

# 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  
Mar 31, 2017
2. SEC Identification Number  
36359
3. BIR Tax Identification No.  
000-438-702-000
4. Exact name of issuer as specified in its charter  
BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila
6. Industry Classification Code(SEC Use Only)  
██████████
7. Address of principal office  
7/F Basic Petroleum Building., 104 C. Palanca St. , Legaspi Village, Makati City  
Postal Code  
1229
8. Issuer's telephone number, including area code  
(+632) 8178596
9. Former name or former address, and former fiscal year, if changed since last report  
Not Applicable
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	2,603,684,382

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 Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Basic Energy Corporation BSC

### 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	Mar 31, 2017
Currency (indicate units, if applicable)	PESO

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2017	Dec 31, 2016
Current Assets	144,852,830	170,094,337
Total Assets	709,894,384	721,041,932
Current Liabilities	8,435,088	8,112,359
Total Liabilities	23,654,017	21,831,288
Retained Earnings/(Deficit)	53,634,862	64,317,205
Stockholders' Equity	748,870,748	768,232,496
Stockholders' Equity - Parent	792,072,038	804,485,240
Book Value per Share	0.25	0.26

#### Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	0	0	0	0
Other Revenue	3,896,569	4,759,529	3,896,569	4,759,529
Gross Revenue	3,896,569	4,759,529	3,896,569	4,759,529
Operating Expense	0	0	0	0
Other Expense	14,187,441	12,727,963	14,187,441	12,727,963
Gross Expense	14,187,441	12,727,963	14,187,441	12,727,963

<b>Net Income/(Loss) Before Tax</b>	-10,290,872	-7,968,435	-10,290,872	-7,968,435
<b>Income Tax Expense</b>	0	0	0	0
<b>Net Income/(Loss) After Tax</b>	-10,290,872	-7,968,435	-10,290,872	-7,968,435
<b>Net Income Attributable to Parent Equity Holder</b>	-10,682,343	-9,969,124	-10,682,343	-9,969,124
<b>Earnings/(Loss) Per Share (Basic)</b>	-0	-0	-0	-0
<b>Earnings/(Loss) Per Share (Diluted)</b>	-0	-0	-0	-0

**Other Relevant Information**

Please see attached SEC Form 17-Q as of March 31, 2017.

**Filed on behalf by:**

<b>Name</b>	CORAZON BEJASA
<b>Designation</b>	CORPORATE SECRETARY

# COVER SHEET

3 6 3 5 9

SEC Registration Number

B A S I C E N E R G Y C O R P O R A T I O N

(Company's Full Name)

7 t h F l o o r , B a s i c P e t r o l e u m  
B u i l d i n g , C . P a l a n c a , J r . S t r e e t ,  
L e g a s p i V i l l a g e , M a k a t i C i t y

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

**MARIETTA V. VILLAFUERTE**

(Contact Person)

**(632) 817-8596 to 98**

(Company Telephone Number)

1 2 3 1  
Month Day  
(Calendar Year)

1 7 Q  
(Form Type)

Month Day  
(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

**MSRD**

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles Number/Section

**6,755**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SRC AND SRC RULE 17(a)-17(b)(2) THEREUNDER

1. For the quarterly period ended March 31, 2017
2. Commission identification number 168063
3. BIR Tax Identification No. 000-438-702-000
4. Exact name of registrant as specified in its charter  
**BASIC ENERGY CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry classification code .....
7. Address of registrant's principal office 7<sup>th</sup> Flr., Basic Petroleum Bldg., C. Palanca St., Legaspi Village, Makati City, Philippines Postal Code 1229
8. Registrant's telephone number, including area code (632) 817-8596 to 98
9. Former name, former address and former fiscal year, if changed since last report  
\_\_\_\_\_
10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of common stock outstanding or amount of debt outstanding</u>
<u>Common Shares</u>	<u>2,603,684,382</u>
<u>Listed with PSE</u>	<u>2,560,118,512</u>

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes  No
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 17(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 the registrant was required to file such reports)  
Yes  No
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes  No

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

“Attachment A”

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

“Attachment A”

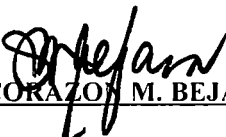
**PART II--OTHER INFORMATION**


“Attachment A”

The registrant may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

**SIGNATURES**

Pursuant to the requirements of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant   
 CORAZON M. BEJASA  
 Title VP & Corporate Secretary  
 Date April 19, 2017

Principal Financial/  
 Accounting Officer/Controller   
 MARIETTA V. VILLAFUERTE  
 Title VP & Treasurer  
 Date April 19, 2017

**ATTACHMENT "A"**

**FINANCIAL INFORMATION  
For the Period Ended March 31, 2017**

**1. The following unaudited Financial Statements are contained in this report:**

- 1.1 Statements of Income and Retained Earnings for the Period Ended March 31, 2017 and March 31, 2016;
- 1.2 Balance Sheets as of March 31, 2017 and December 31, 2016;
- 1.3 Statements of Cash Flows for the Period Ended March 31, 2017 and March 31, 2016;
- 1.4 Statements of Changes in Stockholders' Equity for the Period Ended March 31, 2017 and March 31, 2016.

