CR02825-2016

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2015

2. SEC Identification Number

   36345

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

   Makati City

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City

   Postal Code

   1229

8. Issuer's telephone number, including area code

   (+632) 817-8596

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	2,560,118,512

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. Check whether the issuer:

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

- (●) Yes
- ( ) No

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

- ( ) Yes
- (●) No

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

Php 640,029,628

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

- ( ) Yes
- (●) No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

SEC Form 17-A and its attachment including the ACGR 2015

(b) Any information statement filed pursuant to SRC Rule 20

none

(c) Any prospectus filed pursuant to SRC Rule 8.1

none

Basic Energy Corporation
BSC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2015
Currency (indicate units, if applicable)	Peso

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Current Assets	207,671,506	53,083,566
Total Assets	827,238,785	863,192,559
Current Liabilities	6,657,503	14,306,555
Total Liabilities	20,352,239	26,219,724
Retained Earnings/(Deficit)	138,443,999	131,173,688
Stockholders' Equity	806,886,546	836,972,835
Stockholders' Equity - Parent	805,520,701	815,940,130
Book Value per Share	0.31	0.3

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Operating Revenue	0	0
Other Revenue	50,465,655	34,109,603
Gross Revenue	50,465,655	34,109,603
Operating Expense	0	0
Other Expense	48,480,563	49,337,106
Gross Expense	48,480,563	49,337,106
Net Income/(Loss) Before Tax	1,985,092	-15,227,503
Income Tax Expense	3,173,415	-8,595,926
Net Income/(Loss) After Tax	-1,188,323	-6,631,577
Net Income/(Loss) Attributable to Parent Equity Holder	5,444,815	-3,759,062
Earnings/(Loss) Per Share (Basic)	0	-0
Earnings/(Loss) Per Share (Diluted)	0	-0

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2015	Dec 31, 2014

Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	31.2	3.71
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	31.2	3.71
Solvency Ratio	**Total Assets / Total Liabilities**	40.65	32.93
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.03	0.03
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.03	0.04
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	0	0
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.03	1.04
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0	0
Net Profit Margin	**Net Profit / Sales**	0	0
Return on Assets	**Net Income / Total Assets**	-0	-0.01
Return on Equity	**Net Income / Total Stockholders' Equity**	-0	-0.01
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	125	-250

Other Relevant Information
See attached SEC Form 17-A and its attachment and ACGR 2015

Filed on behalf by:

Name	Angel Gahol
Designation	AVP - Asst. Corp. Sec./ Compliance Officer

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 6 3 5 9

COMPANY NAME

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

7th Floor, Basic Petroleum Building, C. Palanca, Jr. Street, Legaspi Village, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
basic@basicenergy.ph	(632) 817-8596 & 98	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,687	Last Wednesday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marietta V. Villafuerte	mvvillafuerte@basicenergy.ph	817–8596	0920-9067393

CONTACT PERSON's ADDRESS

77 Baler St., San Francisco del Monte, Quezon City

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

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

BASIC ENERGY
CORPORATION

April 14,2016

SECURITIES AND EXCHANGE COMMISSION
SEC BLDG., EDSA Greenhills
Mandaluyong City, Metro Manila

Attention : **ATTY. JUSTINA F. CALLANGAN**
Director, Corporate and Finance Department

: **MR. VICENTE GARCIANO P. FELIZMENIO, JR.**
Director,Market & Securities Regulation Department

Gentlemen:

We are pleased to submit to you our Annual Report-SEC Form 17-A as of December 31,2015 and Annual Corporate Governance Report for 2015.

We hope you find the attached in order.

Very truly yours,

CORAZON M. BEJASA
Corporate Secretary

7F Basic Petroleum Building, 104 Carlos Palanca, Jr. Street, Legaspi Village, Makati City 1229, Philippines

+ (632) 8178596 or 98 + (632) 8170191 www.basicenergy.ph

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
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1. For the fiscal year ended: December 31, 2015

2. SEC Identification Number: 36359 3. BIR Tax Identification No.: 000-438-702

4. Exact name of issuer as specified in its charter: BASIC ENERGY CORPORATION

5. Metro Manila, Philippines 6. [ ] (SEC Use Only)

Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code

7. 7th Floor Basic Petroleum Bldg., 104 C. Palanca, Jr. St., Legaspi Village, Makati City 1229
Address of principal office Postal Code

8. (632) 817-8596 & 98
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report

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

Title of each class	Number of Shares of Common Stock Outstanding And Amount of Debt Outstanding
Common Shares	2,560,118,512

11. Are any or all of these securities listed on a Stock Exchange

Yes [x] No [ ]

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

Philippine Stock Exchange Common Shares

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [ ] No [x]

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

Php 595,946,968 (as of March 31, 2016)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

Yes [ ]   No [ ]   Not Applicable [x]

DOCUMENTS INCORPORATED BY REFERENCE

2015 Audited Financial Statements (Consolidated)

PART I – BUSINESS AND GENERAL INFORMATION

ITEM I. BUSINESS

(A.) Description of Business

(1) Business Development

The Company was organized initially as Basic Enterprises, Inc., a stock corporation on September 19, 1968 and became an oil and gas exploration and development company on April 26, 1971. A year after, it assumed a new name, Basic Petroleum and Minerals, Inc. Over the years, the Company evolved from an operating company into a holding company under the corporate name, Basic Consolidated, Inc. As a holding company, it held equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Ecomarket Farms, Inc., which is into agriculture, focusing initially on cassava development, Basic Geothermal Energy Corporation, which is into geothermal energy development, and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company.

On the Company's oil and gas business, the Company, through its subsidiary, Southwest Resources, Inc., used to be involved in Service Contract 41 (Sandakan Basin) but in July, 2010, the consortium decided to withdraw from this service contract. The Company was earlier a party, together with other oil exploration companies, in Service Contract 47 for the exploration, development and production of certain areas in offshore Mindoro, but this service contract has already been relinquished to the Department of Energy. Presently, the Company is involved in Service Contract 53 for the exploration, development and production of certain areas in onshore Mindoro.

The Company has been awarded by the Department of Energy a total of five (5) service contracts for the exploration and development of geothermal energy, namely: GSC No. 8 at Mabini, Batangas, which was awarded in 2008, and GSC No. 2013-02-042 at Mariveles, Bataan, GSC No. 2013-02-041 at East Mankayan, Benguet, Mountain Province and Ifugao, GSC No. 2013-02-043 at Iriga, Camarines Sur and Albay and GSC No. 2013 -11-048 at West Bulusan, Sorsogon,which were awarded in 2013. For GSC No. 8, the Company is committed to drill an exploratory well by July, 2016, while pre-development works are being undertaken in the other geothermal power projects.

In 2013, the Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited, a joint venture company in Hong Kong, which is 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. The joint venture then established PT Basic Energi Solusi (PT BES) as its operating arm in Indonesia for the management and operation of oil wells located in the Dadangilo and Wonocolo areas. In 2015, after having drilled five (5) wells, PT BES placed the project on hold until Pertamina has finalized the organizational structure of local miners in said areas who will handle the management and operation of oil wells in said areas and with whom PT BES shall enter into new co-operation agreements.

The Company has been awarded by the Department of Energy four (4) hydro-power service contracts, namely: HSC No. 2014-01-383 at Puntian 1 River, HSC No. 2014-01-384 at Puntian 2 River, HSC No. 2014-01-385 at Malogo 2 River and HSC No. 2014-01-386 at Talabaan River, all located in Negros Occidental. The Company recently submitted to the Department of Energy its intent to withdraw from these service contracts, to enable the Company to focus on the drilling operations in GSC No. 8.

The Company continues to look at business opportunities for the development of renewable energy, such solar and wind power, as it pursues its geothermal energy projects.

(2) Business of the Company and its Subsidiaries

Oil and Gas Operations

The Company is involved in oil exploration and development activities. The Company is presently a party together with other oil exploration companies (the consortium), in Service Contract 53 for the exploration, development and exploitation of certain areas in onshore Mindoro. This service contract was awarded by the Department of Energy, which prescribes the periods and programs for exploration, development and commercial production, pursuant to Presidential Decree No. 87.

Service Contract 53 (Onshore Mindoro)

Service Contract 53 (SC53) was awarded by the Department of Energy on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the North Palawan Micro-Continental Block. Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three of the 4 wells encountered oil and gas but were considered non-commercial at the time of drilling.

The consortium entered into a Farm-In Agreement with Pitkin Petroleum Ltd. (Pitkin) which was approved by the Department of Energy on June 11, 2008. Under the Farm-In Agreement, Pitkin completed a magneto-telluric survey in onshore Mindoro and acquired in May, 2010, over 200 kilometers of 2D seismic designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental.

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin Petroleum to acquire 35% from its 70% participating interest. In November 11, 2011, Pitkin Petroleum reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of 2 wells and a financial commitment of US$2.0 million, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this Sub-Phase 2, the approved firm budget amounts to US$ 8.42MM and the contingent budget amounts to US$ 6.14MM. The project is presently suspended, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP.

The Company has a 3% participation in this service contract.

Indonesia Oil Project

This project is being undertaken in Central Java, Indonesia and involves the management and operation of oil wells by PT Basic Energi Solusi (PT BES), the company registered in Indonesia, as the operating arm of Grandway Group Ltd., the joint venture between the Company and Petrosolve Bhd Sdn.

PT BES acquired the rights to manage ten (10) wells in the Dadangilo and Wonocolo areas, with the objective of rehabilitating these wells for possible limited oil production. As of December 31, 2014, five (5) wells have been drilled. In the first half of 2015, however, PT Pertamina which holds the service contract in these areas from the government of Indonesia, terminated the oil production agreements with the local miners' organizations, and designated a temporary organization of local miners to manage the oil fields in said areas. With the decrease in world oil prices, PT Pertamina decreased its buying price for oil from these oil fields. PT BES then suspended drilling and oil production operations, pending the finalization by PT Pertamina of the organizational structure of local miners who will handle the management and production of oil from these oil fields and with whom PT BES will enter into new co-operation agreements.

Geothermal Energy

The Company is likewise involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the Department of Energy, which prescribes the periods and programs for these service contracts pursuant to Presidential Decree No. 87, for the Mabini Geothermal Service Contract and pursuant to R.A. 9513 (Renewable Energy Act of 2008) for the subsequent geothermal service contracts.

Mabini, Batangas Geothermal Service Contract

The Mabini, Batangas Geothermal Service Contract was awarded to the Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is 5 years, and was extended up to 2015, subdivided in 3 Phases. Sub Phase 1 (Years 1 and 2) and sub phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Company has the option to drill a well or return the Service Contract to the Department of Energy in case there is no technical justification to drill a well.

The Company has secured the commitments of the Local Government Units which indicated support to the project. The Certificate of Non Coverage was issued by the Environmental Management Bureau on March 25, 2009 and the Certificate of Non Overlap from the National Commission on Indigenous People was issued on April 15, 2009.

The Company has conducted the first stage of the exploration program consisting of geophysical and geological surveys covering 3,481 hectares in the Calumpan Peninsula, Mabini, Batangas. A Controlled Source Magneto-Telluric Survey covering the area had been conducted and completed on March 8, 2010.The data obtained from the survey had been processed by a Japanese consultant, with the objective of establishing the geothermal resource and the exploration drilling site in the area.

The Company has completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment under Sub Phase 1 (Years 1 and 2) of the work program committed with the DOE. Initial assessments disclosed that the area has a good potential for a 20-megawatts capacity and could be developed within a 2-year period considering the existence of adequate infrastructure, adjacency to transmission lines and a strong power demand in the area.

Trans-Asia Energy Corporation has agreed to a 25% participating interest in this project, which was confirmed upon completion of the gravity survey which it conducted in 2014.

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by July, 2016. Estimated costs for this work program is Php167 Million. Site preparation is on-going, while the drilling contract had already awarded to Diamond Drilling Corporation of the Philippines. Discussions are on-going with other investors, contractors, service providers and suppliers.

Frontier Geothermal Service Contracts

The Company was also awarded the service contracts from the Department of Energy, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles

Geothermal Power Project , the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of 5 years.

The East Mankayan Geothermal Power Project lies immediately east of the Cervantes, Ilocos Sur geothermal block of Pan Pacific Power Phils, Inc. and south of the Bontoc-Sadanga block which is operated by Magma Energy Resources. Immediately south is the Daklan block operated by Clean Rock Energy. The area actually covers the 3 provinces of Benguet, Mountain Province and Ifugao. The proposed area is surrounded by lots of known thermal manifestations, e.g. hot springs and thermally altered grounds.

The Mariveles Geothermal Power Project, in Bataan is situated along the West Luzon Volcanic Arc which starts from Mt. Pinatubo in the north and extends farther south across the Manila Bay towards Batangas and northeastern Mindoro.

The Iriga Geothermal Power Project in Camarines Sur is bounded to the north by Isarog geothermal block of PNOC-RC and to the east by the highly productive Tiwi geothermal service contract area of formerly Chevron, now AP Renewables Inc. The areal landscape is dominated by Iriga or Asog Volcano, a relatively in stratovolcano immediately southwest of Lake Buhi in southern Luzon.

The West Bulusan Geothermal Power Project is situated in the municipalities of Juban, Magallanes, Irosin, Bulan, Matnog, Santa Magdalena, and Bulusan, in the province of Sorsogon. It is bounded on the northeast by the geothermal contract area of SKI Construction Group, Inc. and is in close vicinity to Mount Bulusan, an active volcano and a declared Natural Park by virtue of Proclamation No. 421 on 27 November 2000. The Department of Energy (DOE) estimates the project site to have a potential installed capacity of 50 MW. The area has previously been explored by the PNOC Energy Development Corporation (PNOC EDC) in the 1980's. Data gathered from this study is the take-off point for the feasibility study undertaken by the Company.

These projects are undergoing permitting works and coordination with the local government units involved. Estimated costs for the work programs for these service contracts for 2016 is Php 33 Million.

Hydro-Power Energy

The Company has been awarded service contracts for the development of hydro-power resources by the Department of Energy, which prescribes the periods and programs for these service contracts, pursuant to R.A. 9513 (Renewable Energy Act of 2008).

The Malogo 2 Hydropower Project was awarded to the Company in February 2014 and is situated in Cadiz City and Victorias City in Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Malogo 2 is a run-of-river mini-hydropower scheme of development. The two branches of the Malogo River will each have a weir site, wherein both headrace channels lead to a common powerhouse located in the confluence of the two river branches. Map studies indicate that Malogo 2 has a combined indicative capacity of 5 MW. The headrace lengths run 1.3 km and 2.3 km each, while the gross head between both weirs and the powerhouse site is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Company.

The Puntian I Hydropower Project was awarded to the Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian I is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian I has an indicative capacity of 4 MW. The headrace length runs 1.95 km, while the gross head is 60 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Company.

The Puntian II Hydropower Project was awarded to the Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian II is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian II has an indicative capacity of 5 MW. The headrace length runs 1.5 km, while the gross head is 100 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Company.

The Talabaan Hydropower Project was awarded to the Company in February 2014 and is situated in Cadiz City, Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Talabaan is a run-of-river mini-hydropower scheme of development along the Talabaan River, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Talabaan has an indicative capacity of 5 MW. The headrace lengths run 2 km, while the gross head is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Company.

The Company has recently advised the Department of Energy of its intent to withdraw from these service contracts, to enable the Company to focus on its geothermal energy projects, of which GSC No. 8 is already in the drilling operations phase.

Risk Management

In the Oil and Gas and Geothermal and Hydro-Power business, the Company is faced with the following risks, in order of importance:

(a) Probability of Exploration and Development Success. Oil and gas exploration and geothermal and hydropower projects are inherently high-risk undertakings. There can be no assurance that the Company's activities will be successful in discovering commercially viable oil and gas reservoirs and/or a viable geothermal resource. Even if an apparently feasible resource is determined, there is no guarantee that it can be economically exploited. Despite the Company's reliance on advanced technology such as 3-D seismic data to improve the probability of success of discovery, oil and gas exploration and geothermal and hydropower operations are speculative businesses. Advanced technology, even with the correct interpretation, only assist geologists in identifying subsurface structures and does not ensure the certainty of the presence of resources if drilled. Moreover, 3-D seismic data and other advanced technology require higher investments that may result in higher losses, should the drilling prove unsuccessful.

Risk of heavy financial losses if prospects would prove unsuccessful could be mitigated through:

Farming-Out of Interest. A Farm-Out Agreement is a contract whereby a third party agrees to acquire from a licensee an interest in a production license and the corresponding operating agreement for a consideration normally comprising of an undertaking to perform a specified work obligation in the drilling of one or more wells. Farming out is usually undertaken by the seller of interest as a source for funding or as part of the rationalization of a licensee's interests. The seller may want to dispose of areas or interests which are peripheral to its main operations or in which it has small equity holdings but would take up as much management time as a larger holding.

Spreading Exploration Risks through Joint Ventures in Several Exploration Blocks. Forming alliances and jointly bidding for the development of a range of opportunities in oil and gas exploration and geothermal projects, mitigates exploration risks of a corporation as there is risk-sharing - the cost and responsibilities of drilling and production are spread over a number of entities. Joint ventures also enable companies to free up funds otherwise tied up in a single drilling project and enable these companies to build a portfolio of prospects.

Exploring in Geological Proven Petroleum Areas. The Company has been making investments and will continue to invest in geologically proven petroleum provinces only.

(b) Operating Hazards of Exploratory Drilling Activities and Environmental Risks. Drilling operations may be delayed, curtailed or subjected to operating and technical difficulties. Unexpected drilling conditions, adverse weather conditions, unanticipated pressure or formations, equipment breakdowns, industrial and environmental accidents and other such events may occur which may have adverse effects on the Company's operations and correspondingly on its financial performance and condition. Oil and gas and geothermal and hydropower exploration, development and drilling activities will be subject to Philippine environmental laws and regulations. Normal exploration and drilling operations involve certain operating hazards such as explosions, craterings, well blowouts, uncontrollable flows of oil, natural gas or well fluids, releases of toxic gas, accidental leakages, formations with abnormal pressures, fires, pollution and other environmental perils and risks, any of which may subject the Company to extensive liability or loss of assets.

Operating risks in the exploration and development drilling and production phases are generally directly driven by standards in design, procurement and installation, operating procedures and contingency planning. The Company, in its investment evaluation process, considers the presence and implementation of the following measures and strategies to mitigate risk exposures: (i) hiring of technically competent staff that are adept in utilizing state-of-the-art technology and could conduct effective evaluation work; and (ii) ensuring adherence to the various environmental laws and regulations, taking into account not only local but international expectations as well.

