Under PFRS 15, an entity shall apply the new standard to all contracts with customers, except for contractual rights and obligations that are within the scope of PFRS 11.

Furthermore, the Group assessed that the adoption of PFRS 15 has an impact on the recognizing revenue from share on the ending inventory of the consortium. Prior to adoption of PFRS 15, the Group recognize the share on the ending inventory as revenue. And upon adoption of PFRS 15, the share is charged against share in costs and operating expenses. Hence, the beginning inventory is recognized as revenue for the current year and charged against share in cost and operating expenses.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards and Interpretations Issued but not yet Effective

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

Effective beginning on or after January 1, 2019

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

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

  These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

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

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

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

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

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

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

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

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting PAS 28.

- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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

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

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not applicable to the Group.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

    Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.
  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

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

Effective beginning on or after January 1, 2021

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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 in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statement of comprehensive income.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term investments made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018

Financial assets
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payment of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on a specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents and receivables (except advances to officers and employees).

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value changed in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to payment as been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's financial assets at FVOCI includes investment in quoted equity instruments.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risk are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

- The rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For financial assets such as advances to related parties, accrued interest, accounts with partners, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers accounts with contract operators in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

Financial liabilities
Initial measurement and recognition
Financial liabilities are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and borrowings, payables, or as designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to short term and long term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018</u>
<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial Assets</u>
Initial Recognition and Measurement
Financial assets are classified, at initial recognition as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent Measurement

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 measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Group's loans and receivables consist of cash and cash equivalents and receivables (see Notes 4 and 5).

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 gains (losses) 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 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, 2017, the Group classifies its investments in shares of stocks as AFS financial assets (see Note 9).

Derecognition
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.

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

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of the financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets 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.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2017, the Group has no financial assets at FVTPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

Financial Liabilities
Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing loans and borrowings and trade and other payables, net of directly attributable transaction costs.

The Group's financial liabilities as at December 31, 2017 are in the nature of trade and other payables. The Group has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement
Trade and Other Payables
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVTPL 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, 2017, the Group classifies its accounts payable and accrued liabilities, and dividends payable as trade and other payables (see Note 11).

Derecognition
A financial liability is derecognized when the obligation under the liability is 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.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement
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; and
- Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the 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 at 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.

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
- Expenses, including its share of any expenses incurred jointly

These are consolidated on a line by line basis.

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.).

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
Furniture and fixtures	5
Office equipment	3

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 depleted or depreciated 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, *Non-current Assets*
Held for Sale and Discontinued Operations, 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.

Decommissioning and Restoration Costs
Estimated decommissioning and restoration costs are based on current requirements, technology and price levels and are stated at net present value. The associated plug and abandonment costs are capitalized as part of the carrying amount of the related property and equipment account subject to the appropriate depreciation and amortization method. In respect of oil and natural gas production activities, the net present value calculation of the liability is based on the economic life of the

production assets and discounted using the risk-free rate for the Group that existed when the liability was initially measured. That amortization is recognized as an increase in the carrying amount of the liability and as an expense classified as accretion expense in the consolidated statement of income.

The obligation is reflected under decommissioning liability in the consolidated statements of financial position. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the liability are incorporated on a prospective basis.

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 investment in associates are accounted using equity method.

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 the 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.

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

Investments in Associates

The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the associate and the carrying value and recognizes the amount as part of "Others - net" in the consolidated statement of income.

An assessment is made at the 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 indications exist, 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 investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statement of income.

Deferred Oil Exploration Costs

An impairment review is performed, either individually or at the cash generating unit (CGU) level, when there are indicators that the carrying amount of the deferred oil exploration costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against in the reporting period in which this is determined. Deferred oil exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Property and Equipment, Nonfinancial Prepayments and Other Current and Noncurrent Assets

The Group assesses, at each reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized as part of "Other income - net" in the consolidated statement of income.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

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 consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration received 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.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income attributable to ordinary equity holders to the Parent Company 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 ordinary equity holders to the Parent Company 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.

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 - Accounting policies after January 1, 2018
Revenue is recognized when control of the petroleum products are transferred to the customer at an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements.

Petroleum Revenue
Sale of petroleum products is recognized at a point in time when the control of the goods has transferred from the Consortium Operator of the joint arrangement to the customer, which is typically upon delivery of the petroleum products to the customers. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements.*

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.

Revenue Recognition - Accounting policies before January 1, 2018
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 upon production based on the Group's participating interest. Revenue is measured at the fair value of consideration receivable, 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 the 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.

OCI
OCI 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 Transactions
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 Group'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 11.

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.

Provision for Plug and abandonment costs
The Group records the present value of estimated costs of legal and constructive obligations required to restore oil fields in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells and platforms, and dismantling operating facilities. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related oil assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income under "Accretion expense". Additional disturbances or changes in plug and abandonment costs will be recognized as additions or charges to the corresponding assets and provision for decommissioning when they occur.

Where decommissioning is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous decommissioning work at each end of the reporting period and the cost is charged to the consolidated statement of income. For closed oil fields, changes to estimated costs are recognized immediately in the consolidated statement of income.

The ultimate cost of decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in oil reserves or production rates. As a result, there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

Decommissioning fund committed for use in satisfying environmental obligations are included under "Other noncurrent assets" in the consolidated statement of financial position.

Retirement Benefit Liability
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.

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 consolidated 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 balance sheet 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, 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 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.

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 Parent Company is primarily involved in oil exploration and production while PPC is primarily engaged in production, supply, trading and generation of electric power using various energy sources. Revenue generated consists mainly of revenue from petroleum operations. Other income is derived from equity in net earnings of associates. PPC has not yet started commercial operation since its incorporation therefore, expenses were only incurred during the year.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chairman of the Parent Company who makes strategic decisions.

Events After the End of the Reporting Period

Events after the end of the reporting period 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. Events after the end of the reporting period are not adjusting events are disclosed in the notes to consolidated financial statements when material to the consolidated financial statements.