**2. Discussion on Financial Condition for the Period December 31, 2016 and March 31, 2017.**

**A. Key Performance Indicators**

Management considers the following as key performance indicators of the company: Return on Investment (ROI), Profit Margin, Performance of Committed Work Programs, Current Ratio and Asset Turnover.

The following table shows the Top 5 performance indicators for the past three interim periods:

<b>KEY PERFORMANCE INDICATORS</b>	<b>1st Qtr 2017</b>	<b>1st Qtr 2016</b>	<b>1st Qtr 2015</b>
<b>Return on Investments (ROI)</b> (Net Income/Ave. Stockholders' Equity)	-1.36%	-0.98%	3.33%
<b>Profit Margin</b> (Net Income/Net Revenue)	-264.10%	-167.42%	58.51%
<b>Investment in Projects(Non-Petroleum)</b> as a % of Total Assets	38.79%	24.87%	23.76%
<b>Investment in Wells &amp; Other Facilities</b> as a % of Total Assets	14.27%	28.06%	24.01%
<b>Current Ratio</b> (Current Asset/Current Liabilities)	17.17:1	26.42:1	18.32:1
<b>Asset turnover</b> (Net revenue/Ave.Total Assets)	0.54%	0.58%	5.59%
<b>Solvency Ratios</b>			
Debt to Equity Ratio	3.16%	2.80%	2.68%
Asset to Equity Ratio	94.76%	101.34%	101.45%
Interest Rate Coverage Ratio	n/a	n/a	n/a

ROI (Net Income / Average Stockholders' Equity) measures the profitability of stockholders' investment. Profit Margin (Net Income / Net Revenue) measures the net income produced by each peso of revenue. Investment in Projects as a % of Assets, measures how much the company invested in its committed work programs. Current Ratio (Current Assets / Current Liabilities) measures the short-term debt-paying ability of the company. Asset Turnover (Net Revenue / Average Total Assets) measures how efficiently assets are used to produce profit.

ROI was -1.36% for the 1<sup>st</sup> quarter of 2017, -0.98% for the 1<sup>st</sup> quarter of 2016, and 3.33% for the 1<sup>st</sup> quarter of 2015. The negative rates in 2016 and 2017 were due to the losses booked during those quarters while the positive rate in 2015 was due to the income generated during that quarter.

Profit Margin was -264.10% for the 1<sup>st</sup> quarter of 2017, -167.42% for the 1<sup>st</sup> quarter of 2016, and 58.51% for the 1<sup>st</sup> quarter of 2015. The negative rates in 2016 and 2017 were due to the losses booked during those quarters and the positive rate in 2015 was due to the income generated during that quarter as mentioned in the previous paragraph.

Investment in Projects (Non- Petroleum) as a % of Total Assets increased from 23.76% for the 1<sup>st</sup> quarter of 2015 to 24.87% for the 1<sup>st</sup> quarter of 2016 and to 38.79% for the 1<sup>st</sup> quarter of 2017. The increase in rate from 2015 to 2016 was due to the decrease in total assets in relation to investments. The increase in rate from 2016 to 2017 was due to the increase in investments while total assets decreased.

Investment in Wells & Other Facilities as a % of Total Assets increased from 24.01% for the 1<sup>st</sup> quarter of 2015 to 28.06% for the 1<sup>st</sup> quarter of 2016 and decreased to 14.27% for the 1<sup>st</sup> quarter of 2017. The increase in rate from 2015 to 2016 was due to the increase in investments while total assets decreased. The decrease in rate from 2016 to 2017 was due to decreases in both investments and total assets.

Current Ratio was 17.17:1 for the 1<sup>st</sup> quarter of 2017, 26.42:1 for the 1<sup>st</sup> quarter of 2016, and 18.32:1 for the 1<sup>st</sup> quarter of 2015. The decrease in ratio from 2016 to 2017 was due to the decrease in current assets while current liabilities increased. The increase in ratio from 2015 to 2016 was due to decreases in both current assets and current liabilities.

Asset Turnover was 0.54% for the 1<sup>st</sup> quarter of 2017, 0.58% for the 1<sup>st</sup> quarter of 2016, and 5.59% for 1<sup>st</sup> quarter of 2015. The decreases in asset turnover from 2016 to 2017 and from 2015 to 2016 were due to decreases in both revenue and total assets.