(c) *Volatility of Oil and Gas Prices and Exchange Rate Risks.* Revenues derived from successful exploration and drilling activities depend on the world price of oil. The price of oil is sensitive to minor changes in the global supply and demand conditions, quality of oil, forward selling activities, domestic and foreign government regulations, environmental trends, overall global economic condition and other macroeconomic and political factors that are beyond the Company's control. Furthermore, revenues from drilling activities are pegged to the US dollar, hence, the Company is exposed to exchange rate risks given the volatility of the rate of exchange between the US dollar and Philippine peso.

(d) Government Regulations and Approvals. Government action such as changes in regulations may affect the Company's business and eventual operating and financial performance. Government may limit access to prospective development areas, implement stricter environmental laws to protect human health and the environment, impose higher taxes and royalties, all of which may adversely affect the Company's financial performance.

For the risks mentioned in items (c) and (d) above, these risks could be mitigated through early identification systems of risk exposures to external threats such as changes in government regulations and changes in the geo-political environment of operating locations. The Company will continue to negotiate oil price agreements with inputs from experts. The Company, as a member of a consortium, adheres to its policy of involving competent technical professionals in the preparation and negotiations of oil price agreements. The Company will also continue to involve competent technical professionals in the preparation and negotiations of power purchase agreements for its geothermal projects.

Employees

The Company has twenty-two (22) officers and employees, of which seven (7) are executive officers, three (3) are technical managers, eight (8) are assigned as accounting, administrative and IT support staff and four (4) are assigned for utility and service staff. The Company expects to hire additional personnel or engage the services of consultants in 2016 as may be needed, as additional technical staff for its various projects. When the Company will pursue additional renewable energy projects, project managers, and engineering, technical and other support personnel may be required for its projects.

ITEM 2. PROPERTIES

The Company owns one floor (7^{th} Floor) of the Basic Petroleum Building located at 104 C. Palanca, Jr. St., Legaspi Village, Makati City, consisting of 461 square meters, which the Company uses as its office premises.

The Company and its subsidiaries own several parcels of land located in Bolinao, Pangasinan, containing an aggregate area of 415,895.80 square meters. The property is located approximately 4.3 kilometers southwest from the Bolinao-Bani Provincial Road and is best suited for agro-industrial land development.

The Company, through a subsidiary, also owns a major interest (58%) in a real estate property located at Barangay Bolasi, San Fabian, Pangasinan with an aggregate area of 178,634 square meters, beside the San Fabian PTA Beach Resort managed by the Philippine Tourism Authority. The beachfront is suitable for beach resort development while a portion of it is suitable for a residential or commercial development.

The Company also owns a property located at Tanay, Rizal with an area of 35,000 square meters, near the town proper with good roads and is suitable for residential housing development or for an agricultural farm project.

The Company also owns a property located at Gutalac, Zamboanga del Norte with an area of 22,000 hectares for agricultural development.

To date, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

ITEM 3. LEGAL PROCEEDINGS

A. On April 3, 2006, the Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy PLC (FEP), for a total consideration of US$ 17,000,000.00. Of this amount, US$ 5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Company received full payment and delivery of the first tranche of US$ 5,000,000.00. The amount of US$ 10,000,000.00 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI. In 2008, the Company declared FEP in default and the receivables of the Company from FEP were the subject of arbitration proceedings between the Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Company and awarded payment by Forum of the balance of the share of the Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Company and other claims under the SPA. Under the agreement, Forum will pay the Company an aggregate amount of USD 4.4 Million. As of December 31, 2013, FEP had settled all its obligations to the Company.

B. The San Fabian property which is registered in the name of Pan-Phil Aqua Culture Company and which the Company has a majority interest, was the subject of an administrative case filed by Pan-Phil Aqua Culture Company (Pan-Phil) against a certain Warlito Pedral with the Land Management Bureau of the Department of Environment and Natural Resources (DENR), Regional Office No. 1, San Fernando, La Union. The case is docketed as Claim Case No. 01-Pang-101 for the denial of the application for titling of a parcel land being claimed by said Warlito Pedral, as it falls within 20 meters legal easement or salvage zone of the foreshore area fronting the subject property. The Regional Office-DENR, La Union rendered a decision in favor of Pan-Phil, declaring the contested area as a salvage zone and giving Pan-Phil the preference to file for a lease application over the contested area. The decision was appealed with the Office of the Secretary of Department of Environment and Natural Resources (DENR), which appeal was dismissed in an Order dated November 10, 2010, affirming the Resolution of the Regional Executive Director dated August 3, 2010. On February 18, 2011, Mr. Pedral filed a Motion for Reconsideration of the Order dismissing the appeal, which was likewise denied and in July 2011, the DENR Secretary issued an Order dismissing the Motion for Reconsideration and affirming the Decision of the Regional Executive Director. Proceedings have already been initiated for the execution of the DENR decision in favor of Pan Phil.

Except for the above proceedings, the Company or its subsidiaries and affiliates are not involved in any pending legal proceeding relative to the other properties or property interests of the Company.

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

In July, 2014, the stockholders approved the amendments to the Articles of Incorporation and By-laws of the Company to specify the principal office address of the Company as required by the Securities and Exchange Commission, and to move the annual stockholders' meeting to the last Wednesday of June or any date as may be approved by the Board of Directors, respectively. Except for the election of directors for the term 2015-2016, there was no other matter submitted to a vote of security holders in 2015.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(1) MARKET INFORMATION

The shares of stock of the Company are traded in the Philippine Stock Exchange. The Company's high and low closing prices for each quarter of years 2014 and 2015:

	HIGH		LOW	
	2014	**2015**	**2014**	**2015**
1st Quarter	Php0.25	Php0.27	Php0.24	Php0.26
2nd Quarter	0.27	0.25	0.26	0.24
3rd Quarter	0.29	0.21	0.28	0.20
4th Quarter	0.30	0.21	0.27	0.20

Further, the last trading price of shares of the Corporation, as of December 31, 2015 was Php0.21 per share.

(2) HOLDERS

Top 20 Stockholders as of December 31, 2015:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Fil.)	2,110,585,871	82.44%
PCD Nominee Corporation (For.)	71,098,529	2.77%
BA Securities, Inc. FAO No. 06-324	34,250,000	1.34%
Christodel Phils, Inc	25,736,744	1.01%
Isidoro O. Tan	24,822,276	0.97%
Phases Realtors, Inc	20,989,439	0.82%
Northwest Traders Corporation	20,745,757	0.81%
Jose C. De Venecia, Jr.	10,013,225	0.39%
Samuel Uy	10,000,000	0.39%
Northwest Investors, Inc.	8,708,890	0.34%
Mark Anthony L. De Venecia	8,363,333	0.33%
JLV Holdings, Inc.	7,200,000	0.28%
MDV Holdings, Inc	5,070,000	0.21%
Kho Giok En	4,550,000	0.19%
Horacio Rodriquez	4,408,523	0.17%
Northwest Securities	3,998,109	0.15%
Christine Chua	3,149,221	0.12%
East West Commodities, Inc	3,019,498	0.11%
Jennette J. Lista	2,500,00	0.09%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange.

The Company's level of public float as of December 31, 2015 is 88.42% of total outstanding shares.

3) DIVIDENDS

a) No cash/stock dividends have been declared in 2014 and 2015.
b) There are no restrictions that limit the payment of dividend on common shares

4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Recent sales of shares of the Company consist of the subscription and issuance of shares under the Company's Stock Option Plan (SOP), which are covered by a Certificate of Exemption from the registration requirements of the Securities Regulation Code (SRC) issued by the Securities and Exchange Commission on September 8, 2011. The exemption was pursuant to Section 10.2 of the SRC, in view of the fact that the issuance of said SOP shares is limited in character in that the right/option to purchase the shares of stock are limited to the 33 optionees who are the directors, members of the Advisory Board, officers and employees of the Company.

As at the expiry of the SOP option on July 11, 2013, a total of 500,000,000 common shares of the Company were subscribed for cash and at the price of Php0.25 per share, which is the par value of the said shares. There were no underwriting discounts or commissions given or paid by the Company.

A total of seventeen (17) optionees exercised their option rights under the Company's SOP, who are directors, members of the Advisory Board and officers and employees of the Company, to wit:

Subscribers	**Shares Subscribed**	**Date of Subscription**
Directors		
Oscar C. De Venecia	30,000,000	4.27.12
	22,000,000	7.03.13
Francis C. Chua	30,000,000	4.27.12
	22,000,000	7.03.13
Ramon L. Mapa	30,000,000	4.27.12
Oscar L. De Venecia, Jr.	28,500,000	4.27.12
	22,000,000	7.03.13
Jaime J. Martirez	30,000,000	4.26.12
	30,100,000	7.03.13
Ma. Florina M. Chan	30,000,000	4.26.12
	22,000,000	7.03.13
Eduardo V. Manalac	30,000,000	4.27.12
Gabriel R. Singson, Jr.	30,000,000	4.27.12
Isidoro O. Tan	30,000,000	4.26.12

	22,000,000	7.03.13
Oscar S. Reyes	30,000,000	9.26.12
	22,000,000	7.03.13
Dennis D. Decena	4,000,000	4.26.12
Advisory Board		
Jose C. De Venecia, Jr.	5,000,000	4.26.12
	12,000,000	7.03.13
Leonardo R. Arguelles, Jr.	8,100,000	7.03.13
Officers		
Emelinda I. Dizon	10,000,000	7.03.13
Corazon M. Bejasa	100,000	9.26.12
Alberto P. Morillo	100,000	9.26.12
Marietta V. Villafuerte	100,000	9.26.12
Total	**500,000,000**	-

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Key Performance Indicators

The following table shows the top 5 key Performance indicators for the past two years:

Key Performance Indicators	Year 2015	Year 2014
Return on Investment (ROI) (Net Income/Ave. Stockholders' Equity)	-0.14%	-0.79%
Profit Margin (Net Income/Net Revenue)	-2.35%	-19.44%
Investment in Projects (Non-Petroleum) (As a % of Total Assets)	24.59%	23.57%
Investment in Wells and Other Facilities (As a % of Total Assets)	27.02%	23.93%
Current Ratio (Current Assets/Current Liabilities)	31.19:1	3.71:1
Asset Turnover (Net Revenue/Ave. Total Assets)	5.97%	3.97%
Solvency Ratios Debt to Equity Ratio	2.52%	3.13%
Asset to Equity Ratio	102.52%	103.13%
Interest Rate Coverage Ratio	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 Total 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 (-0.14%) and Profit Margin (-2.35%) in 2015 and ROI (-0.79%) and Profit Margin (-19.44%) in 2014 both showed negative rates because the Company booked net losses for both years.

Investment in Non-Petroleum Projects as a % of Total Assets increased to 24.59% in 2015 compared to 23.57% in 2014 because the total assets base in 2015 decreased compared to the balance in 2014.

Investment in Wells and Other Facilities as a % of Total Assets increased from 23.93% in 2014 to 27.02% in 2015 due to the increase in investments for various projects and the decrease in total assets base in 2015 compared to 2014.

Current ratio increased to 31.19:1 in 2015 from 3.71:1 in 2014 due to the increase in current assets and decrease in current liabilities in 2015 compared to 2014.

Asset Turnover in 2015 increased to 5.97% compared to 3.97% in 2014 due to the increase in revenue and decrease in average total assets in 2015 compared to 2014.

Debt to Equity Ratio decreased to 2.52% in 2015 compared to 3.13% in 2014 due to decreases in both total liabilities and equity in 2015 compared to 2014.

Asset to Equity Ratio decreased to 102.52% in 2015 compared to 103.13% in 2014 due to decreases in both total assets and equity in 2015 compared to 2014.

(1) Management's Discussion and Analysis of Financial Condition and Results of Operations for 2014

(a) Full Fiscal Years (Three Years)

2015

For 2015, total assets of the Company stood at Php 827.238 million, a decrease of Php 35.954 million compared to the balance of Php 863.192 million in 2014. Current assets, totaling Php 207.671 million in 2015, increased by Php 154.588 million from the balance in 2014 of Php 53.083 million. This was primarily due to the increase in cash and cash equivalents resulting from the sale of long-term available for sale securities (AFS). Non-current assets, totaling Php 619.567 million decreased by Php 190.542 million from the balance in 2014 of Php 810.109 million. This was due to the sale of long-term AFS securities as previously mentioned which were re-invested in short-term money market placements.

Total liabilities closed at Php 20.352 million, a decrease of Php 5.868 million from the balance of Php 26.220 million in 2014. This was mainly due to the payment of certain payables and accrued expenses which was partly offset by additional accruals for retirement benefits and accruals for income taxes payable.

Total equity levelled at Php 806.887 million, a decrease of Php 30.086 million from the balance of Php 836.973 million in 2014. The decrease was primarily due to the decrease in unrealized gain on changes in fair value of AFS financial assets resulting from the sale of AFS securities amounting to Php 30.651 million. This was partly offset by the increase in capital stock due to additional subscriptions of Php 0.156 million and increase in retained earnings of Php 7.270 million due to the income attributable to equity holders of the parent company of Php 5.445 million.

For 2015, total revenues generated amounted to Php 50.465 million, an increase of Php 16.356 million from the revenues generated in 2014 of Php 34.109 million. Revenues in 2015 were mostly from the gain on sale of AFS securities amounting to Php 45 million. Other sources of revenue were from dividends and interest income on cash and placements totaling Php 11.617 million which were partly reduced by other charges of Php 6.153 million.

Costs and expenses were all in general and administrative expenses amounting to Php 48.480 million, down by Php Php 0.857 million compared to the balance of Php 49.337 million in 2014.

For the year 2015, the Company recorded a consolidated operating loss of Php 1.188 million . This was a net result of an operating income of Php 5.445 million attributable to the equity holders of the parent company, and an operating loss of Php 6.633 million attributable to non-controlling interest. Because of the realization of unrealized gains/loss in changes in fair value of the related AFS securities sold during the year amounting to Php 30.65 million, the company recorded a total comprehensive loss of Php 30.333 million

2014

For 2014, total assets of the Company stood at Php 863.192 million, an increase of Php 8.729 million compared to the balance of Php 854.463 million in 2013. Current assets, mostly in cash and cash equivalents decreased by Php 32.167 million in 2014 compared to 2013 as these were invested in various projects of the company as accounted for in the increase in non-current assets of Php 40.897 million in 2014. Major variances in non-current assets were increases in project development costs of Php 112.693 million and in deferred charges of Php 8.374 million. These accounts booked the various project costs of the Company funds invested for which came from the decreases in available for sale financial assets of Php 87.126 million and in cash and cash equivalents of Php 33.399 million. In 2014, the Company recognized deferred income tax assets amounting to Php 6.846 million as compared to deferred income tax liability in 2013 of Php 6.167 million.

Total liabilities closed at Php 26.220 million in 2014 compared to Php 16.722 million in 2013, an increase of Php 9.498 million. The increase was mainly due to increases in accrued expenses for retirement benefits and other payables for the various projects of the Company.

Total Equity stood at Php 836.973 million in 2014 recording a net decrease of Php 0.768 million from the balance in 2013 of Php 837.741 million. Increases in equity accounts were recorded in capital stock amounting to Php 7.932 million in 2014 due to the issuance of capital stock from the exercise of the stock option plan. Fair value of available for sale securities also increased by Php 2.813 million in 2014. These increases however were offset by the operating loss for the year of Php 6.631 million, cumulative translation adjustment of Php 2.824 million and remeasurement loss on accrued retirement benefits of Php 2.305 million.

For 2014, total revenues generated amounted to Php 36.753 million or an increase of Php 6.212 million from the balance of Php 30.541 million in 2013. The increase was mainly due to a gain booked on the sale of available for sale financial assets and fair value adjustments on investment properties which were partly offset by decreases in interest income and foreign exchange gain.

Costs and expenses for 2014 amounted to Php 51.980 million an increase of Php 1.449 million compared to Php 50.531 million booked in 2013. While general and administrative expenses in 2014 decreased by Php 1.194 million, the year booked foreign exchange losses of Php 2.643 million.

For the year 2014, the Company recorded an operating loss of Php 6.632 million and total comprehensive loss of Php 8.700 million compared to the operating loss of Phph 27.146 million and total comprehensive loss of Php 10.466 million for the year 2013.

2013

For 2013, total assets of the Company stood at Php 854.463 million, an increase of Php 8.320 million compared to the restated balance in 2012 of Php 846.143 million (see Note below). Current assets totaling Php 85.251 million in 2013 were mainly in cash and cash equivalents amounting to Php 80.543 million. Currents assets decreased by Php 172.277 million due to additional investments in higher yielding and longer term securities and also because of additional expenditures for various projects. The decrease in current assets however was offset by the increase in non-current assets amounting to Php 180.597 million as accounted for mainly by the increases in available for sale (AFS) securities amounting to Php 145.557 million and deferred charges amounting to Php 40.350 million.

Total liabilities closed at Php 16.722 million in 2013 increasing by Php 4.143 million from the balance in 2012 of Php Php 12.579 million mainly because of the increase in deferred income tax liabilities due to unrealized foreign exchange gain in AFS and fair value adjustments of investment properties.

Total Equity stood at Php 837.741 million in 2013 and recorded a net increase of Php 4.176 million from the balance in 2012 of Php 833.565 million. The net increase was mainly due to the issuance of capital stock amounting to Php 14.643 million from the exercise of the stock option plan, fair value adjustments in AFS investments of Php 15.295 million and the result of the current year operations of Php 27.146 million loss and actuarial gains on retirement of Php 0.951 million.

For 2013, total revenues amounted to Php 30.541 million mostly in interest and dividends totaling Php 21.501 million and foreign exchange gain of Php 6.883 million. Total revenues in 2013 decreased by Php 288.093 million from the balance in 2012 of Php 318.634 million mainly because in 2012, the Company booked income from historical cost recoveries due to a previous sale of a subsidiary amounting to Php 224.956 million, and fair value adjustments of investment properties were Php 73.393 million in 2012 compared to Php 2.155 million in 2013. These decreases in revenue were partly offset however by a foreign exchange gain booked in 2013 amounting to Php 6.883 million.

Cost and expenses in 2013 totaled Php 50.531 million all in general and administrative expenses. Compared to 2012, total cost and expenses were less by Php 7.260 million because in 2012, the Company booked provisions for impairment on AFS investments amounting to Php 3.188 million and foreign exchange losses of Php 5.219 million.