Debt to Equity Ratio was 3.16% for the 1<sup>st</sup> quarter of 2017, 2.80% for the 1<sup>st</sup> quarter of 2016, and 2.68% for the 1<sup>st</sup> quarter of 2015. The increase in ratio from 2016 to 2017 was due to the increase in total liabilities while equity decreased. The increase in ratio from 2015 to 2016 was due to decreases both in total liabilities and equity.

Asset to Equity Ratio was 94.76% for the 1<sup>st</sup> quarter of 2017, 101.34% for the 1<sup>st</sup> quarter of 2016, and 101.45% for the 1<sup>st</sup> quarter of 2015. The decreases in ratio from 2016 to 2017 and from 2015 to 2016 were due to decreases in both total assets and equity.

## **B. Discussion and Analysis of Financial Condition as of March 31, 2017**

For the quarter ending March 31, 2017, the company recorded total revenue of Php 3.896 million and total cost and expenses of Php 14.187 million resulting to a net loss of Php 10.291 million with minority interest recorded at Php 0.391 million for a net loss net of minority



interests of Php 10.682 million.

Total revenue for the 1<sup>st</sup> quarter of 2017 of Php 3.896 million was from interests and dividends from placements and investments amounting to Php 2.151 million and realized and unrealized foreign exchange gains of Php 1.745 million.

Cost and expenses for the 1<sup>st</sup> quarter of 2017 amounting to Php 14.187 million were all from general and administrative expenses.

Total Assets as of March 31, 2017 stood at Php 709.894 million a decrease of Php 11.148 million from Php 721.042 million as of December 31, 2016. Current assets, mostly in cash and cash equivalents decreased by Php 25.242 million, as these were used for operations and for the cash requirements of the existing projects of the company. Non-current assets, however, increased by Php 14.094 million. The increase was primarily in deferred charges amounting to Php 13.502 million for the costs and expenses of the existing projects of the company and in property and equipment which increased by Php 1.709 million due to new acquisitions. These increases were, however, partially offset by a decrease in available for sale (AFS) financial assets of Php 1.112 million due to fair value adjustments.

Total Liabilities increased by Php 1.823 million from Php 21.831 million as of December 31, 2016 to Php 23.654 million as of March 31, 2017 due to accruals for certain payables and expenses and accruals for retirement benefits.

Total Stockholders' Equity as of March 31, 2017 stood at Php 748.871 million a decrease of Php 13.362 million from Php 762.233 million as of December 31, 2016. This was due to the net loss booked for the 1<sup>st</sup> quarter of 2017 of Php 10.682 million, fair value adjustments on AFS financial assets of Php 1.121 million and cumulative translation adjustment of Php 1.558 million.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2016.

The interim operations are not characterized by any seasonality or cyclicality. The nature and amount of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending March 31, 2017.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or those reported in prior financial years.

On September 8, 2011, the SEC approved the Stock Option Plan (SOP) of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of P0.25 per share, a total of 500,000,000 shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,300,000 shares. As of December 31, 2016, 117.625 million SOP shares were listed in the Philippine Stock Exchange.

There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Currently, the company has a single business and geographical segment and therefore, segment

disclosures have not been included.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no changes in the composition of the company during the interim period, including business conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since December 31, 2016, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

There are no material commitments for capital expenditures and no seasonal aspects that have a material effect on the financial conditions or results of operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales revenues/income from continuing operations.

There are no events that will trigger direct or contingent financial obligations that are material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The causes for any material changes (5% of the relevant accounts or such lower amount, which the company deems material on the basis of other factors) from period to period which include vertical and horizontal analysis of any material item, have been presented in this report.

There were no sales of unregistered or exempt securities, nor were there any issuances of securities constituting an exempt transaction.

Finally, there are no other material information for disclosure during the current interim period, whether under this report or under SEC Form 17-C.

### **C. Disclosures per SEC Memorandum Circular No. 3, Series of 2011**

In compliance with SEC Memorandum Circular No. 3, Series of 2011: Guidelines on the Implementation of PFRS 9, we disclose that:

- (i) After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2016, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2017 reporting;
- (ii) We will however, continue to evaluate the impact of the standard in our financial statements for the year 2017.



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of March 31, 2017 and December 31, 2016**

	UNAUDITED March 31, 2017		AUDITED December 31, 2016	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	P	131,374,039	P	159,625,881
Receivables-net		3,303,170		2,500,836
Other current assets		10,175,621		7,967,620
<b>Total Current Assets</b>		<b>144,852,830</b>		<b>170,094,337</b>
<b>Non Current Assets</b>				
Available-for-sale (AFS) financial assets		134,409,645		135,521,886
Investment properties		275,380,505		275,380,505
Property and equipment		49,954,512		48,245,295
Deferred charges		101,328,091		87,826,307
Other noncurrent assets		3,968,802		3,973,602
<b>Total Non Current Assets</b>		<b>565,041,555</b>		<b>550,947,595</b>
<b>TOTAL ASSETS</b>	<b>P</b>	<b>709,894,384</b>	<b>P</b>	<b>721,041,932</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	P	7,538,950	P	7,216,221
Income tax payable		7,424		7,424
Dividends Payable		888,714		888,714
<b>Total Current Liabilities</b>	<b>P</b>	<b>8,435,088</b>	<b>P</b>	<b>8,112,359</b>
<b>Non Current Liabilities</b>				
Accrued retirement benefits payable		14,911,887		13,411,887.00
Deferred income tax asset		307,042		307,042
<b>Total Noncurrent Liabilities</b>		<b>15,218,929</b>		<b>13,718,929</b>
<b>TOTAL LIABILITIES</b>	<b>P</b>	<b>23,654,017</b>	<b>P</b>	<b>21,831,288</b>
<b>Minority Interest</b>		<b>(62,630,381)</b>		<b>(63,021,852)</b>
<b>Stockholders' Equity</b>				
Attributable to equity holders of the Company:				
Capital stock[held by 6,613 & 6,658 equity holders as of 2017 & 2016 respectively]		650,921,096		640,029,628
Additional Paid-In Capital		35,748,971		32,699,360
Deposits for future subscription				13,941,078
Revaluation increment in office condominium		18,845,804		18,845,804
Fair value adjustments on financial assets		4,517,921		5,638,748
Remeasurement loss on acquired retirement benefits		(4,700,836)		(4,700,836)
Cumulative translation adjustment		(6,857,069)		(5,298,491)
Retained Earnings		53,634,862		64,317,205
Total		752,110,748		765,472,496
Treasury stock (at cost)		(3,240,000)		(3,240,000)
<b>Total Equity</b>		<b>748,870,748</b>		<b>762,232,496</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS'EQUITY</b>	<b>P</b>	<b>709,894,384</b>	<b>P</b>	<b>721,041,932</b>

<b>BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES</b>		-2-	
<b>CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS</b>			
<b>For the period ended March 31, 2017 and March 31, 2016</b>			
	As of 31-Mar-17	As of 31-Mar-16	
<b>REVENUES</b>			
Interest, Dividends and Others	2,151,179	2,266,185	
Gain on Sale of AFS	6,846	-	
Realized Foreign Exchange Gain	1,738,544	2,493,344	
Unrealized Forex Gain	3,896,569	4,759,529	
<b>COSTS AND EXPENSES</b>			
General and administrative expenses	14,187,441	12,722,997	
Realized Foreign Exchange (Loss)		4,967	
Unrealized Forex (Loss)	14,187,441	12,727,963	
<b>LOSS BEFORE INCOME TAX</b>	<b>(10,290,872)</b>	<b>(7,968,435)</b>	
<b>PROVISION FOR INCOME TAX</b>			
Current	0	0	
Deferred	0	0	
<b>NET INCOME (LOSS)</b>	<b>(10,290,872)</b>	<b>(7,968,435)</b>	
<b>MINORITY INTEREST</b>	<b>(391,471)</b>	<b>(2,000,689)</b>	
	<b>(10,682,343)</b>	<b>(9,969,124)</b>	
<b>RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER</b>	<b>64,317,205</b>	<b>138,443,999</b>	
	-		
<b>RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER</b>	<b>53,634,862</b>	<b>128,474,875</b>	
<b>Earnings (Loss) Per Share</b>	<b>(0.0041)</b>	<b>(0.0039)</b>	

Formula: Earnings (Loss) Per Share

= Net Income/ No. of shares for the quarter ended March 31,2017  
2,603,684,382

= Net Income/ No. of shares for the quarter ended March 31,2016  
2,560,118,512

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Period Ended March 31, 2017 and March 31, 2016**

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	1st quarter 2017	1st quarter 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (loss)	P (10,290,872)	P (7,968,434)
<b>Adjustment to reconcile net income to net cash provided by operating activities</b>		
Interest income	2,151,179	2,266,185
Depreciation,depletion and amortization	1,446,026	822,449
Foreign Exchange Gain/Loss	(1,745,390)	(2,488,377)
Operating income (loss) before working capital changes	(8,439,057)	(7,368,177)
<b>Changes in assets and liabilities</b>		
Decrease (Increase) in asset/s		
Receivables	(802,334)	(423,043)
Prepayments and other current assets	(2,203,201)	(1,168,393)
Increase (Decrease) in liabilities		
Accounts payable & accrued expenses	322,729	743,697
Accrued retirement benefits payable	1,500,000	1,500,000
<b>Cash generated from (used in) operations</b>	<b>(9,621,863)</b>	<b>(6,715,915)</b>
Interest received	(2,151,179)	(2,266,185)
Taxes paid	-	-
Net cash flows from (used) in operating activities	P <u>(11,773,042)</u>	P <u>(8,982,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions (Deductions) to:		-
AFS Investment	1,112,241	P 2,534,912
Deferred charges	(13,501,784)	(5,976,711)
Property & equipment	(3,155,243)	(16,118)
Unrealized gain on fair value adjustments	(1,120,827)	(2,543,498)
<b>Net cash from (used in) investing activities</b>	P <u>(16,665,613)</u>	P <u>(6,001,415)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	-	-
<b>Net cash provided by financing activities</b>	P <u>-</u>	P <u>-</u>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH &amp; CASH EQUIVALENT</b>	1,745,390	2,488,377
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>	(1,558,578)	(1,081,469)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	(28,251,841)	P (13,576,607)
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/QUARTER</b>	159,625,881	201,015,066
<b>CASH AND CASH EQUIVALENT AT END</b>	P <u>131,374,039</u>	P <u>187,438,459</u>