For the year 2013, the Company recorded a total comprehensive loss of Php 10.466 million as compared to a total comprehensive income in 2012 of Php 271.034 million.

Note: For the 2013 audited financial statements, the 2012 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the audited financial statements.

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

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

Since December 31, 2015, 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.

ITEM 7. FINANCIAL STATEMENTS

The Company's Consolidated Financial Statements and Schedules to Financial Statements are filed as part of this SEC Form 17-A.

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

There were no disagreements with the Company's external auditors on any accounting and financial disclosures in the 2015 audited financial statements of the Company.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company adopted as of January 1, 2015. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

i. PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

ii. Annual Improvements to PFRSs (2010-2012 cycle)

iii. Annual Improvements to PFRSs (2011-2013 cycle)

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2015.

PART III – CONTROL AND COMPENSATION INFORMATION

(A.) Management's Discussion and Analysis (MD&A and Plan of Action)

Plan of Operations for 2016

Oil and Gas Operations

For 2016, the Company will continue with its business in oil and gas exploration, being a party, together with other oil exploration companies, to a service contract for the exploration, development and exploitation of certain areas situated in offshore Mindoro (Service Contract 53).

For Service Contract 53, the consortium has agreed to drill Progreso-2 to fulfil one of the 2 well obligations under the Sub-Phase 2 program. While preparations are on-going for the drilling works, the term for this phase is deemed suspended and will start upon resolution of pending issues with the NCIP and the Famatodi, Inc., the association of indigenous peoples in the project area. The Company has a 3% participation in this service contract.

As to the management and operation of oil wells in Indonesia, which is being undertaken by PT Basic Energi Solusi (PT BES), the company registered in Indonesia, as the operating arm of Grandway Group Limited, the joint venture between the Company and Petrosolve Bhd Sdn, PT BES acquired the rights to manage ten (10) wells in the Dadangilo and Wonocolo areas, with the objective of rehabilitating these wells for possible limited oil production. As of December 31, 2014, five (5) wells have been drilled. In the first half of 2015, however, PT Pertamina which holds the service contract in these areas from the government of Indonesia, terminated the oil production agreements with the local miners' organizations, and designated a temporary organization of local miners to manage the oil fields in said areas. With the decrease in world oil prices, PT Pertamina decreased its buying price for oil from these oil fields. PT BES then suspended drilling and oil production operations, pending the finalization by PT Pertamina of the organizational structure of local miners who will handle the management and production of oil from these oil fields and with whom PT BES will enter into new co-operation agreements.

The Company's cash requirements for the operations of its oil and gas business in the Philippines, for the whole year of 2016 is budgeted at a total of Php18.3 Million, which will be adequately funded by its cash and short-term investments. There will be a need for the Company to raise additional funds and increase manpower should there be new developments to pursue the above projects in 2016.

Geothermal Energy Operations

The Company is committed to drill an exploratory well in the Mabini, Batangas Geothermal Service Contract (GSC No. 8) by July, 2016. All the required permits, leases and licenses for the drilling of the exploratory well have been obtained and the Department of Energy had approved the Company's notice of intent to drill in GSC No. 8. Drill site preparations are on-going and the drilling contractor had been engaged. Negotiations for the other service providers, suppliers and contractors are on-going.

The Company will continue discussions with other companies interested in the exploration and development of geothermal resources for the formation of a consortium to jointly undertake exploration and development activities for the geothermal areas awarded to the Company.

The Company's cash requirements for the operations of its geothermal energy exploration business for the whole year of 2016 is budgeted at about Php 200 Million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds to further develop its other geothermal energy projects. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Hydro-Power Energy Operations

The Company has advised the Department of Energy of its intentions to withdraw and return the service contracts for the exploration and development of hydro-power resources awarded to the Company. This will enable the Company to focus on the drilling operations for GSC No. 8 for 2016.

Solar Power Projects

The Company continues to look for business opportunities for the development of solar power resources in properties owned by the Company and other properties which may be identified in the future.

The Company's cash requirements for the business development of a solar power project, among others, is budgeted at about Php 5.3 million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds for solar projects which may be awarded to the Company in 2016. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the year ended December 31, 2015 and years ended December 31, 2014, 2013, 2012, 2011 have been audited by Sycip Gorres Velayo & Co. (SGV). SGV has been the Corporation's independent auditors since 1972.

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

SGV has no shareholdings in the Company or any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company, in accordance with the professional standards on independence set by the Board of Accountancy and approved by the Professional Regulation Commission.

External Audit Fees

The following table sets out the fees billed for professional services rendered by the external auditors:

Period Covered	Nature of Audit	(InPHP000)
December 31, 2011	Annual Audit for regular reportorial requirements	765.0
December 31, 2012	Annual Audit for regular reportorial requirements	740.0
December 31, 2013	Annual Audit for regular reportorial requirements	775.0
December 31. 2014	Annual Audit for regular reportorial requirements	800.0
December 31, 2015	Annual Audit for regular reportorial requirements	530.0

In addition to the audit related services, SGV has also rendered tax and financial accounting services in relation to the Company's sale of its entire interests in Basic Petroleum and Minerals, Inc. (BPMI) and the acquisition of Zambo Norte Bioenergy Corporation (ZNBC).

Hereunder is the table of the fees paid from the foregoing tax and financial accounting services:

Date of Engagement	Nature of Services	Fee (InPHP000)

June 2006	Tax and Financial Accounting Services for the sale of BPMI	850.0
September, 2006	Tax Services for securing tax clearance in the transfer of BPMI shares to Forum Energy	250.0
June, 2007	Financial Accounting Services related to ZNBC's acquisition	350.0

The Audit Committee reviews the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee taking into account the auditing firm's quality and reliability of service. Based on its review, the Audit Committee recommends for approval of the Board the appointment of the external audit service provider for the subject audit year. The Board approves the appointment subject to the ratification by the stockholders during the annual stockholders meeting. Upon recommendation of the Audit Committee and the Board of Directors, SGV was appointed by the stockholders of the Company last June 30, 2015 as the external auditor who will conduct the audit for fiscal year 2015, subject to SEC Memorandum Circular 8, Series of 2003 (Rotation of External Auditors).

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors

The following were the members of the Board of Directors of the Company, as of December 31, 2015:

Oscar C. De Venecia –Chairman

Ramon L. Mapa- Vice Chairman

Francis C. Chua- Vice Chairman

Oscar L. De Venecia, Jr.

Ma. Florina M. Chan

Jaime J. Martirez

Harvey Lawrence N. Dychiao

Isidoro O. Tan

Oscar S. Reyes - Independent Director

Eduardo V. Manalac - Independent Director

Reynaldo T. Casas- Independent Director

Background Information

The following are the names, ages, positions and period of service in the Company of the incumbent directors and key officers of the Company:

OSCAR C. DE VENECIA, 82 years old, Filipino, is the Chairman of the Board. Prior thereto, he held several positions in the Corporation: as the Executive Vice President of the Corporation and director in 1972; became President and CEO in 1980; and was elected as Chairman of the Board & CEO from 1988 to July 12, 2007. He served as Chairman of the Advisory Board from July 12, 2007 to February 11, 2009 before assuming the position of Chairman of the Board and CEO again on February 12, 2009. He is also the Chairman of the subsidiaries of the Corporation, namely: Basic Geothermal Energy Corporation, iBasic, Inc., Basic Diversified Holdings, Inc., Southwest Resources, Inc., Basic Ecomarket Farms, Inc., Basic Biofuels Corporation, and Pan-Phil Aqua Culture Corporation.

He is the Co-Chairman for International and Trade Affairs of the Philippine Chamber of Commerce and Industry; a member of the Advisory Board of the Philippines Trade Foundation, Inc. He was a director of the Manila Economic & Cultural Office (MECO), an Independent Director of the Export & Industry Bank and he was a director of the Pangasinan Economic Development Foundation, Inc. He is Past Chairman and President, now Senior Adviser, of the Petroleum Association of the Philippines.

He is the Honorary Consul General of Ukraine in the Philippines and Past Dean of the Consular Corps of the Philippines. He is an Honorary Rear Admiral of the Philippine Coast Guard Auxiliary and a Trustee of the Free Rural Eye Clinic Foundation, Inc. in San Fabian, Pangasinan. He is a Past President of the National Association of Mapua Alumni and a life member of the Management Association of the Philippines.

He is a Past President of the Rotary Club of Makati West and Past District Governor of Rotary International, District 3830; Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc.; and Past Chairman, Philippine College of Rotary Governors, Inc. (1997-1998). He has received numerous awards and recognitions: Awarded Plaque of Appreciation by the Rotary Foundation as Chairman of the National PolioPlus Immunization Committee (1992-2003) when the Philippines was certified as Polio free by the WHO on October 19, 2002; Multiple Paul Harris Fellow (Multiple Pin); Major Gift Donor; Volunteer and Benefactor of R.I.; Awardee, " Special Rotary International Presidential World Understanding and Peace Award" given by R.I. President Stan McCaffrey as President of the Rotary Club of Makati West during the 1982 R.I. Convention in Dallas, Texas, U.S.A.; Awardee, " Citation for Meritorious Service" from The Rotary International Foundation; Awardee, " Distinguished Service Award" from The Rotary International Foundation ; Awardee, " President's Golden Century Citation" from R.I. President Herbert G. Brown; Awardee, " Regional Service Award For a Polio-Free World" from The Rotary International Foundation; Awardee, "Service Above Self Award", Rotary International; He was the Representative of District 3830 to the 2004 Rotary International Council on Legislation, Chicago, Illinois. He represented the President of Rotary International in various Rotary district conferences in the Philippines, Australia, India, Korea and Japan. He was an Awardee of the "Chevalier Dans L'Ordre National Du Merite" from the French Government on February 10, 2004.

FRANCIS C. CHUA, 65 years old, Filipino, is a director of the Corporation since 1998, and the second Vice Chairman of the Board of the Directors and Director of the various subsidiaries of the Corporation since November, 2007. He is the Special Envoy on Trade and Investments of the Department of Foreign Affairs since June, 2007 and Special Envoy on Trade and Investments. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry since 2002. He is also the Consul General, Honorary Consulate General of the Republic of Peru in Manila, since 2006. He was a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines, 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority from 2006 to 2009. He was the Chairman and President of BA Securities up to 2007; President of the Philippine Satellite Corporation, and Vice-Chairman/Treasurer of Mabuhay Satellite Corporation. He was a member of the Board of Governors and Treasurer of the Philippine Stock Exchange from 2000 to 2002. He is a director of Bank of Commerce since 2008 and a director of NGCP since 2009. For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, President Emeritus of the Chamber of Commerce of the Philippines Foundation; and President of the Philippine Chamber of Commerce & Industry since 2010. He obtained his degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, in 1967, and was conferred Doctor of Humanities, Honoris Causa from the Central Luzon State University.

RAMON L. MAPA, 71 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors effective October, 2007 and a director of the various subsidiaries of the Corporation. He is presently the Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002 and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002. He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

OSCAR L. DE VENECIA, JR., 47 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed President & CEO of the Corporation in August, 2011. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Geothermal Energy Corporation, Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic Diversified Industrial Holdings, Inc., the Chairman and President of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc. He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He is the President of the Rotary Club of Makati – East for the Rotary year 2010-2011 and a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011. He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

REYNALDO T. CASAS, 69 years old, Filipino, is an Independent Director of the Corporation since 2015. He is presently the President for Projects of Nv vogt Philippines, which is focused on building ground mounted solar farms. He is the President of Advance Renewables Energy, Inc. which is currently the Filipino company stakeholder of Nv vogt Philippines. He is a member of the Board of Trustees of SAIDI School of Organization Development, since August, 2014. He is also the President of RGCasas Realty, a family-owned real estate business. He co-founded Adtel, Inc. with the Lopez Group of Companies in 1994 and served as its President and COO up to 2012. He was Senior Vice President for sales of EasyCall Phils. from 1992 to1994 and was Manager of Bellsouth International Telephone Co. from 1988 to 1992, which established its Hongkong office as the center for business development in Asia. Prior to his stint with Bellsouth, he worked with IBM Philippines and Kodak Philippines. For his current civic affiliations, among others, he is a member of the Management Association of the Philippines, member of the Rotary Club of Makati East, where he served as President for the term 1998-1999, member of the Villamor Golf & Country Club and member of the Philippine Columbian Tennis Club. He obtained his degrees in Bachelor of Liberal Arts/Commerce from San Beda College in 1969, where he was a gold medallist in Academics. He took postgraduate studies in Strategic Business Economics in 2000, and obtained a Master's degree in Business Economics in 2007, from the University of Asia & the Pacific. He completed his Doctorate Degree or PhD on Organization Development in 2012 at SAIDI.

MA. FLORINA M. CHAN, 59 years old, Filipino, is a Director of the Corporation since April 3, 2008 and a director of the various subsidiaries of the Corporation since 2008. She was the President & COO of Philippine Commercial Capital, Inc., with which she has been employed from July 16, 1982 to March 31, 2011. She was also a director of PCCI Securities Brokers Corporation International Capital Corporation and PCCI Equities, Inc., since 2005. She obtained her degree in Bachelor of Science in Business Economics at the University of the Philippines in 1977 and Master in Business Administration at the Fordham University in 1980.

HARVEY LAWRENCE N. DYCHIAO, 47 years old, Filipino, is a director of the Corporation since July, 2015. He is the Managing Director of Bonifacio Capital, Inc. He is a New York and Philippine-qualified lawyer with extensive transactional experience in mergers and acquisitions, buy-outs and financing got private equity funds and strategic investors. His experience also includes advising in relation to project development, capital raising, privatizations/ restructurings of state-owned enterprises, structured finance transactions and insolvency workouts. His sector focus has included mining project development, transportation (aircraft), real estate, financial institutions, public utilities and consumer goods, among others. He has also served in the public sector with the privatization and special projects team of the Department of Finance of the Philippines. He attended Harvard Law School and is the executive director of the 800-member Harvard Club of the Philippines.

EDUARDO V. MAÑALAC, 68 years old, Filipino, an Independent Director, and has been a director of the Corporation, and its subsidiaries since October, 2009. He is currently President of TransEnergy International Limited, and non-executive Director for the Australian company, NIDO Petroleum Limited. From 2003 to late 2004, Mr. Mañalac was Undersecretary of the Department of Energy (DOE) of the Philippines, where, among other achievements, he promoted the standardization and use of coconut biodiesel, which highlighted the DOE's participation in developing the "Biofuels Law." He instituted a transparent new system for the awarding of oil service contracts, that led to the First Philippine Contracting Round in 2003. He was appointed President and CEO of the Philippine National Oil Company (PNOC) on August, 30, 2004, President and CEO of the PNOC Exploration Corporation (PNOC-EC) in September, 2004, and subsequently Chairman of the PNOC Energy Development Corporation (PNOC-EDC) within the same period. Mr. Mañalac also initiated international cooperative meetings that led to the historic signing of the Tripartite Agreement for a Joint Marine Seismic Undertaking in the South China Sea between the Philippines (PNOC), China (China National Offshore Oil Corporation), and Vietnam (Petrovietnam).

Prior to 2003, he was an executive for the Oklahoma-based Phillips Petroleum Company, now Conoco Phillips based in Houston Texas. He served as Exploration Manager for North America from 1981-85 and was then assigned to head Phillips Petroleum Company Indonesia as its Managing Director from 1985-87. He was also President and General Manager of Phillips Pakistan from 1987-89 and Exploration Manager for Latin America from 1989-95. His last posting with Phillips was China, where, as Vice-President and Exploration Manager for Phillips China, he discovered the giant Peng Lai oil field in northern China's Bohai Bay in 1999. For this reason, and for other outstanding achievements, the government of the People's Republic of China honoured him with its Friendship Award in 2000, and its first-ever Foreign Model Worker Award in 2003.

Mr. Mañalac attended the University of the Philippines in Diliman, Q.C. Philippines, which granted him an Outstanding Alumni Award in 2001. He graduated from UP with a Bachelor of Science degree in Geology in 1967, and completed post-Graduate studies in petroleum geology through 1969.

JAIME J. MARTIREZ, 60 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Unicapital Finance and

Investments, Inc., Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He holds other director positions- in Majalco, Inc., a diversified holding corporation, Malayan Savings Bank, CCC Insurance Corporation, and Insular Rural Bank, a Las Pinas based rural bank. He is also a director of the Philippine Finance Association, and is a member of the Makati Business Club. He has acquired and developed professional expertise in the field of Investment Banking for the last 26 years, since 1976. He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and is a candidate for a Masters degree in Business Administration from the Ateneo de Manila University Graduate School in 1979.

OSCAR S. REYES, 69 years old, Filipino, and a director of the Corporation and its subsidiaries since June 2007. He is presently the President and Chief Executive Officer of the Manila Electric Corporation. Among his other positions are: President of Meralco Powergen Corporation, Chairman of Meralco Industrial Engineering Services, Inc., Meralco Energy, Inc., CIS Bayad Center, Inc., Redondo Peninsula Energy Inc., and Pepsi Cola Products Philippines, Inc.; Member of the Board of Directors of Philippine Long Distance Telephone Company (Advisory Board), PLDT Communications & Energy Ventures Inc.; Independent Director of Bank of the Philippine Islands, Manila Water Co., Cosco Capital Inc., Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Grepalife Asset Management Corporation, Petrolift Inc., and Eramen Minerals Inc., among other firms. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of One Meralco Foundation, Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc. He finished his BA, Major in Economics (Cum Laude) at the Ateneo de Manila University in 1965. He took post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School

ISIDORO O. TAN, 67 years old, Filipino, is a director of the Corporation and its subsidiaries. since 1993 He is also the President & Director of Filspin, Inc. for the last six (6) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

OFFICERS

ANTHONY L. CUAYCONG, 48 years old, Filipino, is the General Manager of the Corporation with the rank of Senior Vice President since October 1, 2015. He was President/Chief Executive Officer and Vice President/Chief Operations Officer of Business World Publishing Corporation from 2005 to 2015. He obtained his Bachelor of Arts, Major in Economics degree from the Ateneo De Manila University in 1989 and his Master in Business Management degree from the Asian Institute of Management in 1998.