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Period Ended March 31, 2017 and March 31, 2016**

	Quarters Ended March 31	
	2017	2016
<b>CAPITAL STOCK</b> - P 0.25 par value Authorized - 10,000,000,000 shares		
Issued and Subscribed	2,603,684,382	2,560,118,512
Paid-up Capital Stock at beginning of year	P 640,029,628	640,029,628
Additional Subscription	10,891,468	
Paid-up Capital Stock at end of period/quarter	P 650,921,096	640,029,628
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of year	32,699,360	32,699,360
Additional Subscription	3,049,611	
Balance at end of period	P 35,748,971	32,699,360
REVALUATION INCREMENT IN OFFICE CONDOMINIUM	18,845,804	12,805,479
FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS	4,517,921	2,983,854
REMEASUREMENT LOSS ON ACQUIRED RETIREMENT BENEFITS	-4,700,836	-4,564,364
CUMULATIVE TRANSLATION ADJUSTMENT	-6,857,069	-2,127,201
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of the year	64,317,205	138,443,999
Net Income (Loss) for the period	(10,682,343)	(9,969,123)
Balance at end of period	P 53,634,862	128,474,876
<b>TOTAL</b>	P 752,110,748	810,301,632
<b>Treasury Stock (at cost)</b>	(3,240,000)	(3,240,000)
<b>TOTAL STOCKHOLDER'S EQUITY</b>	748,870,748	807,061,632

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ACCOUNTS RECEIVABLES**  
**As of March 31, 2017**

Receivable from Stockholders	P	1,718,887
Accrued Interest Receivable		616,588
Advances to Officers & Employees		82,141
Dividends Receivable		788,254
Others		2,830,246
Less: Allowance for uncollectible accounts		<u>(2,732,947)</u>
	<b>P</b>	<b><u>3,303,170</u></b>

Basic Energy Corporation & Subsidiaries Aging of Accounts Receivable As of March 31, 2017	Total	1 Month	2-3 Mos	4-6 Mos	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - above	Past due accounts & Items in Litigation
Type of Accounts Receivable									
a) Trade Receivables									
1)		-	-	-	-	-			
2)	-								
3)	-								
Subtotal	-	-	-	-	-	-			
Less: Allow. For Doubtful Acct.	-								
Net Trade receivable	-	-	-	-	-	-			
b) Non-Trade Receivables									
1) Receivables from stockholders	1,718,887			-				1,718,887	
2) Accrued interest receivable	616,588	616,588							
3) Advances to officers/employees	82,141	23,654	58,487.34						
4) Dividends receivable	788,254	398,261	389,993						
5) Others	2,830,247	313,640	138,717		83,341	347,625	700,544	1,246,379	
Subtotal	6,036,117	1,352,143	587,197	-	83,341	347,625	700,544	2,965,266	
Less: Allow. For Doubtful Acct.	(2,732,947)						(157,079)	(2,575,868)	
Net Non-trade receivable	3,303,170	1,352,143	587,197	-	83,341	347,625	543,466	389,398	-
Net Receivables (a + b)	3,303,170	1,352,143	587,197	-	83,341	347,625	543,466	389,398	

Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

Type of Receivable	Nature / Description	Collection period
1)		
2)		
3)		

Notes: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of March 31, 2017

Accrued Expense Payables	₱	5,530,918
SSS/Philhealth/HDMF/BIR Payables		770,830
Others		<u>1,237,203</u>
<b>Total</b>	₱	<u><u>7,538,950</u></u>



## ADDITIONAL DISCLOSURES

### Part I – Financial Information

#### Philippine Financial Reporting Standards. Notes to Interim Financial Statements: (SEC Memorandum Circular No. 6, Series of 2013)

#### Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments do not have any impact on the Group's financial statements.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

These amendments do not have any impact to the Group as there has been no interest acquired in a joint operation during the period.

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

Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*  
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*  
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

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

government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact to the Group as the Group does not have any bearer plants.

- *Amendments to PAS 27, Separate Financial Statements, Equity Method in Separate Financial Statements*  
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

#### *Annual Improvements to PFRSs (2012 - 2014 cycle)*

- *Amendment to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*  
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts*  
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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 to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*  
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

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

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*  
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

These amendments are not expected to have any impact to the Group.

*Effective beginning on or after January 1, 2018*

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

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

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*  
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

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

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

- *PFRS 15, Revenue from Contracts with Customers*  
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the effect of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- **Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)**  
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments are not expected to have any impact on the Group's consolidated financial statements.

- **Amendments to PAS 40, *Investment Property, Transfers of Investment Property***  
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The amendments are not expected to have any impact on the Group's consolidated financial statements.

- **Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration***



The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is not expected to have any impact on the Group's consolidated financial statements.

*Effective beginning on or after January 1, 2019*

- *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

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

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

*Deferred effectivity*

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

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

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project

on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The amendments are not expected to have any impact on the Group's consolidated financial statements

#### Summary of Significant Accounting and Financial Reporting Policies

##### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in a separate statement of income and a separate statement of comprehensive income.

##### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at the fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to

“Other income” in the consolidated statement of income.

##### Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and deferred income tax liabilities are netted in the consolidated statement of financial position under noncurrent items.

##### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at floating rates based on daily bank deposit rate.



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

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

##### *Date of Recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

##### *Initial Recognition and Measurement of Financial Instruments*

The Group determines the classification of financial instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL).

##### *Financial Assets*

Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2016 and 2015, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.

##### *Financial Liabilities*

Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as loans and borrowings. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

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

The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2016 and 2015. The Group has no financial liabilities classified at FVPL and derivatives designated as hedging instruments in an effective hedge as at December 31, 2016 and 2015.

### Fair Value Measurement

The Group measures AFS financial assets and investment properties, at fair value at each end of reporting period.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognized in the 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 each reporting period.

An analysis of the fair values of AFS financial assets and investment properties and further details as to how they are measured are provided in Note 23.

### *"Day 1" Difference*

Where the transaction price in anon-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variable include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of



income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing "Day 1" difference amount.

*Subsequent Measurement*

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the consolidated statement of financial position at amortized cost using the effective interest rate (EIR) method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The amortization losses arising from impairment are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

*AFS Financial Assets*

AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income in the net unrealized gain on changes in fair value of AFS financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss and removed from OCI.

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

As at December 31, 2016 and 2015, included under AFS financial assets are the Group's investments in shares of stock and government bonds.

#### *Loans and Borrowings*

Issued financial instruments or their components which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income 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 shall be included in other charges in the consolidated statement of comprehensive income.

Loans and borrowings are included in current liabilities if settlement is to be made within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2016 and 2015, included in loans and borrowings are the Group's accounts payable and accrued expenses and dividends payable.

#### 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 financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and Receivables*

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' 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 a collective assessment for impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The present value of the estimated future cash flows is discounted at the financial assets' original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss shall be 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 to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income.

In relation to 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 of the amounts due under the original terms of the invoice. 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.

#### *Assets Carried at Cost*

If there is objective evidence of impairment loss on an unquoted equity instrument that is not carried at fair value, 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 for a similar financial asset.

#### *AFS Financial Assets*

For AFS financial assets, the Group assesses at each reporting date 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. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more and "prolonged" as greater than twelve (12) months for quoted equity securities. Where 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 consolidated statement of comprehensive income is removed from OCI and recognized in consolidated statement of comprehensive income.

Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset

and is recorded as a component of "Other income" account in the consolidated statement of comprehensive income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated profit or loss, the impairment loss is reversed through consolidated statement of comprehensive income.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

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

- the rights to receive cash flows from the asset have expired;
- the Group 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability 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 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 comprehensive income.



### Prepayments and Other Current Assets

#### *Prepayments*

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid rentals and insurance premiums and other prepaid items. The prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Prepayments that are expected to be realized for no more than twelve (12) months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

#### *Value-added Tax (VAT)*

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

VAT is stated at twelve percent (12%) of the applicable purchase cost of goods or services, net of output tax liabilities. The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

#### Investment Properties

Investment properties, consisting of parcels of land owned by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in consolidated profit or loss in the year of retirement or disposal.

#### Deferred Exploration Costs

All exploration and evaluation costs incurred in connection with the participation of the Group in the determination of technical feasibility and assessment of commercial viability of an identified resource are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC) Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Once the legal right to explore has been acquired, costs directly associated with an exploration and evaluation are capitalized and amortized at the start of commercial operations. All such capitalized costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When an SC is permanently abandoned, all related capitalized exploration costs are written-off. SCs are considered permanently abandoned if the SCs have expired and/or if there are no definite plans for further exploration and/or development.