CORAZON M. BEJASA, 68 years old, Filipino, is the Corporate Secretary of the Corporation with the rank of Vice President since July 12, 2007. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, Magna Cum Laude, in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 60 years old, Filipino, is the Vice-President for Petroleum Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd.. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm. He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978, and has earned MBA units from the Ateneo de Manila University. He has taken the Management Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

MARIETTA V. VILLAFUERTE, 69 years old, Filipino, is the Treasurer of the Corporation with rank of Vice President since March 16, 2009. She was Vice-President for Finance of the Corporation from January, 2008 to March 15, 2009. She was the Senior Vice President & Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

ANGEL P. GAHOL, 62 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation,.and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel. He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

PETER JAMES D. LEANO V, 39 years old, Filipino, is the Drilling and Logistics Manager –Operations Department of the Corporation since March 3, 2014. He is the Managing Partner of Geo-Exploration Services Company engaged in exploration drilling projects of mining and cement companies. He was the General Manager of Primo Asia Mining and Drilling, Inc.-Philippines. Previous to that, he was a Training Consultant for the Philippine Human Rights Information Center, Philippines and that of the Office of the Presidential Adviser on Food Security. He is a graduate of Business Administration in Development Studies from the University of the Philippines , in 1997.

DARIUS A. MARASIGAN, 44 years old, Filipino, is the Business Development Officer of the Corporation. He rendered consultancy services on renewable energy projects for Restored Energy Development Corporation of the Armadillo Group of Companies from August, 2012 to April, 2014, and for PNOC Renewables Corporation from November, 2010 to August 2013. He was Senior Planning Officer at the PPP Center of the Philippines of NEDA from July, 2007 to October, 2010. Prior thereto, he was employed as Officer-in-Charge, Contracts & Claims Unit of the Meralco Industrial Engineering Services Corporation. He graduated from the Mapua Institute of Technology with a Bachelor of Science degree in Electrical Engineering, in 1994.

MARGARET LOUISE L. HONRADO, 32 years old, Filipino, is the Technical Manager-Operations Department of the Corporation. She was the Team Leader and Technical Assistant of PNOC Renewable Corporation (PNOC-RC) from 2011-2013, handling geological work and technical reports of the various projects of PNOC-RC. She was a Lecturer on environmental science at the Ateneo de Manila University from 2010 to 2011 and as a Project Research Associate in January 2010-May 2010 and University Research Associate in 2006-2009 of the National Institute of Geological Science of the University of the Philippines. She obtained her Bachelor of Science major in Physics at the University of the Philippines in 2005 and delivered her thesis in Master of Science in Geology in 2006.

Involvement in Legal Proceedings

There were no reported pending cases, actions or proceedings, whether judicial, quasi-judicial or administrative in nature, bankruptcy petitions or proceedings filed or pending, conviction in criminal cases by final judgment, or any adverse court order decree or judgment, or violation of any securities or commodities law or regulation involving any of the directors and officers of the Company for the last five (5) years.

Family Relationships

Except for Mr. Oscar C. de Venecia, who is the father of Mr. Oscar L. de Venecia, Jr., there are no other family relationships, whether by consanguinity or affinity, among the other directors and executive officers.

Board Committees

The members of the Audit and Risk Committee, which reviews the audit plans, report and findings of the internal and external auditors of the Corporation and undertakes risk evaluation and management, are:

Oscar S. Reyes (Independent Director)	-	Chairman
Eduardo V. Manalac (Independent Director)	-	Vice-Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Harvey L.N. Dychiao	-	Member

The members of the Nominating Committee, which reviews the qualifications of nominees to the Board of Directors and the key officers of the Corporation, are:

Oscar C. De Venecia	-	Chairman
Oscar S. Reyes (Independent Director)	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ramon L. Mapa	-	Member
Reynaldo T. Casas (Independent Director)	-	Member
Eduardo V. Manalac (Independent Director)	-	Member

The members of the Compensation and Remuneration Committee, which reviews the Corporation's compensation and remuneration structure for directors and officers of the Corporation, are:

Oscar L. De Venecia , Jr.	-	Chairman
Francis C. Chua	-	Vice Chairman
Eduardo V. Manalac (Independent Director)	-	Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member

The members of the Finance and Investments Committee, which reviews the financial reports of the Corporation and all project and investment proposals, are:

Jaime J. Martirez	-	Chairman

Ramon L. Mapa	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ma. Florina M. Chan	-	Member
Eduardo V.Manalac (Independent Director	-	Member
Reynaldo T. Casas (Independent Director)	-	Member
Harvey L.N. Dychiao	-	Member
Isidoro O. Tan	-	Member

The members of the Corporate Governance Committee, which is responsible for maintaining and ensuring good governance of the Corporation, are:

Eduardo V. Manalac (Independent Director)	-	Chairman
Francis C. Chua	-	Vice-Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Reynaldo T. Casas (Independent Director)	-	Member

ITEM 10. Executive Compensation

Directors' Compensation

The Directors of the Corporation do not receive compensation from the Company, except per diems for attendance at Board and Committee Meetings at Php12,100.00 and Php 6,050.00 per attendance, respectively. Certain directors exercised their options to purchase shares of stock of the Company under the Company's stock option plan which was approved by the stockholders on July 11, 2007. There is no existing compensatory plan or arrangement for directors of the Company.

Executive Officers' Compensation

NAME/POSITION	FISCAL YEAR	SALARIES	BONUSES	OTHER COMPENSATION
Oscar L. de Venecia, Jr. President & CEO **Anthony L. Cuaycong** SVP & General Manager **Marietta V. Villafuerte** VP & Treasurer **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP- Operations **Angel P. Gahol** AVP & Asst, Corp. Secretary/Compliance. Officer				

Gregorio Jesus Jose F. Galang III AVP-Geology & Drilling				
Total	*2016* *2015* 2014	11,004,240 (estimated) 9,383,821 8,718,930	917,020 (estimated) 708,258 1,404,200	0 0 0
All Other Officers as a Group Unnamed	*2016* *2015* *2014*	1,786,200 (estimated) 1,866,254 1,150,733	148,850 (estimated) 144,462 194,542	0 0 0

Except for the stock option plan as abovementioned and the existing retirement plan for officers and employees of the Corporation, there is no existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants and other rights for directors and officers of the Corporation, or which will arise from the resignation, retirement, expiration of term of employment, change in control or change in the officer's responsibilities.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1) Security Ownership of more than Five Percent (5%) of the Company Shares

As of December 31, 2015, the entity known to the Company to be directly or indirectly the record and beneficial owner of more than five (5) per cent of the Company's common shares, is as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No of Shares Held	Per cent
Common Shares	PCD Nominee Corp* 37/F Tower I Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (PCD) (No relationship with Company)	Various Participants of PCD	Filipino	2,110,585,871	82.44%

2) Security Ownership of Management

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of December 31, 2015:

a) Directors

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner (Direct)	Citizenship	Percentage
Common	Oscar C. De Venecia	0	Filipino	0.0%
Common	Francis C Chua	10,000	Filipino	0.0004%
Common	Ramon L. Mapa	368,635	Filipino	0.014%
Common	Oscar L. De Venecia, Jr.	516,334	Filipino	0.020%
Common	Eduardo V. Manalac	10,000	Filipino	0.0004%
Common	Ma. Florina M. Chan	10,000	Filipino	0.0004%
Common	Jaime J. Martirez	10,000	Filipino	0.0004%
Common	Gabriel R. Singson, Jr.	10,000	Filipino	0.0004%
Common	Isidoro O. Tan	24,822,276	Filipino	0.970%
Common	Oscar S. Reyes	10,000	Filipino	0.0004%
Common	Dennis D. Decena	10,000	Filipino	0.0004%
	TOTAL	**25,777,245**		**1.01%**

b) Executive Officers

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percentage
Common	Alberto P. Morillo	303,185 Direct	Filipino	0.011%
Common	Angel P. Gahol	1,476 Direct	Filipino	0.000%
	Total	**304,661**		**0.011%**

c) Indirect Beneficial Ownership of Directors and Management as of December 31, 2015

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner (Indirect)	Citizenship	Percentage
Common	Oscar C. De Venecia	13,000,000	Filipino	0.51
Common	Francis C Chua	13,000,000	Filipino	0.51
Common	Ramon L. Mapa	3,000,000	Filipino	0.11
Common	Oscar L. De Venecia, Jr.	9,025,000	Filipino	0.35
Common	Eduardo V. Manalac	3,000,000	Filipino	0.11
Common	Ma. Florina M. Chan	13,010,000	Filipino	0.51

Common	Jaime J. Martirez	15,025,000	Filipino	0.58
Common	Gabriel R. Singson, Jr.	7,500,000	Filipino	0.29
Common	Isidoro O. Tan	13,000,000	Filipino	0.51
Common	Oscar S. Reyes	13,000,000	Filipino	0.51
Common	Dennis D. Decena	1,000,000	Filipino	0.03
Common	Corazon M. Bejasa	100,000	Filipino	0.00
Common	Marietta V. Villafuerte	100,000	Filipino	0.00
Common	Alberto P. Morillo	1,350,936	Filipino	0.05
	TOTAL	**105,110,936**		**4.10%**

(1) Voting Trust Holders of 5% or More

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

(2) Changes in Control

Management is not aware of any existing arrangement which may result in a change in control of the Corporation by stockholders.

(3) Shares owned by Foreigners

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by foreigners, and the percentage of shareholdings, as of December 31, 2015:

Citizenship	No. of Shares	% Holdings
Chinese	35,765,295	1.40%
American	1,525,530	0.06%
British	366,051	0.01%
Canadian	1,130	0.00%
Spanish	10,617	0.00%
French	22,000	0.00%
Indian	39,567	0.00%
Singapore	63,481	0.00%
Swiss	119,204	0.00%
Australian	50,016	0.00%
Others	71,787,236	2.80%
Total	**109,752,127**	**4.23%**

ITEM 12. Certain Relationships and Related Transactions

In June, 2012, Dra. Teresita De Venecia (now deceased) a second degree cousin-in-law of the Chairman, assigned to the Company her rights in certain properties registered in the name of Pan Phil Aqua Culture Corporation located in San Fabian, Pangasinan with an aggregate lot area of 185,081 square meters, to the extent of 2.3% interest, for a total consideration of Php 1.5 Million.

Other than this transaction, there has been no material transaction during the past two years, nor is there any material transaction, contractual or other commitments, currently on-going or being proposed, to which the Company was or is to be a party with any incumbent director and/or executive officer of the Company, disclosed or required to be disclosed in the financial statements of the Company pursuant to PAS No. 24. In the normal course of business, the Company has transactions with its subsidiaries consisting of non-interest bearing advances to finance the working capital requirements of these subsidiaries, and provides assistance to its subsidiaries in carrying out certain administrative functions in connection with its business operations.

PART IV - EXHIBITS AND SCHEDULE

ITEM 13. Annual Corporate Governance Report (ACGR)

(Please refer to attached AGCR)

Exhibit 1 – Consolidated Financial Statements and Schedules thereto.

Additional Components:

a) Reconciliation of Retained Earnings Available for Dividend Declaration
b) Map of Relationship of the Companies within the Group
c) Schedule of Financial Soundness
d) Schedule of All the Effective Standards and Interpretations under PFRS as of December 31, 2014

Exhibit 2 – Current Reports under Sec. 17 of the Securities Regulation Code in SEC Form 17-C submitted during the period from January 6, 2015 to January 28, 2016.

DATE OF REPORT	PARTICULARS
January 6, 2015	Certification on the Compliance with the Revised Manual on Corporate Governance
January 9, 2015	Public Ownership Report as of December 31, 2014
January 9, 2015	List of Top 100 Stockholders as of December 31, 2014
January 14, 2015	Statement of Changes on Beneficial Ownership of Securities
January 19, 2015	Computation of Public Ownership
January 21, 2015	Letter Advisement-Attendance of Board Directors for 2014
February 25, 2015	Signing of Agreement for Services
February 26, 2015	Signing of Farm-in Agreement with Trans-Asia Oil & Energy Development Corp.
March 20, 2015	Amendments to the Revised Corporate Governance Manual

March 27, 2015	Notice of Annual Stockholders' Meeting & Record Date
March 27, 2015	Approval of Audited Financial Statements as of December 31, 2014
March 27, 2015	Compliance Report on Corporate Governance
April 7, 2015	Public Ownership Report
April 10, 2015	List of Top 100 Stockholders as of March 31, 2015
April 16, 2015	Annual Report
April 30, 2015	Nomination of Board of Directors for Ensuing Years 2015-2016
April 30, 2015	Resignation of Officer
May 6, 2015	Quarterly Report March 31, 2015
May 8, 2015	Information Statement for Annual or Special Stockholders' Meeting
May 8, 2015	Amended Annual Stockholders' Meeting & Record Date & Agenda
May 22, 2015	Annual Stockholders' Meeting
Mau 28, 2015	Confirmation of Nomination of Independent Director
May 28, 2015	Election of Member of Advisory Board
July 1, 2015	Amended Results of Annual Special Stockholders' Meeting
July 1, 2015	Results of Organizational Meeting of Board of Directors
July 8, 2015	Public Ownership Report
July 9, 2015	List of Top 100 Stockholders as of June 30, 2015
July 23, 2015	BEC GIS for the year 2015
July 30, 2015	Resignation of Dire4ctors & Members of Advisory Board & Election of Director & Appointment of Member of Advisory Board
July 30, 2015	Changes on Board & Board Committee Composition
August 7, 2015	Quarterly Report
October 1, 2015	Appointment of Officer
October 6, 2015	Public Ownership Report
October 7, 2015	Corporate Governance Seminar 2015
October 8, 2015	List of Top 100 Stockholders as of September 30, 2015
October 27, 2015	Approval of Deed of Assignment by DOE
November 3, 2015	Signing of Joint Operating Agreement
November 10, 2015	Quarterly Report
December 17, 2015	Approval in Principle of Farm-in Terms for Iriga Geothermal Service Contract
January 11, 2016	List of Top 100 Stockholders as of December 31, 2015
January 11, 2016	Public Ownership Report
January 14, 2016	Certification on Compliance with Revised Manual on Corporate Governance
January 15, 2016	Attendance of Board of Directors for 2015
January 18, 2016	Signing of Farm-in Agreement & Deed of Assignment
January 28, 2016	Approval of Budget for Mabini Geothermal Project & the Return of Hydro Power Service Contract to DOE

Exhibit 3 - Schedules required by paragraph 4(e) of SRC Rule 68 "Annex M"

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on April 12, 2016.

By:

OSCAR L. DE VENECIA, JR.
President and CEO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 13 2016 day of April, 2016 , affiants exhibiting to me their BIR TINs, as follows:

Name	BIR TIN
Oscar L. de Venecia, Jr.	146-709-049-000
Corazon M. Bejasa	135-911-384-000
Marietta V. Villafuerte	100-168-986-000

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. [illegible] (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0020463?9-18-2015
PTR No. MKT5323136/1-4-2016/Makati City
IBP Lifetime Member Roll No. 05413
[illegible] Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Doc. No. 49
Page No. 11
Book No. XV
Series of 2016.

BASIC ENERGY
C O R P O R A T I O N

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Basic Energy Corporation and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and December 31, 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

OSCAR C. DE VENECIA
Chairman of the Board

OSCAR L. DE VENECIA, JR.
President & CEO

MARIETTA V. VILLAFUERTE
Vice President & Treasurer

Signed this 30th day of March, 2016.

SUBSCRIBED AND SWORN to before me this 04 day of 05 16 2016 affiants having exhibited to me their TIN # as follows:

Name	TIN Number
Oscar C. De Venecia	130-704-840-000
Oscar L De Venecia	149-709-049-000
Marietta V. Villafuerte	100-168-986-000

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Page No. 86
Book No. XIII
Series of 2016.

Notary Public
MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-28 (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. MKT5323136/1-4-2016/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village
Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	6	3	5	9

COMPANY NAME

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

7th Floor, Basic Petroleum Building, C. Palanca, Jr. Street, Legaspi Village, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
basic@basicenergy.ph	(632) 817-8596 & 98	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,687	Last Wednesday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marietta V. Villafuerte	mvvillafuerte@basicenergy.ph	817–8596	0920-9067393

CONTACT PERSON's ADDRESS

77 Baler St., San Francisco del Monte, Quezon City

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel. (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Basic Energy Corporation and Subsidiaries
7th Floor, Basic Petroleum Building
C. Palanca Jr. Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Basic Energy Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

March 30, 2016

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱201,015,066**	₱47,143,661
Receivables (Note 6)	**2,460,790**	3,644,289
Prepayments and other current assets (Note 7)	**4,195,650**	2,295,616
Total Current Assets	**207,671,506**	53,083,566
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 8)	**160,410,490**	364,298,764
Investment properties (Note 9)	**203,424,809**	203,458,387
Deferred exploration costs (Note 4 and 10)	**223,495,457**	206,602,182
Property and equipment (Note 11)		
At cost	**3,064,605**	4,141,763
At revalued amount	**18,968,904**	21,003,979
Deferred income tax asset (Note 20)	**5,586,567**	6,846,316
Other noncurrent assets	**4,616,447**	3,757,602
Total Noncurrent Assets	**619,567,279**	810,108,993
TOTAL ASSETS	**₱827,238,785**	₱863,192,559
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱4,782,549**	₱13,320,450
Income tax payable	**986,240**	97,391
Dividends payable	**888,714**	888,714
Total Current Liabilities	**6,657,503**	14,306,555
Noncurrent Liability		
Accrued retirement benefits (Note 19)	**13,694,736**	11,913,169
Total Liabilities	**20,352,239**	26,219,724
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱0.25 par value		
Authorized - 10,000,000,000 shares		
Issued - 1,758,770,455 and 1,758,145,455 shares in 2015 and 2014, respectively (Note 13)	**640,029,628**	639,873,378
Additional paid-in capital	**32,699,360**	32,699,360
Revaluation increment in office condominium (Note 11)	**12,805,479**	14,630,975
Net unrealized gains on changes in fair value of AFS financial assets (Note 8)	**5,527,352**	36,178,097
Remeasurement loss on accrued retirement benefits	**(4,564,364)**	(5,010,165)
Cumulative translation adjustment	**(1,045,732)**	(2,105,599)
Retained earnings	**138,443,999**	131,173,688
Total equity attributable to equity holders of the Parent Company	**823,895,722**	847,439,734
Non-controlling interests	**(13,769,176)**	(7,226,899)
	810,126,546	840,212,835
Treasury stock - at cost (Note 14)	**(3,240,000)**	(3,240,000)
Total Equity	**806,886,546**	836,972,835
TOTAL LIABILITIES AND EQUITY	**₱827,238,785**	₱863,192,559

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2014	2013
OTHER INCOME (CHARGES)			
Gain on sale of AFS financial assets (Note 8)	**₱45,002,263**	₱11,830,398	₱–
Dividend income (Note 8)	**5,985,400**	5,145,575	3,000,953
Interest income (Note 16)	**5,631,656**	16,927,917	18,500,118
Others	**(6,153,664)**	205,713	9,039,474
	50,465,655	34,109,603	30,540,545
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	**48,480,563**	49,337,106	50,530,759
INCOME (LOSS) BEFORE INCOME TAX	**1,985,092**	(15,227,503)	(19,990,214)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**2,104,723**	3,429,465	3,725,629
Deferred	**1,068,692**	(12,025,391)	3,429,822
	3,173,415	(8,595,926)	7,155,451
NET LOSS	**(₱1,188,323)**	(₱6,631,577)	(₱27,145,665)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱5,444,815**	(₱3,579,062)	(₱22,723,865)
Non-controlling interest	**(6,633,138)**	(3,052,515)	(4,421,800)
	(₱1,188,323)	(₱6,631,577)	(₱27,145,665)
EARNINGS (LOSS) PER SHARE (Note 21)			
Basic/Diluted	₱0.002	(₱0.001)	(₱0.009)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET LOSS	**(₱1,188,323)**	(₱6,631,577)	(₱27,145,665)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (loss) on AFS financial assets (Note 8)	**(30,650,745)**	2,813,837	15,294,875
Cumulative translation adjustment	**1,059,867**	(2,577,141)	718,817
	(29,590,878)	236,696	16,013,692
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits liability (Note 19)	**636,858**	(3,293,697)	951,086
Income tax effect	**(191,057)**	988,109	(285,326)
	445,801	(2,305,588)	665,760
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(29,145,077)	(2,068,892)	16,679,452
TOTAL COMPREHENSIVE LOSS	**(₱30,333,400)**	(₱8,700,469)	(₱10,466,213)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱23,791,113)**	(₱5,895,229)	(₱6,044,413)
Non-controlling interest	**(6,542,287)**	(2,805,240)	(4,421,800)
	(₱30,333,400)	(₱8,700,469)	(₱10,466,213)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Deposit for Future Stock Subscription (Note 13)	Revaluation Increment in Office Condominium (Note 11)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 8)		Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest (NCI)	Treasury Stock	Total Equity
					Equity	Debt							
Balances at December 31, 2012	₱610,623,378	₱32,699,360	₱6,675,000	₱17,059,457	(₱870,909)	₱18,940,294	(₱3,370,337)	₱155,048,133	–	₱836,804,376	₱141	(₱3,240,000)	₱833,564,517
Net loss	–	–	–	–	–	–	–	(22,723,865)	–	(22,723,865)	(4,421,800)	–	(27,145,665)
Other comprehensive loss, net of tax	–	–	–	–	(1,803,799)	17,098,674	665,760	–	718,817	16,679,452	–	–	16,679,452
Total comprehensive loss	–	–	–	–	(1,803,799)	17,098,674	665,760	(22,723,865)	718,817	(6,044,413)	(4,421,800)	–	(10,466,213)
Increase in capital stock	14,642,500	–	–	–	–	–	–	–	–	14,642,500	–	–	14,642,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,250,148)	–	–	–	1,250,148		–	–		–
Conversion of deposits for future stock subscription to capital stock	6,675,000	–	(6,675,000)	–	–	–	–	–	–	–	–	–	
Balances at December 31, 2013	₱631,940,878	₱32,699,360	–	15,809,309	(2,674,708)	36,038,968	(2,704,577)	133,574,416	718,817	845,402,463	(4,421,659)	(3,240,000)	837,740,804
Net loss	-	–	–	–	–	–	–	(3,579,062)		(3,579,062)	(3,052,515)	-	(6,631,577)
Other comprehensive loss, net of tax	–	–	–	–	1,185,524	1,628,313	(2,305,588)	–	(2,577,141)	(2,068,892)	247,275	–	(1,821,617)
Total comprehensive loss	–	–	–	–	1,185,524	1,628,313	(2,305,588)	(3,579,062)	(2,577,141)	(5,647,954)	(2,805,240)	–	(8,453,194)
Increase in capital stock	7,932,500	–	–	–	–	–	–	–	–	7,932,500	–	–	7,932,500
Transfer of portion of revaluation increment realized through depreciation	–	–		(1,178,334)	-	-	-	1,178,334	–	–		–	–
Share of NCI in CTA	–	–	–	–	–	–	–	–	(247,275)	(247,275)	–	–	(247,275)
Balances at December 31, 2014	639,873,378	32,699,360	–	14,630,975	(1,489,184)	37,667,281	(5,010,165)	131,173,688	(2,105,599)	847,439,734	(7,226,899)	(3,240,000)	836,972,835
Net income (loss)	–	–	–	–	–	–	–	5,444,815	–	5,444,815	(6,633,138)	–	(1,188,323)
Other comprehensive loss, net of tax	–	–	–	–	4,816,396	(35,467,141)	445,801		969,006	(29,235,938)	90,861	–	(29,145,077)
Total comprehensive loss	–	–	–	–	4,816,396	(35,467,141)	445,801	5,444,815	969,006	(23,791,123)	(6,542,277)	–	(30,333,400)
Issuance of capital stock	156,250	–	–	–	–	–	–	–	–	156,250	–	–	156,250
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,825,496)	–	–	–	1,825,496	-	–	–	-	–
Share of NCI in CTA	–		–	–	–	–	–	–	90,861	90,861	–	–	90,861
Balances at December 31, 2015	₱640,029,628	₱32,699,360	₱–	₱12,805,479	₱3,327,212	₱2,200,140	(₱4,564,364)	₱138,443,999	(₱1,045,732)	₱823,895,722	(₱13,769,176)	(₱3,240,000)	₱806,886,545

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,985,092**	(₱15,227,503)	(₱19,990,214)
Adjustments for:			
Gain on sale of AFS financial assets	**(45,002,263)**	(11,830,398)	–
Dividend income	**(5,985,400)**	(5,145,575)	(3,000,953)
Interest income (Note 16)	**(5,631,656)**	(16,927,917)	(18,500,118)
Depreciation and amortization (Note 18)	**3,575,378**	3,486,723	3,264,564
Movements in accrued retirement benefits (Note 19)	**2,418,425**	651,835	1,004,951
Unrealized foreign exchange losses (gains) - net	**584,471**	1,880,581	(6,893,272)
Fair value adjustment on investment properties (Note 9)	**33,578**	(2,824,044)	(2,155,000)
Gain on sale of property and equipment - net	**(1,612)**	–	–
Others	**–**	–	(790,398)
Operating loss before working capital changes	**(48,023,987)**	(45,936,298)	(47,060,440)
Decrease (increase) in:			
Short-term cash investments	**–**	–	8,210,000
Receivables	**1,183,499**	(612,390)	44,112,598
Prepayments and other current assets	**(1,900,034)**	(619,385)	(245,776)
Increase (decrease) in accounts payable and accrued expenses	**(8,537,901)**	11,621,828	74,068
Cash generated from (used in) operations	**(57,278,423)**	(35,546,245)	5,090,450
Interest received	**5,631,656**	16,952,915	16,806,186
Income taxes paid (including final taxes on interest income)	**(1,215,874)**	(3,377,902)	(3,725,985)
Net cash flows from (used in) operating activities	**(52,862,641)**	(21,971,232)	18,170,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of AFS financial assets	**291,886,917**	101,764,074	–
Additions to:			
AFS financial assets	**(73,647,126)**	–	(126,688,325)
Deferred exploration costs (Note 10)	**(16,893,275)**	(121,067,100)	(40,349,668)
Other noncurrent assets	**(858,845)**	–	–
Property, plant and equipment	**(567,715)**	(772,646)	(456,904)
Investment property (Note 9)	**–**	–	(5,000,000)
Dividends received	**5,985,400**	5,145,575	3,000,953
Proceeds from sale of property and equipment	**106,180**	–	–
Net movements from long-term cash investment	**–**	–	6,157,500
Net cash flows from (used in) investing activities	**206,011,536**	(14,930,097)	(163,336,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	**156,250**	7,932,500	–
Exercise of stock option	**–**	–	14,642,500
Cash flows from financing activities	**156,250**	7,932,500	14,642,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**153,305,145**	(28,968,829)	(130,523,293)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**566,260**	(4,430,284)	8,629,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**47,143,661**	80,542,774	202,436,999
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱201,015,066**	₱47,143,661	₱80,542,774

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Organizational Changes and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information
Basic Energy Corporation (BEC or the Parent Company), a publicly listed corporation, and its subsidiaries (collectively referred to as the Group) were incorporated in the Philippines on September 19, 1968. The Parent Company's registered business address is at 7th Floor, Basic Petroleum Building, C. Palanca Jr. Street, Legaspi Village, Makati City.

On August 10, 2007, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's primary and secondary purposes, transforming the Parent Company into a holding company with diversified business interests in the different fields of renewable energy and alternative fuels, while pursuing its core business in oil and gas exploration and development.

On May 28, 2014, July 10, 2014 and September 10, 2014, the Board of Directors (BOD), the stockholders and SEC, respectively, approved the amendments of the Parent Company's Articles of Incorporation and By-laws to specify the principal address from Makati City to 7th Floor, Basic Petroleum Building, C. Palanca Jr. Street, Legaspi Village, Makati City and to change the date of annual meeting of stockholders from any day of May to the last Wednesday of June or such date and time as the BOD may fix prior to June of each year, respectively.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements as at December 31, 2015, 2014 and for the years ended December 31, 2015, 2014 and 2013, were authorized for issuance by the BOD during its meeting on March 30, 2016.

2. Basis of Preparation, Basis of Consolidation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets and investment properties that have been measured at fair value and office condominium that have been measured at revalued amounts. The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015 and 2014.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

The Parent Company controls an investee if, and only if, the Parent Company has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

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

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the NCI having a deficit balance.

The ownership of the Parent Company over the following subsidiaries as of December 31, 2015 and 2014 are as follows:

Subsidiaries	2015	2014	Nature of Business
Basic Diversified Industrial Holdings, Inc. (BDIHI)	**100.00**	100.00	Investment holding
iBasic, Inc. (iBasic)	**100.00**	100.00	Real estate (no development activities) and information technology
Basic Renewables, Inc. (BRI)	**100.00**	100.00	Exploration and development of renewable energy resources
Basic Biofuels Corporation (BBC)	**100.00**	100.00	Development of biofuels (no development activities)
Basic Geothermal Energy Corporation (BGEC)	**100.00**	100.00	Exploration and development of geothermal energy resources
Southwest Resources, Inc. (SRI)	**72.58**	72.58	Oil exploration and investment holding
Grandway Group Limited (Grandway)	**70.00**	70.00	Investment holding
PT Basic Energi Solusi (PT BES)	**66.50**	66.50	Oil exploration

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not used by the Group. Transactions with NCI are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share in net assets is recognized as an equity transaction. NCI represents the 27.42% equity interest in the net assets of SRI, 30% equity interest in the net assets of Grandway and 33.50% equity interest in the net asset of PT BES and as at December 31, 2015 and 2014.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted by the Group as at January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment has no effect to the Group, since they have no defined benefit contribution plan with contributions from employees and third parties.

Improvements to PFRS
Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. These are separate transitional provisions for each standard. These include:

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a significant effect to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The improvements have a significant effect on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively and clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The amendment does not have an effect on the Group's financial position and performance, but the Group will consider this amendment for future business combination.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments are expected to have an effect on the Group since it has operating segments.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is expected to have no significant effect on the Group's financial position or performance.

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a significant effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  This is not relevant to the Group since it has no joint arrangements.

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

- PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*
  The description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment has no effect on the Group's financial position or performance.

<u>Future Changes in Accounting Policies</u>
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant effect on the financial statements of the Group.

Effective Date to be Determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Group.

Effective January 1, 2016:

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

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)
  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 and 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), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments will not have any effect on the Group's financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rateregulation, 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 rateregulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning

on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Disclosure Initiative* (Amendment)
  The amendments clarify the following:
  - The materiality requirements in PAS 1;
  - That specific line items in the statements of 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; and
  - That the share of other comprehensive income (OCI) 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.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

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

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.

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

apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment for future disposal, if there are any.

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

- PFRS 7, *Applicability of the Offsetting Disclosures 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. The amendment affects disclosure only and has no effect on the Group's financial position or performance.

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

- 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). The amendment affects disclosure only and has no effect on the Group's financial position or performance.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments*
  In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019:

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 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 PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

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 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 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. 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 assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2015 and 2014, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.
The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2015 and 2014.

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.

The Group's cash and cash equivalents and receivables as at December 31, 2015 and 2014 are classified under this category (see Notes 5 and 6).

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 of December 31, 2015 and 2014, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 8).

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, 2015 and 2014, included in loans and borrowings are the Group's accounts payable and accrued expenses and dividends payable (see Note 12).

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 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.

Input 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 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 Charges and Project Development 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 (GSEC)]. 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:

	Number of Years
Office condominium	15
Office equipment, furniture and fixtures	3
Building and Building improvements	15
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.

Other Noncurrent Assets
This account comprises goodwill and receivables. Other current assets that are expected to be realized for more than 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.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

Deferred Exploration Costs and Project Development 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.

Deposit 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 Board of Directors' 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 Loss
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 carry-over (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 the energy and oil and gas exploration 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.

3. 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.

Classification of Deferred Charges and Project Development 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:

Estimation of Allowance for Impairment of Receivables
The Group reviews its receivables at each reporting date to assess the adequacy of the allowance for doubtful accounts. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on factors such as, but not limited to, the length of the Group's relationship with the customer, customer's payment behavior and other known market factors.

The carrying value of receivables, net of allowance for impairment of accounts receivable amounted to ₱2,460,790 and ₱3,644,289 as at December 31, 2015 and 2014, respectively (see Note 6).

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 12 months for quoted equity securities.

Allowance for impairment on quoted investment in shares of stock amounted to ₱4,090,435 as at December 31, 2015 and 2014 (see Note 8).

The carrying value of the Group's AFS financial assets amounted to ₱160,410,490 and ₱364,298,764 as at December 31, 2015 and 2014, respectively (see Note 8).

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of their property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. The depreciation expense recognized during 2015, 2014 and 2013 amounted to ₱3,575,378, ₱3,486,723 and ₱3,264,564, respectively (see Note 11).

Impairment of property and equipment
The Group assesses impairment on property and equipment recorded at cost whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

As at December 31, 2015 and 2014, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated depreciation and amortization amounted to ₱22,033,509 and ₱25,145,742 as at December 31, 2015 and 2014, respectively (see Note 11).

Impairment and Write-off of Deferred Charges and Project Development Costs
The Group assesses impairment on deferred charges 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 charges, impairment is recognized when a SC where the Group has participating interest is permanently abandoned. Future events could cause the Group to conclude that these assets are impaired.

There was no provision for impairment loss on deferred charges and project development costs in 2015, 2014 and 2013.

The carrying amount of deferred charges, net of allowance for impairment loss amounting to amounted to ₱70,172,323 and ₱54,622,671 as at December 31, 2015 and 2014, respectively (see Note 10).

The carrying amount of project development costs amounted to ₱153,323,134 and ₱151,979,511 as at December 31, 2015 and 2014, respectively.

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. The Group's recognized deferred income tax assets amounted to ₱15,581,657 and ₱14,136,766, as at December 31, 2015 and 2014, respectively (see Note 20).

As at December 31, 2015 and 2014, the Group has deductible temporary differences on preoperating expenses and allowance for impairment losses and carryforward benefit of NOLCO, and excess MCIT over RCIT, amounting to ₱130,644,764 and ₱90,857,525, respectively, for which no deferred income tax asset was recognized because it is more likely than not that the deductible temporary difference and carryforward benefit will not be realized on or prior to its expiration (see Note 20).

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. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱13,694,736 and ₱11,913,169 as at December 31, 2015 and 2014, respectively (see Note 19).

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 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.

The Group recognized a fair value adjustment on its investment properties amounting to ₱33,578, ₱2,824,044, and ₱2,155,000 in 2015, 2014 and 2013, respectively. The fair value adjustments on its investment properties are based on the latest appraisal reports in 2012 for the land in Bolinao, Pangasinan, San Fabian, Pangasinan and Tanay, Rizal, and latest appraisal report in 2013 for the land in Gutalac, Zamboanga del Norte. The fair value of the Group's investment properties amounted to ₱203,424,809 and ₱203,458,387 as at December 31, 2015 and 2014, respectively (see Note 9).

Fair Value Measurement of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. Status of Investments and Management's Outlook

Sale of Basic Petroleum & Minerals, Inc. (BPMI)
On April 3, 2006, the Parent Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, BPMI, to Forum Energy PLC (FEP), for a total consideration of US$17,000,000. Of this amount, US$5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. The Parent Company received full payment and delivery of the first tranche of US$5,000,000. The amount of US$10,000,000 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the SCs that are part of the sale of BPMI.

In 2008, the Parent Company declared FEP in default and the receivables from FEP were the subject of arbitration proceedings between the Parent Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Parent Company and awarded payment by FEP of the balance of the share of the Parent Company in the historical cost recoveries received by FEP on the oil assets sold to Forum under the SPA and directed the parties to cause the election of the Parent Company's nominee to FEP's Board until full payment of FEP's obligations to the Parent Company. Even prior to the arbitration award, the parties has been in continuing discussions on a global settlement on all issues pertaining to the SPA, as the arbitration proceedings covered only the Parent Company's claim for its share in historical cost recoveries and a global settlement would be beneficial to both parties. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Parent Company and other claims under the SPA. Under the agreement, FEP will pay the Parent Company an aggregate amount of ₱186,567,854 (US$4,400,000) and the Parent Company agreed not to nominate a representative to the FEP Board. Prior to the finalization of settlement between the Parent Company and Forum, the latter already paid ₱38,367,996 to the Parent Company as part of the sale of BPMI. As at December 31, 2015, FEP had settled all its obligations to the Parent Company.

The total settlement amount due to the Parent Company of ₱224,955,850 was recorded in 2012 as "Income from previous sale of BPMI" in the consolidated statement of comprehensive income. The remaining balance of the settlement proceeds amounted to ₱41,050,000 (US$1,000,000) as at December 31, 2012, which amount was fully paid by FEP as at December 31, 2013.

Oil Service Contracts (SCs)

The Parent Company is a party, together with other companies, to SC 47 (Offshore Mindoro) and SC 53 (Onshore Mindoro) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of the contract areas situated in offshore and onshore Mindoro, respectively.