### Property and Equipment

Property and equipment, other than office condominium, are carried at cost less accumulated depreciation and amortization and any impairment in value.

Office condominium is carried at revalued amount less depreciation and any impairment in value charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of revalued asset does not differ materially from its carrying amount.

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statements of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings.

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the year in which costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. 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.

Depreciation and amortization is computed using the straight-line method to allocate the related assets' cost to their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

	<u>Number of Years</u>
Office condominium	15
Building and building improvements	15
Machinery and equipment	10
Office equipment, furniture and fixtures	3
Transportation equipment	5

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

Depreciation 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.

Depreciation ceases when assets are fully depreciated or at earlier of the date that line 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, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

When assets are retired or otherwise disposed of, their cost, accumulated depreciation and any allowance for impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

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

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

#### Intangible asset

##### *Accounting Software*

Acquired accounting software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with the development or maintenance of accounting software programs are recognized as expense when incurred.

#### Other Noncurrent Assets

This account comprises goodwill and receivables. Other current assets that are expected to be realized for more than twelve (12) months after the end of the reporting period are classified as noncurrent assets, otherwise, these are classified as other current assets.

#### Impairment of Nonfinancial Assets

##### *Property and Equipment and Other Noncurrent Assets*

The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating unit (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such

reversal is recognized in consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

#### *Prepayments and Other Current Assets*

The Group provides provision for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in provision for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive 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 and amortization) had no impairment loss been recognized for that asset in prior years.

#### *Deferred Exploration Costs*

The Group assesses at each reporting period whether there is an indication that its deferred exploration costs and project development costs may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statement of income.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued and outstanding.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Deposits for Future Stock Subscription

This pertains to the amount of cash and advances from stockholders as payment for future issuance of stocks. The Group classifies a deposit for future stock subscription as an equity instrument if it satisfies all of the following elements:



- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a liability.

#### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

#### Other Comprehensive Income

Other comprehensive loss comprises items of income and expense (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.

#### Basic/Diluted Earnings Per Share (EPS)

##### *Basic EPS*

Basic EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

##### *Diluted EPS*

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

#### Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, net of discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

##### *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 Group's right to receive payment is established.

### General and Administrative Expenses

General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

### Leases

#### *Determination of Whether an Arrangement Contains a Lease*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

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

#### *Operating Leases - Group as a Lessee*

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized under "General and administrative expenses" in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

### Retirement Benefits Costs

The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date 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 retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement 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 expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net retirement benefit liability or asset is the change during the period in the net retirement 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 retirement benefit liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in 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 retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.

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 retirement benefit obligation, the measurement of the resulting retirement 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 retirement benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination Benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the financial reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates

and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

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

#### *Deferred Income Tax*

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests 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 not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date 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 financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will be available to allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on the tax rate and tax laws that have been enacted or substantively enacted at the financial reporting date.



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

#### Segment Information

The Group considers investment holding and geothermal energy projects as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

#### Provisions

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

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of the changes will be reflected in the consolidated financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

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

#### *Reserves Estimation*

The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

*Determination of the Group's Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the operations of the Group.

*Classification of Financial Instruments*

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

*Determination of Classification of Investment Property*

The Group classifies its land and improvements as investment property or owner-occupied property based on its current intentions where it will be used. When the land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. The land and improvements which are held for rent are classified as investment property.

*Capitalization of Geothermal Exploration and Evaluation Costs*

Careful judgment of management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets relating to the Group's geothermal project have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at end of each reporting period.

Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year are discussed below:

*Impairment of AFS Financial Assets*

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more of the cost and "prolonged" as greater than twelve (12) months for quoted equity securities.

*Revaluation of Office Condominium and Investment Properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged independent valuation specialists to assess fair value as at December 31, 2016 for its office condominium and investment properties.



For investment properties, a valuation methodology based on a sales comparison approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

#### *Impairment and Write-off of Deferred Exploration Costs*

The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred charges need not be assessed for impairment.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For deferred exploration costs, impairment is recognized when an SC where the Group has participating interest is permanently abandoned. Future events could cause the Group to conclude that these assets are impaired.

#### *Realizability of Deferred Income Tax Assets*

Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

#### *Estimation of Retirement Benefits Costs*

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary

increases and pension increases are based on expected future inflation rates for the specific country.

#### *Determination of Fair Value of Investment Properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow (DCF) projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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### **Fair Value Measurements**

Fair value is defined as 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. Fair values are obtained from quoted market prices, DCF models and option pricing models, as appropriate.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

#### *Cash and cash equivalents, receivables and accounts payable and accrued expenses*

Due to the short-term nature of cash and cash equivalents, receivables and accounts payable and dividends payable and accrued expenses, the carrying values of these accounts were assessed to approximate their fair values.