SC 47 (Offshore Mindoro)

SC 47 was awarded by the DOE on January 10, 2005 to Philippine National Oil Company Exploration Corporation (PNOC EC) and Petronas Carigali (Petronas). Upon Petronas' withdrawal in January 2008, PNOC EC interest became 97% with Petroenergy Resources Corporation at 2% and the Parent Company at 1%.

SC 47 covers originally 14,667 sq. km and is located within the Northwest Palawan Micro-Continental Block (NPMCB). The NPMCB is the only area in the Philippines where there is oil and gas and includes the Nido Oilfield, Matinloc Oilfield and the Malampaya Gasfield, all in the northwest Palawan area. SC 47 has been the site of the first significant oil discovery outside the proven petroleum province of offshore northwest Palawan. PNOC-EC drilled the Maniguin-2 well on the island of Maniguin in 1994. This well flowed sub-commercial quantities of oil and proved the existence of a valid petroleum system in the area.

In 2009, the Parent Company along with its partners, continued exploration efforts in this service contract. The Department of Energy approved the seismic program commitment under Sub-Phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US$637,417.

On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained.

PNOC-EC requested the DOE for approval of a 2-year work program for Sub-Phase 3, to include the drilling of one (1) exploratory well, however, there was no response received from the DOE. Eventually, PNOC-EC filed with the DOE the formal notice of the consortium to withdraw from this service contract dated July 28, 2015, which the DOE recently approved, effective January 10, 2012.

SC 53 (Onshore Mindoro)
SC 53 was awarded by the DOE on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the NPMCB. Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three (3) of the four (4) wells encountered oil and gas but were considered non-commercial at the time of drilling.

The consortium entered into a Farm-In Agreement with Pitkin Petroleum Ltd. (Pitkin) which was approved by the DOE on June 11, 2008. Under the Farm-In Agreement, Pitkin completed a magneto-telluric survey in onshore Mindoro and acquired in May, 2010, over 200 kilometers of 2D seismic designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental.

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin to acquire 35% from its 70% participating interest.

On November 11, 2011, Pitkin reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of two (2) wells and a financial commitment of US$2,000,000, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples (NCIP).

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this phase, the approved firm budget amounts to US$8,400,000 and the contingent budget amounts to US$6,140,000. The project is presently suspended, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP. The Parent Company has a 3% participation in this service contract.

<u>Indonesia Oil Project</u>
In 2013, the Parent Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture Grandway, a joint venture company in Hong Kong, which is 70% owned by the Parent Company and 30% owned by Petrosolve Sdn Bhd, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. The joint venture then established PT BES, as its operating arm in Indonesia for the management and operation of oil wells located in said country.

PT BES acquired the rights to manage ten (10) wells in the area, with the objective of rehabilitating these wells for possible limited oil production. As at December 4, 2014, Well BES-02 has completed wire logging. Production casings are presently being installed. After which, production testing will be conducted. Well BES-06 is in the first phase production testing. Well BES-03 has completed production testing. Data from the testing is presently being analyzed and will determine the optimum parameters to be used during regular production. Equipment for

Well BES-04 and BES-05 are now being procured for use in production testing and regular production.

Incidental production during the testing period amounted to 56,233 liters of oil, 45,410 liters of which have already been delivered to the local cooperatives as per contract terms.

In early 2015, Pertamina terminated the oil production agreements with the local miners' organizations in the Dandangilo and Wonocolo Kedewan, Bojonegoro Regency, East Java oil fields. In view thereof, PT BES suspended operations on the above-mentioned wells, pending issuance by Pertamina of the new guidelines for the oil production operations of old oil wells in the said oil fields, and pending final decision by Pertamina on the new organization of local miners who will supervise and manage oil production from the old oil wells in the said fields, with whom PT BES shall enter into co-operation agreements.
The Parent Company has budgeted for 2015 US$3.59 million for this project.

Geothermal Service Contracts (GSCs)
The Parent Company is likewise involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the DOE, which prescribes the periods and programs for these service contracts, pursuant to Presidential Decree No. 87 for the Mabini GSC and pursuant to Republic Act (RA) 9513 (Renewable Energy Act of 2008) for the subsequent GSC.

GSC 8. GSC 8, which is the Mabini, Batangas GSC, was awarded to the Parent Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is five (5) years, and was extended up to 2015, subdivided in 3 Phases. In September of 2015, DOE confirmed a one (1) year extension for its exploration. Sub-Phase 1 (Years 1 and 2) and Sub-Phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Parent Company has the option to drill a well or return the SC to the DOE in case there is no technical justification to drill a well.

The Parent Company has secured the commitments of the Local Government Units which indicated support to the project. The Certificate of Non Coverage was issued by the Environmental Management Bureau on March 25, 2009 and the Certificate of Non Overlap from the National Commission on Indigenous People (NCIP) was issued on April 15, 2009.

The Parent Company has conducted the first stage of the exploration program consisting of geophysical and geological surveys covering 3,481 hectares in the Calumpan Peninsula, Mabini, Batangas. A Controlled Source Magneto-Telluric Survey covering the area had been conducted and completed on March 8, 2010. The data obtained from the survey had been processed by a Japanese consultant, with the objective of establishing the geothermal resource and the exploration drilling site in the area.

The Parent Company has completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment under Sub-Phase 1 (Years 1 and 2) of the work program committed with the DOE. Initial assessments disclosed that the area has a good potential for a 20-megawatts capacity and could be developed within a two (2)-year period considering the existence of adequate infrastructure, adjacency to transmission lines and a strong power demand in the area.

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by 2016. Estimated cost for this work program is ₱167,000,000. On February 26, 2015, Trans-Asia Energy Corporation executed a Farm-in Agreement with the Parent Company acquiring a twenty-five percent (25%) participating interest in this project. As of December 31, 2015, discussions are on-going with prospective drilling contractors and project management service providers.

New GSCs
The Parent Company was also awarded the service contracts from the DOE in February 2014, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project, the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of five (5) years. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is ₱7,700,000.

The East Mankayan Geothermal Power Project lies immediately east of the Cervantes, Ilocos Sur geothermal block of Pan Pacific Power Phils, Inc. and south of the Bontoc-Sadanga block which is operated by Magma Energy Resources. Immediately south is the Daklan block operated by Clean Rock Energy. The area actually covers the 3 provinces of Benguet, Mountain Province and Ifugao. The proposed area is surrounded by lots of known thermal manifestations, e.g. hot springs and thermally altered grounds.

The Mariveles Geothermal Power Project, in Bataan is situated along the West Luzon Volcanic Arc which starts from Mt. Pinatubo in the north and extends farther south across the Manila Bay towards Batangas and northeastern Mindoro.

The Iriga Geothermal Power Project in Camarines Sur is bounded to the north by Isarog geothermal block of Philippine National Oil Company - Renewal Corporation and to the east by the highly productive Tiwi geothermal service contract area of formerly Chevron, now AP Renewables Inc. The areal landscape is dominated by Iriga or Asog Volcano, a relatively in stratovolcano immediately southwest of Lake Buhi in southern Luzon.

The West Bulusan Geothermal Power Project is situated in the municipalities of Juban, Magallanes, Irosin, Bulan, Matnog, Santa Magdalena, and Bulusan, in the province of Sorsogon. It is bounded on the northeast by the geothermal contract area of SKI Construction Group, Inc. and is in close vicinity to Mount Bulusan, an active volcano and a declared Natural Park by virtue of Proclamation No. 421 on 27 November 2000. The DOE estimates the project site to have a potential installed capacity of 50 megawatts. The area has previously been explored by the PNOC-Energy Development Corporation in the 1980's. Data gathered from this study is the take-off point for the feasibility study currently being undertaken by the Parent Company.

<u>Hydropower Service Contracts (HSCs)</u>
The Parent Company is likewise involved in the exploration, development and production of hydropower energy. It has been awarded service contracts for various areas by the DOE, which prescribes the periods and programs for these service contracts, pursuant to RA 9513.

The Malogo 2 Hydropower Project was awarded to the Parent Company in February 2014 and is situated in Cadiz City and Victorias City in Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Malogo 2 is a run-of-river mini-hydropower scheme of development. The two branches of the Malogo River will each have a weir site, wherein both headrace channels lead to a common powerhouse located in the confluence of the two river branches. Map studies indicate that Malogo 2 has a combined indicative capacity of 5 MW. The headrace lengths run 1.3 km and 2.3 km each, while the gross head between both weirs and the powerhouse site is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Puntian I Hydropower Project was awarded to the Parent Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian I is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian I have an indicative capacity of 4 MW. The headrace length runs 1.95 km, while the gross head is 60 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Puntian II Hydropower Project was awarded to the Parent Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian II is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian II has an indicative capacity of 5 MW. The headrace length runs 1.5 km, while the gross head is 100 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Talabaan Hydropower Project was awarded to the Parent Company in February 2014 and is situated in Cadiz City, Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Talabaan is a run-of-river mini-hydropower scheme of development along the Talabaan River, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Talabaan has an indicative capacity of 5 MW. The headrace lengths run 2 km, while the gross head is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

In January 2016, the Parent Company returned the above service contracts to the DOE. The DOE has not yet approved the relinquishment of these service contracts.

The full recovery of the deferred charges, amounting to ₱70,172,323 and ₱54,622,671 as at December 31, 2015 and 2014, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof (see Note 10).

5. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱30,764,289**	₱47,143,661
Cash equivalents	**170,250,777**	–
	₱201,015,066	₱47,143,661

Cash in banks and cash equivalents earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group. Interest income amounted to ₱1,664,082, ₱442,686 and ₱2,530,679 in 2015, 2014 and 2013, respectively (see Note 16).

The Group has United States dollar (US$) denominated cash on hand and in banks amounting to US$151,148 and US$7,695 as at December 31, 2015 and 2014, respectively. The Group has Indonesian Rupiah (IDR) denominated cash on hand and in banks amounting to 141,956,745 IDR and 2,178,896,351 IDR as at December 31, 2015 and 2014, respectively.

6. Receivables

	2015	2014
Accounts receivable	**₱3,822,044**	₱718,606
Dividends receivable	**749,097**	–
Interest receivable	**386,981**	1,160,796
Advances to officers and employees	**200,320**	123,427
Other receivables	**35,295**	4,190,677
	5,193,737	6,193,506
Less allowance for impairment losses	**(2,732,947)**	(2,549,217)
	₱2,460,790	₱3,644,289

Accounts receivable are short term, non-interest bearing due from third parties. Other receivables arise from short-term, noninterest-bearing transactions of the Group.
Dividends receivable arise from the Group's investments in equity securities.

Interests receivable arise from the Group's short-term cash equivalents and their investments in debt securities.

Advances to officers and employees pertains to the advances made by the Group to its officers and employees for the administration of its operations. These types of advances are settled through liquidation and reimbursement, respectively.

7. Prepayments and Other Current Assets

	2015	2014
Input VAT	**₱3,393,495**	₱1,693,083
Prepaid expenses	**802,155**	602,533
	₱4,195,650	₱2,295,616

Input VAT represents VAT paid on domestic purchases of goods and services which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR.

Prepaid expenses mainly consists of prepayments of the Group on rent, membership dues, life and nonlife insurance, and communication expenses.

8. AFS Financial Assets

	2015	2014
Debt securities - quoted	**₱66,112,613**	₱268,205,803
Investments in quoted shares of stock	**94,297,877**	78,078,423
	₱160,410,490	₱346,284,226

Quoted instruments are carried at fair market value as at end of reporting period.

The movements in AFS financial assets account follow:

	2015	2014
Balances at January 1	**₱364,298,764**	₱453,477,550
Additions	**73,647,126**	–
Disposals	**(246,884,655)**	(91,986,030)
Valuation gains (losses) on AFS financial assets	**(30,650,745)**	2,813,837
Effect of changes in foreign exchange rate	**–**	(6,593)
Balances at December 31	**₱160,410,490**	₱364,298,764

Interest rates in 2015 and 2014 on these AFS debt securities range from 4.5% to 5.45% and 3.25% to 8.13%, respectively. Interest income earned on these securities amounted to ₱3,967,574, ₱16,485,231, and ₱15,969,439 in 2015, 2014 and 2013, respectively (see Note 16).

The movements in "Net unrealized gains on changes in fair value of AFS financial assets" presented as a separate component of equity follow:

	2015	2014
Beginning balances	**₱36,178,097**	₱33,364,260
Gains recognized in equity	**14,351,518**	14,644,235
Realized gain on sale of AFS financial assets	**(45,002,263)**	(11,830,398)
Unrealized gains (losses) in AFS financial assets taken in other comprehensive income	**(30,650,745)**	2,813,837
Ending balances	**₱5,527,352**	₱36,178,097

These are carried at cost less allowance for impairment losses. Equity securities of the Group have an allowance for impairment losses as at December 31, 2015 and 2014 amounting to ₱4,090,435.

Dividend income earned from quoted equity shares amounted to ₱5,985,400, ₱5,145,575 and ₱3,000,953 in 2015, 2014 and 2013, respectively.

9. Investment Properties

	2015	2014
Acquisition cost	**₱125,086,298**	₱125,086,298
Accumulated unrealized gain on investment properties:		
Beginning balances	**78,372,089**	75,548,045
Unrealized valuation gain (loss) on investment property	**(33,578)**	2,824,044
	78,338,511	78,372,089
Ending balances	**₱203,424,809**	₱203,458,387

The investment properties consist of two (2) parcels of land located in Bolinao, Pangasinan and San Fabian, Pangasinan. The Group has no definite plan as to the use of these properties purchased as at December 31, 2015 and 2014. In accordance with PAS 40, *Investment Property*, land held for a currently undetermined future use is classified as investment property. The Parent Company applies the fair value model in measuring the current value of the investment properties.

The Group engaged Vitale Valuation Services, Inc., an independent firm of appraisers, to determine the fair values of the property in Bolinao, Pangasinan and San Fabian, Pangasinan as at November 29, 2012 and November 6, 2012, respectively. The fair valuation was estimated through the direct market comparison approach; categorized as level 3 which is a comparative approach that considers the sales of similar or substitute assets and related market data. The investment property in Bolinao, Pangasinan has a price per square meter of ₱200. The investment property located in San Fabian, Pangasinan has two (2) sites: Site 1 and Site 2 with a price per square meter of ₱1,000 and ₱1,500, respectively.

The Group further engaged Vitale Valuation Services, Inc., an independent firm of appraisers, to determine the fair value of its land in Gutalac, Zamboanga, as at May 29, 2013. The 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 valuation was estimated through the income approach; categorized as level 3 using the generally accepted sales comparison assuming selling and development, and then discounting the net revenue at an interest rate of 12% resulting to a price per square meter of ₱20. The Company has determined that the highest and best use of the investment property is for agricultural utility. The date of the appraisal was June 10, 2013.

There have been no transfers among the levels during the period.

Direct operating expenses related to the investment properties include real property taxes paid in 2015 and 2014 amounting to ₱64,049 and ₱266,903, respectively.

The Group has no restriction on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

10. Deferred Exploration Costs

The movements in deferred exploration costs follow:

	2015	2014
Beginning balances	**₱100,365,306**	₱91,991,538
Additions	**15,549,652**	8,373,768
	115,914,958	100,365,306
Less allowance for impairment loss	**45,742,635**	45,742,635
Ending balances	**₱70,172,323**	₱54,622,671

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

However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent but did not, in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves, which govern their rights and obligations under these contracts.

On July 10, 2008, the Group and the Government of the Republic of the Philippines through the DOE, engaged a GSC wherein the Group will undertake and execute the geothermal operations contemplated under the GSC. The geothermal operations shall include geothermal exploration, development and production. It shall also consists of surface exploration and subsurface exploration. Surface exploration deals primarily with reconnaissance to detailed activities, studies and geo-scientific investigations. Subsurface exploration refers mainly to drilling activities for the purpose of making discovery and delineating the reservoir. Geothermal development, on the other hand, refers to the drilling of appraisal, development and reinjection wells and geo-scientific activities related thereto for the purpose of exploiting the delineated geothermal reservoir, which includes the installation of wellhead equipment, collecting pipes and pressure vessels for steam extraction. Geothermal production is the set of activities which involves the actual extraction of geothermal fluid for commercial utilization, but does not include the utilization of such geothermal fluid.

The term of the GSC is for five years from the effective date consisting of three subphases, renewable for another two years.

In 2014, the four (4) new GSCs started with its five-year pre-development stage. Afterwards, the developer has to declare commerciality before proceeding to development stage. The second phase can run from 25 to as long as 50 years, depending on results of exploration tests.

The HSCs include hydropower exploration, development, production and utilization, including the construction, installation, operation and maintenance of hydropower systems to convert hydropower to electrical power and the transmission of such electrical power and/or non-electrical uses. However, the Group returned these HSCs to the DOE.

The accumulated costs incurred in connection with the exploration contracts are shown under "Deferred exploration costs" account in the consolidated statements of financial position. The full recovery of these deferred exploration costs is dependent upon determination of technical feasibility and commercial quantity of an identifiable resource.

The movements in deferred exploration costs pertaining to the Indonesia Oil Project follow:

	2015	2014
Beginning balances	**₱151,979,511**	₱39,286,178
Additions	**1,343,623**	112,693,332
Ending balances	**₱153,323,134**	₱151,979,511

11. **Property and Equipment**

At cost:

2015

	Office Equipment, Furniture and Fixtures	**Building and Building Improvement**	**Transportation Equipment**	**Total**
Cost:				
Beginning balances	**₱9,433,336**	**₱4,975,501**	**₱6,122,324**	**₱20,531,161**
Additions	**259,878**	**307,837**	**–**	**567,715**
Retirements	**(108,080)**	**–**	**(1,081,084)**	**(1,189,164)**
Ending balances	**9,585,134**	**5,283,338**	**5,041,240**	**19,909,712**
Accumulated Depreciation:				
Beginning balances	**8,663,524**	**3,626,696**	**4,099,178**	**16,389,398**
Depreciation (Note 18)	**357,463**	**174,592**	**1,008,248**	**1,540,303**
Retirements	**(100,565)**	**–**	**(984,029)**	**(1,084,594)**
Ending balances	**8,920,422**	**3,801,288**	**4,123,397**	**16,845,107**
Net book values	**₱664,712**	**₱1,482,050**	**₱917,843**	**₱3,064,605**

2014

	Office Equipment, Furniture and Fixtures	Building and Building Improvement	Transportation Equipment	Total
Cost:				
Beginning balances	₱8,660,690	₱4,975,501	₱6,122,324	₱19,758,515
Additions	772,646	–	–	772,646
Ending balances	9,433,336	4,975,501	6,122,324	20,531,161
Accumulated Depreciation:				
Beginning balances	8,074,318	3,454,671	3,057,020	14,586,009
Depreciation (Note 18)	589,206	172,025	1,042,158	1,803,389
Ending balances	8,663,524	3,626,696	4,099,178	16,389,398
Net book values	₱769,812	₱1,348,805	₱2,023,146	₱4,141,763

At revalued amounts:

	2015	2014
Revalued Amount	**₱25,250,000**	₱25,250,000
Accumulated Depreciation		
Beginning balances	**4,246,021**	2,562,687
Depreciation (Note 18)	**2,035,075**	1,683,334
Ending balances	**6,281,096**	4,246,021
Net Book Values	**₱18,968,904**	₱21,003,979

Revaluation of Office Condominium
The Group engaged Royal Asia Appraisal Corporation, an independent firm of appraisers, to determine the fair value of its office condominium as at June 8, 2012. The fair value is determined using the generally accepted sales comparison approach. The date of the appraisal was June 14, 2012. The estimated remaining life of the office condominium is 16.75 years as at appraisal date.

Revaluation increment in office condominium as at December 31, 2015 and 2014 amounted to ₱12,805,479 and ₱14,630,975, respectively, which is presented under the "Revaluation increment in office condominium" account in the consolidated statements of financial position and consolidated statements of changes in equity.

If the office condominium was measured using the cost model, the carrying amount as of December 31, 2015 and 2014 would be as follows:

	2015	2014
Cost	**₱1,730,010**	₱1,730,010
Accumulated depreciation	**(922,672)**	(807,338)
	₱807,338	₱922,672

The cost of the Group's fully depreciated assets still in use amounted to ₱12.66 million and ₱11.90 million as at December 31, 2015 and 2014, respectively.

12. Accounts Payable and Accrued Expenses

	2015	2014
Accounts payable	**₱4,649,360**	₱12,381,693
Other payables	**133,189**	938,757
	₱4,782,549	₱13,320,450

Accounts payable consists of short-term and noninterest-bearing trade payables to the Group's local suppliers with an average credit terms of 30 days. Other payables are liabilities to various government agencies generally payable within 30 days.

13. Equity

Capital Stock
The details of the capital stock are as follows:

2015

	No. of Shares	**Amount**
Authorized - ₱0.25 par value	**10,000,000,000**	**₱2,500,000,000**
Unissued	**(8,241,229,545)**	**(2,060,307,386)**
Issued	**1,758,770,455**	**439,692,614**
Subscribed	**2,686,223,057**	**671,555,764**
Subscriptions receivable	**(1,884,875,000)**	**(471,218,750)**
	801,348,057	**200,337,014**
	2,560,118,512	**₱640,029,628**

2014

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,229,545)	(2,060,463,636)
Issued	1,758,770,455	439,536,364
Subscribed	2,686,223,057	671,555,764
Subscriptions receivable	(1,884,875,000)	(471,218,750)
	801,348,057	200,337,014
	2,560,118,512	₱639,873,378

The movements on shares outstanding in 2015 and 2014 are as follows:

	2015	2014
Beginning balances	**2,559,493,512**	2,527,763,512
Additional subscription	**625,000**	31,730,000
Ending balances	**2,560,118,512**	2,559,493,512

Below is the Parent Company's track record of registration:

a. On January 26, 1973, the SEC authorized the Parent Company to sell to the public 617.5 million shares out of its unissued capital stock as of December 31, 1972 within one year from order date, unless extended by the SEC. As of December 31, 1973, the Parent Company's authorized capital stock is 1.5 billion shares with par value of ₱0.01.

b. On September 8, 1973, the Parent Company applied with the Manila Stock Exchange and Makati Stock Exchange for the listing of its capital stock as of September 8, 1973 (495,251,000 fully paid-up shares and with respect to 1,004,749,000 shares, upon full payment and issuance of the corresponding stock certificates). The applications for listing were approved by the Board of Governors of both the Manila Stock Exchange and Makati Stock Exchange on September 30, 1973 and September 13, 1973 respectively. Said listing was duly approved by the SEC on October 16, 1973.

c. On October 17, 1974, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.0 million (consisting of 1.5 billion shares) to ₱40.0 million (consisting of 4.0 billion shares) at the same par value of ₱0.01. The SEC also approved the 60% stock dividend (₱9.0 million) declaration to stockholders of record as of August 15, 1974. The Parent Company granted to stockholders of record as of November 15, 1974 the right to subscribe at par of ₱0.01 per share to the unissued and unsubscribed portion of the increased capital stock amounting to ₱16.0 million (1.6 billion shares), at the ratio of 2 shares of stock for every 3 shares of stock registered in the stockholders' name.

   On October 23, 1974, the SEC authorized the listing of the additional 2.5 billion shares of the Parent Company's increased capital stock (900.0 million fully paid-up shares representing the 60% stock dividend, and with respect to 1.60 billion shares, upon full payment and issuance of corresponding stock certificates) in the Manila Stock Exchange, Makati Stock Exchange, Inc. and Metropolitan Stock Exchange, Inc. The listing took effect on November 6, 1974. On October 16, 1973, the SEC had authorized the listing of the Parent Company's original shares of stock of 1.5 billion shares in the first two stock exchanges.

d. On February 4, 1976, the SEC approved the increase in authorized capital stock from ₱40.0 million (₱24.0 million or 60% Class A and ₱16.0 million or 40% Class B) to ₱100.0 million (₱60.0 million or 60% Class A and ₱40.0 million or 40% Class B) both with a par value of ₱0.01 per share. The Parent Company also granted pre-emptive rights to stockholders of record as of October 31, 1975 to subscribe at par value of ₱0.01 per share to ₱20.0 million (₱12.0 million Class A and ₱8.0 million Class B) at the ratio of one share for every two shares held. The right was exercisable on or before January 15, 1976 with a 25% down payment and the balance payable upon call by the BOD.

   On December 22, 1975, the SEC issued to the Parent Company a "Certificate of Permit to Offer Securities for Sale" covering the said capital increase of ₱60.0 million (₱36.0 million Class A and ₱24.0 million Class B). On February 26, 1976, the listing of the shares representing the said ₱60.0 million increase in authorized capital stock of the Parent Company in the stock exchanges was approved.

e. On November 13, 2007, the SEC approved the increase in the capital stock of the Parent Company for ₱500.0 million consisting of the 2 billion shares to ₱2.5 billion consisting of 10.0 billion shares. Pursuant to this increase, 537.5 million shares to the subscribers to the capital increase were on January 10, 2008.

f. On May 28, 2009, the Parent Company issued 120,853,182 shares to a new investor, ZN Biofuels, Inc., the registration of which was exempt and confirmed as such by the SEC.

g. On September 22, 2009, the Parent Company issued 31,818,182 shares to Shouk Financial Services Ltd., the registration of which was exempt and likewise confirmed as such by the SEC.

h. On September 8, 2011, the SEC approved the Stock Option Plan 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 ₱0.25 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 473,000,000 shares.

   As at December 31, 2015 and 2014, additional 31.73 million and 31.73million shares for listing, respectively have been paid and listed in the Philippine Stock Exchange.

<u>Stock Options Plan (SOP)</u>

On July 11, 2007, the Parent Company's BOD and stockholders approved the SOP.
On September 8, 2011, the SEC approved the SOP.

The Basic terms and conditions of the SOP are:

- The SOP covers up to 500,000,000 in favor of directors, officers and employees of the Parent Company.
- The agreement provides for an exercise price of ₱0.25 per share.
- These options will be settled in equity once exercised.
- All options are exercisable on the third (3rd) year after the approval of the SOP by the stockholders which will therefore expire on July 11, 2010.

On June 18, 2010, the stockholders approved the extension of the exercise period to July 11, 2013. In 2013, a total of seventeen directors, and the chairman and a member of the advisory board and certain officers of the Parent Company have exercised the stock option plan and subscribed for the total of 500,000,000 shares at the exercise price. Weighted average exercise price amounted to ₱0.25 per share. 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 at December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,000,000 shares. As at December 31, 2013, additional 58.57 million shares have been paid and listed in the Philippine Stock Exchange.

There was no new SOP granted in 2014 and 2013.

The stock price at exercise date is ₱0.25.

14. Treasury Stock

The treasury stock represents 18.0 million shares of the Parent Company which are held by BGEC.

15. Group Information

Subsidiary with material non-controlling interest

In 2013, the Parent Company entered into an agreement with Petrosolve SDN BHD, a Malaysian corporation engaged in the business of oil fields services, to incorporate Grandway, in which the Parent Company has 70% equity interest. The Group's interest in Grandway is accounted for under PFRS 10, *Consolidated Financial Statements*.

The Parent Company, through Grandway, incorporated PT BES to carry out its oil well business in Indonesia. The Group owns 67% equity interest in PT BES. In SRI, the Group owns 72.58%. This information is based on amounts before intercompany eliminations.

The summarized financial information of SRI, Grandway and PT BES provided below:

2015	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱7,397	₱396,207	₱1,102,878
Noncurrent assets	–	194,025,603	154,229,012
Current liabilities	(280,653)	(195,102,119)	(177,348,135)
Non-controlling interest	(₱74,927)	(₱204,093)	(₱7,375,442)
Financial performance:			
General and administrative expense	₱64,199	₱226,597	₱19,568,381
Other income	–	(10)	(23,419)
Group's share in net loss for the year	46,596	158,611	12,997,400
Non-controlling interest share in net loss for the year	17,603	67,976	6,547,562
Net loss	₱64,199	₱226,587	₱19,544,962

2015	**SRI**	**Grandway**	**PT BES**
Cash flow:			
Operating activities	**(₱74,199)**	**(₱272,107)**	**(₱11,083,479)**
Investing activities	**–**	**(20,797,361)**	**(2,105,413)**
Financing activities	**73,699**	**21,116,216**	**5,632,076**
Effect of foreign exchange rate changes in cash and cash equivalents	**–**	**(29,957)**	**249,259**
Net increase (decrease) in cash and cash equivalents	**(₱500)**	**₱16,791**	**(₱7,307,557)**

2014	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱7,897	₱377,660	₱8,658,016
Noncurrent assets	–	173,228,242	152,123,599
Current liabilities	(216,954)	(174,086,583)	(181,752,873)
Non-controlling interest	(₱57,323)	(₱144,204)	(₱7,025,371)
Financial performance:			
General and administrative expense	₱96,280	₱144,193	₱8,933,702
Other income	–	(44)	(29,611)
Provision for final tax	–	–	–
Group's share in net loss for the year	69,880	100,904	5,921,221
Non-controlling interest share in net loss for the year	26,400	43,245	2,982,870
Net loss	₱96,280	₱144,149	₱8,904,091
Cash flow:			
Operating activities	(₱77,883)	(₱131,807)	₱4,570,646
Investing activities	–	(121,680,467)	(112,693,332)
Financing activities	71,949	121,784,690	119,716,449
Net increase (decrease) in cash and cash equivalents	(₱5,934)	₱27,584	₱11,593,763

16. Interest Income

	2015	2014	2013
Interest income on:			
AFS financial assets - debt securities (Note 8)	**₱3,967,574**	₱16,485,231	₱15,969,439
Cash and cash equivalents (Note 5)	**1,664,082**	442,686	2,530,679
	₱5,631,656	₱16,927,917	₱18,500,118

17. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Compensation of Key Management Personnel

a. Shares of stock of the Parent Company held by members of the BOD aggregated to 125,827,245 and 142,437,245 as at December 31, 2015 and 2014, respectively.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱11.0 million, ₱10.9 million and ₱10.1 million in 2015, 2014 and 2013, respectively, while, post-employment benefits amounted to ₱11.6 million, ₱8.7 million and ₱4.3 million in 2015, 2014 and 2013, respectively.

   Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2015, 2014 and 2013, total per diems received by the members of the BOD amounted to ₱1.7 million, ₱2.1 million and ₱1.88 million, respectively. There is no existing compensatory plan or arrangement for directors of the Parent Company.

   Remuneration of existing officers of the Group are covered in their employment contracts, and except for retirement benefits under the Group's Retirement Plan, there are no existing compensatory plans or arrangements for officers of the Group.

   A stock option plan (SOP) for directors and officers was approved by the stockholders on July 11, 2007, and the exercise period was extended to July 2013. The SEC issued on September 8, 2011 a resolution exempting the SOP from the registration requirements under the Securities Regulation Code.

   The Parent Company's outstanding amounts of investments in and advances to subsidiaries which were eliminated in the consolidated level are as follows:

2015

	Cost	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,730,470	₱21,439,342	₱291,128
SRI	75,341,250	75,341,250	–	245,653	–	245,653
BBC	64,000,000	64,000,000	–	5,881,017	5,584,083	296,934
iBasic	53,547,840	53,547,840	–	3,816,106	3,346,880	469,226
BGEC	20,000,000	–	20,000,000	–	–	–
BRI	56,975,000	20,000,000	36,975,000	1,144	–	1,144
Grandway	–	–	–	195,114,494	–	195,114,494
	₱496,949,890	₱439,974,890	₱56,975,000	₱226,788,884	₱30,370,305	₱196,418,579

2014

	Cost	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,618,280	₱21,439,342	₱178,938
SRI	75,341,250	75,341,250	–	171,954	–	171,954
BBC	64,000,000	64,000,000	–	5,814,716	5,584,083	230,633
iBasic	53,547,840	53,547,840	–	3,684,662	3,346,880	337,782
BGEC	20,000,000	–	20,000,000	200	–	200
BRI	56,975,000	20,000,000	36,975,000	–	–	–
Grandway	–	–	–	173,995,267	–	173,995,267
	₱496,949,890	₱439,974,890	₱56,975,000	₱205,285,079	₱30,370,305	₱174,914,774

The amounts of transactions with subsidiaries that were eliminated in the consolidated level are as follows:

	Amount of Transactions		Outstanding Receivable Balance		Terms and
Nature of Transaction	**2015**	2014	**2015**	2014	Conditions
BRI					
Advances	**₱1,144**	₱–	**₱1,144**	₱–	*(a)*, *(e)*
Collection of advances	–	–	–	–	
BDIHI					
Advances	**112,190**	69,560	**21,730,470**	21,618,280	*(a)*, *(b)*
BBC					
Advances	**66,301**	76,346	**5,881,017**	5,814,716	*(a)*, *(d)*
iBasic					
Advances	**131,444**	112,623	**3,816,106**	3,684,662	*(a)*, *(c)*
BGEC					
Advances	–	200	–	200	*(a)*
Collection of advances	**200**	–			
SRI					
Advances	**73,699**	71,949	**245,653**	171,954	*(a)*, *(f)*
Grandway					
Advances	**21,119,227**	121,622,902	**195,114,494**	173,995,267	
			226,788,884	205,285,079	
Less: allowance for impairment			**30,370,305**	30,370,305	
			₱196,418,579	₱174,914,774	

(a) Noninterest bearing, unsecured advances, due and demandable; to be settled in cash.
(b) With allowance for impairment amounting to ₱21,439,342 as at December 31, 2015 and 2014.
(c) With allowance for impairment amounting to ₱3,346,880 as at December 31, 2015 and 2014.
(d) With allowance for impairment amounting to ₱5,584,083 as at December 31, 2015 and 2014.
(e) With 100% provision for impairment as at December 31, 2014.
(f) No provision for impairment as at December 31, 2015.

Reversal of impairment loss on advances to related parties amounted to nil and ₱36.98 million in 2015 and 2014, respectively.

On June 25, 2014 and December 29, 2014, the BOD and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock and SEC, respectively, approved the conversion of advances to BRI amounting to ₱36.98 million to investment in subsidiary.

Allowance for impairment loss on investment in subsidiaries amounted to ₱439,974,890 as at December 31, 2015 and 2014. No provision for impairment loss was recognized in 2015 and 2014.

Transactions with Retirement Benefit Fund

a. The Parent Company's retirement benefit fund is in the form of a trust being maintained by a trustee bank.

b. The carrying amount and fair value of the retirement benefit fund as at December 31, 2015 and 2014 amounted to ₱12.48 million and ₱9.52 million, respectively (see Note 19).

c. The assets and investments of the retirement benefit fund as at December 31, 2015 and 2014 follows:

	2015	2014
Investments in bonds	**₱4,024,889**	₱4,109,609
Investment in unit investment trust fund	**3,083,081**	2,791,217
Special savings deposits	**4,060,561**	1,397,118
Investment in stocks	**1,258,300**	1,185,700
Others	**61,041**	43,369
Accrued payables	**(11,835)**	(8,137)
	₱12,476,037	₱9,518,876

d. In 2015 and 2014, the Parent Company contributed ₱3.0 million to the retirement benefit fund (see Note 19).

18. General and Administrative Expenses

	2015	2014	2013
Personnel:			
Salaries and wages	**₱20,492,201**	₱17,748,514	₱13,431,877
Retirement benefits cost	**5,418,425**	3,651,835	3,504,951
Other employee benefits	**4,169,418**	4,430,130	4,125,341
Transportation and travel	**3,872,858**	3,621,375	3,054,013
Representation and entertainment	**3,821,185**	3,303,483	2,709,818
Depreciation and amortization (Note 11)	**3,575,378**	3,486,723	3,264,564
Taxes and licenses	**1,357,065**	1,871,133	3,133,226
Professional fees	**1,074,091**	1,685,285	2,056,846
Utilities	**912,735**	919,389	826,642
Communication	**864,437**	977,944	802,892
Repairs and maintenance	**321,066**	171,771	226,605
Office supplies	**317,031**	492,586	342,334
Annual stockholders meeting	**596,891**	700,866	804,763
Association and membership dues	**227,316**	115,716	219,385
Outside services	**–**	2,906,578	9,517,304
Rent	**–**	815,928	510,960
Donation	**–**	–	300,000
Others	**1,460,466**	2,437,850	1,699,238
	₱48,480,563	₱49,337,106	₱50,530,759

19. Retirement Benefits

The Parent Company maintains a funded, noncontributory defined retirement benefit plan covering all qualified employees. A trustee bank is administering the retirement benefits fund under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment.