#### *AFS financial assets*

AFS financial assets in quoted equity instruments and quoted debt instruments are carried in the consolidated statement of financial position at fair value, which is determined by reference to quoted market prices at the close of business on the reporting date. AFS financial assets in unquoted equity instruments are composed of non-listed shares of common stock and proprietary clubs membership which are carried at cost because fair value cannot be reliably measured. Fair value cannot be reasonably determined because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

#### *Investment properties*

Investment properties are carried in the consolidated statement of financial position at fair value, which reflects market conditions at the reporting date.

#### Fair Value Hierarchy



As at December 31, 2016 and 2015, the following table presents the level of hierarchy of the Group's AFS debt and equity instruments:

	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
AFS Financial Assets						
	P			P		
Quoted debt securities	40,282,029	P-	P-	66,112,613	P-	P-
Quoted equity securities	95,239,857	-	-	94,297,877	-	-
	<b>135,521,886</b>			160,410,490		
	6	-	-	0	-	-
			<b>275,380,505</b>			203,424,809
Investment properties	-	-	5	-	-	9
	P		P	P		P
	<b>135,521,886</b>		<b>275,380,505</b>	160,410,490		203,424,809
	6	P-	5	0	P-	9

Fair value of quoted debt and equity securities AFS financial assets is derived from quoted market prices in active markets.

Fair value of investment properties are derived using the direct market comparison approach

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

As at December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

#### Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, receivables, AFS financial assets, accounts payables, accrued expenses and dividends payable. Cash and cash equivalents, short-term and long-term cash investments and AFS financial assets are used for investment purposes, while receivables, accounts payable and dividends payable arise from operations.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as at December 31, 2016 and 2015. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

The Group's exposures to these risks are managed through close monitoring by the Group's key management and BOD through the Finance and Investments Committee.

#### *Foreign exchange risk*

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial statements. Fluctuations in exchange rates can have significant effects on the Group's reported results. The Group is exposed to foreign exchange risk arising from its foreign currency-denominated cash, receivable and AFS financial assets accounts. The Group's policy is to minimize economic and material transactional exposures arising from currency movements against the Philippine Peso.

The Group's foreign currency-denominated exposures comprise significantly of its exposure in its US\$, and IDR financial assets.

The Group's significant foreign currency-denominated financial assets as at December 31, 2016 and 2015 are as follows:

	2016		2015	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US\$	29,144	₱1,371,5	151,148	₱7,113,025
IDR	40,697,508	149,737	141,956,745	482,653
AFS financial assets:				
Quoted equity investments - US\$	6,000	298,320		
		<b>₱1,819,585</b>		<b>₱7,595,678</b>

For purposes of translating the foreign currency-denominated monetary assets and liabilities as of December 31, the exchange rates applied were as follows:

	2016	2015
US\$	49.72	47.06
IDR	0.0037	0.0034

There is no other effect on the Group's equity other than those already affecting the consolidated income before income tax.

*Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified on the consolidated statements of financial position as AFS financial assets. The Group employs the service of a third party stock broker to manage its investment in shares of stock.

*Credit risk*

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not have any collateral held as security and other credit enhancements on its financial assets as of December 31, 2016 and 2015. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2016 and 2015.



It is the Group's policy to maintain the receivables at a low level except for one-time non-trade transaction which the Group classifies under the collectible/not impaired because the parties have no history of default especially on transactions as agreed on the contract.

The credit quality of the financial assets was determined as follows:

Financial instruments classified as "high grade" are those cash and cash equivalents and cash investments transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. AFS financial assets are considered "high grade" since these are invested in blue chip shares of stock. "Past due and impaired" are those that are long outstanding and has been fully provided with an allowance for doubtful accounts. There are no past due but not impaired receivables as of December 31, 2016 and 2015, respectively.

Concentrations of credit risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. There are no significant concentrations of credit risk within the Group arising from financial assets since these are not directly affected by changes in economic or other external conditions.

#### *Liquidity risk*

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. Management also ensures that the Group will maximize its gain on trading of marketable securities to finance future capital intensive projects. The Group manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group manages its liquidity profile to be able to finance its working capital requirements and capital expenditures and service due and maturing debts. To cover its financing requirements, the Parent Company intends to use internally generated funds. The BOD closely monitors the Parent Company's financial position during its regular meetings.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made on the objectives, policies or processes during the years ended December 31, 2016 and 2015.

Management of working capital focuses on short-term decisions relating to cash and cash equivalents and other current assets and liabilities. The goal of working capital management is to ensure that the Group is able to continue its business operations and that it has sufficient funds to satisfy maturing current liabilities and operating expenses.

As at December 31, 2016 and 2015, the Group is not subject to any externally imposed capital requirements.