Republic Act No. 7641 ("Retirement Pay Law") an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of retirement benefits cost recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The amounts of defined benefit retirement obligation recognized in the consolidated statements of financial position follow:

2015	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱21,432,045	(₱9,518,876)	₱11,913,169
Interest cost (income)	5,115,263		5,115,263
Current service cost	741,982	(438,820)	303,162
	5,857,245	(438,820)	5,418,425
Actuarial (gain) loss:			
Change in financial assumptions	(1,238,454)	–	(1,238,454)
Experience adjustments	606,218	–	606,218
Change in demographic assumptions	(486,281)	–	(486,281)
Return on plan assets	–	481,659	481,659
	(1,118,517)	481,659	(636,858)
Contributions	–	(3,000,000)	(3,000,000)
At December 31	₱26,170,773	(₱12,476,037)	₱13,694,736

2014	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱13,886,400	(₱5,918,763)	₱7,967,637
Interest cost (income)	602,861	(326,716)	276,145
Current service cost	3,375,690	–	3,375,690
	3,978,551	(326,716)	3,651,835
Actuarial (gain) loss:			
Change in financial assumptions	₱2,103,673	₱–	₱2,103,673
Remeasurement gain	–	(273,397)	(273,397)
Experience adjustments	1,463,421	–	1,463,421
	3,567,094	(273,397)	3,293,697
Contributions	–	(3,000,000)	(3,000,000)
At December 31	₱21,432,045	(₱9,518,876)	₱11,913,169

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2015	2014
Money market investments	**67%**	85%
Cash in bank and other receivables	**33%**	15%
	100%	100%

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2015	2014
Discount rate	**4.61%**	4.61%
Salary projection rate	**8.00%**	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at end of the financial reporting date, assuming all other assumptions were held constant:

2015	**Increase (Decrease)**	**Effect on Present Value of Defined Benefit Obligation**
Discount rate	**+1.00%**	**(₱23,752,434)**
	-1.00%	**29,117,529**
Future salary increase	**+1.00%**	**29,107,592**
	-1.00%	**23,709,245**

2014	Increase (Decrease)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1.00%	(₱2,277,258)
	-1.00%	2,812,345
Future salary increase	+1.00%	2,600,789
	-1.00%	(2,167,294)

The Group expects to contribute ₱5.26 million to the defined benefit pension plan in 2015.

20. Income Taxes

a. Being engaged in petroleum operations in the Philippines, the Parent Company and SRI are entitled to certain tax incentives under Presidential Decree (PD) No. 87, as amended. Under PD No. 87, contractors are exempt from all taxes, except income taxes.

b. Current income tax in 2015, 2014 and 2013 pertains to MCIT. Provision for (benefit from) income tax consists of:

	2015	2014	2013
Current			
Final tax	**₱1,118,482**	₱3,332,074	₱3,679,802
Income tax	**986,241**	97,391	45,827
Deferred	**1,068,692**	(12,025,391)	3,429,822
	₱3,173,415	(₱8,595,926)	₱7,155,451

c. The components of net deferred income tax assets recognized by the Group as at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax assets on:		
NOLCO	**₱10,389,557**	₱10,389,557
Accrued retirement benefits	**4,108,420**	3,573,950
MCIT	**1,007,813**	97,392
Other payables	**75,867**	75,867
	15,581,657	14,136,766
Deferred income tax liability on:		
Revaluation increment on office condominium	**5,954,477**	6,270,416
Unrealized foreign exchange gain	**4,040,613**	1,020,034
	9,995,090	7,290,450
Net deferred income tax assets	**₱5,586,567**	₱6,846,316

d. As at December 31, 2015 and 2014, the Group has temporary differences and carryforward benefit for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient future taxable profit will be available against which deferred income tax asset can be utilized. Details are as follows:

	2015	2014
NOLCO	**₱36,112,296**	₱75,979,995
Allowance for impairment on:		
Deferred exploration cost	**47,876,020**	47,876,020
Receivables	**2,732,947**	2,549,217
Excess of MCIT over RCIT	**45,827**	148,597

e. As at December 31, 2015, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, follow:

Year Incurred	NOLCO	Excess MCIT over RCIT	Expiry Year
2015	₱485,845	₱910,421	2018
2014	35,350,269	97,392	2017
2013	34,907,409	45,827	2016
	₱70,743,523	₱1,053,640	

Movements in NOLCO and excess MCIT follow:

NOLCO	**2015**	2014
Beginning balances	**₱110,611,852**	₱117,484,718
Additions	**485,845**	35,435,230
Applications	**(6,600,713)**	–
Expirations	**(33,753,461)**	(42,308,096)
Ending balances	**₱70,743,523**	₱110,611,852

MCIT	**2015**	2014
Beginning balances	**₱245,989**	₱313,574
Additions	**910,421**	97,392
Expirations	**(102,770)**	(164,977)
Ending balances	**₱1,053,640**	₱245,989

For income tax purposes, BGEC's and BBC's pre-operating expenses totaling ₱3,415,997 as at December 31, 2014 and 2013, respectively, will be amortized over five years from the start of commercial operations.

f. The reconciliation of the provision for (benefit from) income tax computed at the statutory tax rate to the provision for income tax as shown in the consolidated statement of income follows:

	2015	2014	2013
Provision for (benefit from) income tax computed at 30%	**₱595,528**	(₱4,568,251)	(₱5,997,064)
Adjustments for:			
Movement in temporary differences for which no deferred income tax assets were recognized	**(12,062,890)**	(9,894,875)	14,031,739
Expiration of NOLCO and MCIT	**10,228,809**	12,857,406	45,827
Non-taxable income	**(1,795,620)**	(2,390,886)	–
Nondeductible expenses	**7,077,628**	991,045	10,645
Interest income subject to final taxes	**(563,985)**	(1,746,301)	(935,696)

(Forward)

	2015	2014	2013
Fair value adjustment on investment properties	**₱10,073**	₱–	₱–
Gain on sale of AFS investments	–	(3,549,119)	–
Others	**(316,128)**	(294,945)	–
Provision for (benefit from) income tax	**₱3,173,415**	(₱8,595,926)	₱7,155,451

21. Basic/Diluted Earnings Per Share

The following reflects the income and share data used in the basic and diluted earnings per share computation:

	2015	2014	2013
Net income (loss) attributable to equity holders of the Parent Company (a)	**₱5,444,815**	(₱3,579,062)	(₱22,723,865)
Transaction cost on potential issuance of common shares	–	–	–
Net income attributable to holders of the Parent Company adjusted for the effect of dilution (b)	**₱5,444,815**	(₱3,579,062)	(₱22,723,865)
Weighted average number of shares for basic earnings per share (c)	**2,560,118,512**	2,559,493,512	2,527,763,512
Stock options (Note 18)	–	–	–
Weighted average number of shares adjusted for the effect of dilution (d)	**2,560,118,512**	2,559,493,512	2,527,763,512
Basic earnings (loss) per share (a/c)	**₱0.002**	(₱0.001)	(₱0.009)
Diluted earnings (loss) per share (b/d)	**₱0.002**	(₱0.001)	(₱0.009)

There have been no other transactions involving common shares or potential common shares between the end of financial reporting period and the date of issuance of these consolidated financial statements.

22. Segment Information

The primary segment reporting format is determined to be divided into business segments for which the Group's risk and rate of return are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

As of December 31, 2015 and 2014, the Group has three main business segments - investment holding, agriculture and energy oil and gas exploration.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

The following table presents certain segment results, assets and liability information regarding the Group's business segments:

2015

	Investment Holding	Energy, Oil and Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	**₱21,249,466**	**(₱19,264,374)**	**₱–**	**₱1,985,092**
Provision for income tax	**(3,085,957)**	**(87,458)**	**–**	**(3,173,415)**
Net income (loss)	**₱18,163,509**	**(₱19,351,832)**	**₱–**	**(₱1,188,323)**
Assets and Liabilities:				
Segment assets	**₱893,928,884**	**₱177,137,685**	**(₱447,441,579)**	**₱623,624,990**
Investment properties	**199,062,809**	**4,362,000**	**–**	**203,424,809**
Consolidated total assets	**₱1,092,991,693**	**₱181,499,685**	**(₱447,441,579)**	**₱827,049,799**
Consolidated total liabilities	**₱237,505,725**	**₱183,691,770**	**(₱400,845,256)**	**₱20,352,239**
Other Segment Information:				
Additions to:				
Property and equipment	**₱567,713**	**₱–**	**₱–**	**₱567,713**
Deferred charges	**–**	**70,172,323**	**–**	**70,172,323**
Project development costs	**–**	**153,323,134**	**–**	**153,323,134**
Depreciation	**3,575,378**	**–**	**–**	**3,575,378**

2014

	Investment Holding	Energy, Oil and Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	₱31,212,710	(₱9,465,213)	(₱36,975,000)	(₱15,227,503)
Benefit from (provision for) income tax	8,596,379	(453)	–	8,595,926
Net income (loss)	₱39,809,089	(₱9,465,666)	(₱36,975,000)	(₱6,631,577)
Assets and Liabilities:				
Segment assets	₱881,636,440	₱184,678,145	(₱406,580,413)	₱659,734,172
Investment properties	199,096,387	4,362,000	–	203,458,387
Consolidated total assets	₱1,080,732,827	₱189,040,145	(₱406,580,413)	₱863,192,559
Consolidated total liabilities	₱214,157,267	₱169,723,882	(₱357,661,425)	₱26,219,724
Other Segment Information:				
Additions to:				
Property and equipment	₱772,646	₱–	₱–	₱772,646
Deferred charges	–	54,622,671	–	54,622,671
Project development costs	–	151,979,511	–	151,979,511
Depreciation	3,428,519	58,204	–	3,486,723

2013

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	(₱7,928,153)	(₱11,946,372)	(₱115,689)	₱–	(₱19,990,214)
Provision for income tax	(6,828,524)	(324,945)	(1,982)	–	(7,155,451)
Net loss	(₱14,756,677)	(₱12,271,317)	(₱117,671)	₱–	(₱27,145,665)
Assets and Liabilities:					
Segment assets	₱666,966,231	₱110,837,026	₱790,798	(₱124,765,451)	₱653,828,604
Investment properties	196,272,343	4,362,000	–	–	200,634,343
Consolidated total assets	₱863,238,574	₱115,199,026	₱790,798	(₱124,765,451)	₱854,462,947
Consolidated total liabilities	₱94,477,000	₱57,239,848	₱36,999,084	(₱171,993,789)	₱16,722,143
Other Segment Information:					
Additions to:					
Property and equipment	₱230,673	₱226,231	₱–	₱–	₱456,904
Deferred charges	–	46,248,903	–	–	46,248,903
Project development costs	–	39,286,179	–	–	39,286,179
Depreciation	3,240,625	23,939	–	–	3,264,564

23. 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, discounted cash flow 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, 2015 and 2014, the following table presents the level of hierarchy of the Group's AFS debt and equity instruments:

	2015			2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements:						
AFS Financial Assets						
Quoted debt securities	**₱66,112,613**	**₱–**	**₱–**	₱268,205,803	₱–	₱–
Quoted equity securities	**94,297,877**	**–**	**–**	96,092,961	–	–
	160,410,490	**–**	**–**	364,298,764	–	–
Investment properties	**–**	**–**	**203,424,809**	–	–	203,458,387
	₱160,410,490	**₱–**	**₱203,424,809**	₱364,298,764	₱–	₱203,458,387

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 (Note 9).

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, 2015 and 2014, 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.

24. 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 of December 31, 2015 and 2014. 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$, Great Britain Pound (GBP), and IDR financial assets.

The Group's significant foreign currency-denominated financial assets as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**151,148**	**₱7,113,025**	7,695	₱344,120
IDR	**141,956,745**	**482,653**	2,178,896,351	7,844,027
AFS financial assets:				
Quoted equity investments:				
US$	–	–	2,500	111,800
GBP	–	–	2,400	166,574
		₱7,595,678		₱8,466,521

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

	2015	2014
US$	**47.06**	44.720
IDR	**0.0034**	0.0036
GBP	**–**	69.406

The following table summarizes the impact on the consolidated financial statements of reasonably possible changes in the exchange rates of foreign currencies against the Philippine Peso as at December 31, 2014 and 2013 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax
2015	**+1.09%**	**₱1,648**
	-0.29%	**(438)**
2014	+ 0.7%	₱51,489
	- 0.7%	(51,489)

	Change in IDR rate	Increase (decrease) in income before income tax
2015	**+ 16%**	**₱22,713**
	- 16%	**(22,713)**

	Change in GBP rate	Increase (decrease) in income before income tax
2015	**–**	**₱–**
	–	**–**
2014	+ 5%	₱8,329
	- 5%	(8,329)

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.

The following table presents the effect on the consolidated financial statements of reasonably possible changes in market prices of AFS financial assets - quoted equity and debt securities as of December 31, 2015 and 2014 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2015		
AFS financial assets	**+ 14.35%**	**₱22,988,635**
AFS financial assets	**- 14.35%**	**(22,988,635)**

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2014		
AFS financial assets	+ 11.9%	₱7,293,201
AFS financial assets	- 11.9%	(7,293,201)

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, 2015 and 2014. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2015 and 2014.

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 following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system:

	2015		
	Neither Past Due nor Impaired (Satisfactory)	**Past Due and Impaired**	**Total**
Loans and receivable:			
Cash and cash equivalents*	**₱200,986,879**	**₱–**	**₱200,986,879**
Receivables:			
Interest receivable	**386,981**	–	**386,981**
Other receivables	**35,295**	–	**35,295**
	201,409,155	–	**201,409,155**
AFS financial assets:			
Debt securities - quoted, at fair value	**66,112,613**	–	**66,112,613**
Quoted equity investments	**94,297,877**	**4,090,435**	**98,388,312**
	160,410,490	**4,090,435**	**164,500,925**
	₱361,819,645	**₱4,090,435**	**₱365,910,080**

**Excluding cash on hand.*

	2014		
	Neither Past Due nor Impaired (Satisfactory)	Past Due and Impaired	Total
Loans and receivable:			
Cash and cash equivalents*	₱47,136,418	₱–	₱47,136,418
Receivables:			
Interest receivable	1,160,796	–	1,160,796
Other receivables	1,641,460	2,549,217	4,190,677
	49,938,674	2,549,217	52,487,891
AFS financial assets:			
Debt securities - quoted, at fair value	268,205,803	–	268,205,803
Quoted equity investments	96,092,961	4,090,435	100,183,396
	364,298,764	4,090,435	368,389,199
	₱414,237,438	₱6,639,652	₱420,877,090

**Excluding cash on hand.*

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, 2015 and 2014, 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.

The table below summarizes the maturity profile of the financial instruments of the Group based on remaining contractual undiscounted cash flows:

	2015			
	Less than 3 months	**More than 3 months but less than one year**	**More than one year**	**Total**
Financial assets				
Loans and receivable:				
Cash and cash equivalents	**₱201,015,066**	**₱–**	**₱–**	**₱201,015,066**
Receivables:				
Accrued interest receivable	**386,981**	**–**	**–**	**386,981**
Other receivables	**35,295**	**–**	**–**	**35,295**
	201,437,342	**–**	**–**	**201,437,342**
AFS financial assets - Quoted debt Securities	**22,153,937**	**43,958,676**	**–**	**66,112,613**
	223,591,279	**43,958,676**	**–**	**267,549,955**
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	**4,782,549**	**–**	**–**	**4,782,549**
Dividends payable	**888,714**	**–**	**–**	**888,714**
	5,671,263	**–**	**–**	**5,671,263**
Net liquidity position	**₱217,920,016**	**₱43,958,676**	**₱–**	**₱261,878,692**

	2014			
	Less than 3 months	More than 3 months but less than one year	More than one year	Total
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱47,143,661	₱–	₱–	₱47,143,661
Receivables:				
Accrued interest receivable	1,160,796	–	–	1,160,796
Other receivables	1,641,460	–	–	1,641,460
	49,945,917	–	–	49,945,917
AFS financial assets - Quoted debt Securities	55,291,146	212,914,657	–	268,205,803
	105,237,063	212,914,657	–	318,151,720
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	₱12,615,823	₱–	₱–	₱12,615,823
Dividends payable	888,714	–	–	888,714
	13,504,537	–	–	13,504,537
Net liquidity position	₱91,732,526	₱212,914,657	₱–	₱304,647,183

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, 2015 and 2014.

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, 2015 and 2014, the Group is not subject to any externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2015	2014
Capital stock	**₱640,029,628**	₱639,873,378
Additional paid-in capital	**32,699,360**	32,699,360
Retained earnings	**138,443,999**	131,173,688
	₱811,172,987	₱803,746,426

SGV
Building a better
working world

SyCip Gorres Velayo & Co
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Basic Energy Corporation
7th Floor, Basic Petroleum Building
C. Palanca, Jr. Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and its subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 30, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

March 30, 2016

BASIC ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I	:	Supplementary schedules required by Annex 68-E
Schedule II	:	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
Schedule III	:	Map of the relationships of the companies within the group (for investments houses that are part of a conglomerate; Part 1, 4H)
Schedule IV	:	Schedule of all effective standards and interpretation (Part 1, 4J)
Schedule V	:	Schedule showing financial soundness indicators

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule A. Financial Assets

AFS financial assets

Description	Beginning balances	Disposals at cost	Additions at cost	Increase (decrease) in fair value, net	Ending balances
Debt securities - quoted, at fair value	₱268,205,803	(₱188,726,049)	₱22,100,000	(₱35,467,141)	₱66,112,613
Investments in shares of stock:					
Quoted	97,532,961	(58,158,606)	49,092,588	5,830,934	94,297,877
	₱365,738,764	(₱246,884,655)	₱71,192,588	(29,825,193)	₱160,410,490

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱123,427	₱76,893	₱–	₱–	₱200,320	₱–	₱200,320

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
BRI	₱–	₱–	₱–	₱–	₱–	₱–	₱–
BDIHI	21,618,281	112,190	–	–	–	–	21,730,470
BBC	5,814,716	66,301	–	–	–	–	5,881,017
iBasic	3,684,662	131,444	–	–	–	–	3,816,106
BGEC	200	–	200	–	–	–	–
SRI	171,954	73,699	–	–	–	–	245,653
Grandway	173,995,267	21,119,227	–	–	–	–	195,114,494

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule D. Intangible Assets - Other Noncurrent Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱3,757,602	₱–	₱–	₱–	₱–	₱3,757,602

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption 'Current position of long term debt' in related statement of financial position	Amount shown under caption 'Long Term Debt' in related statement of financial position
- Not applicable -			

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
	- Not applicable -	

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		- Not applicable -		

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by: Employees	Directors and Officers	Others
Common shares	10,000,000,000	2,560,118,512	–	2,500,000	144,292,842	2,025,000

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)

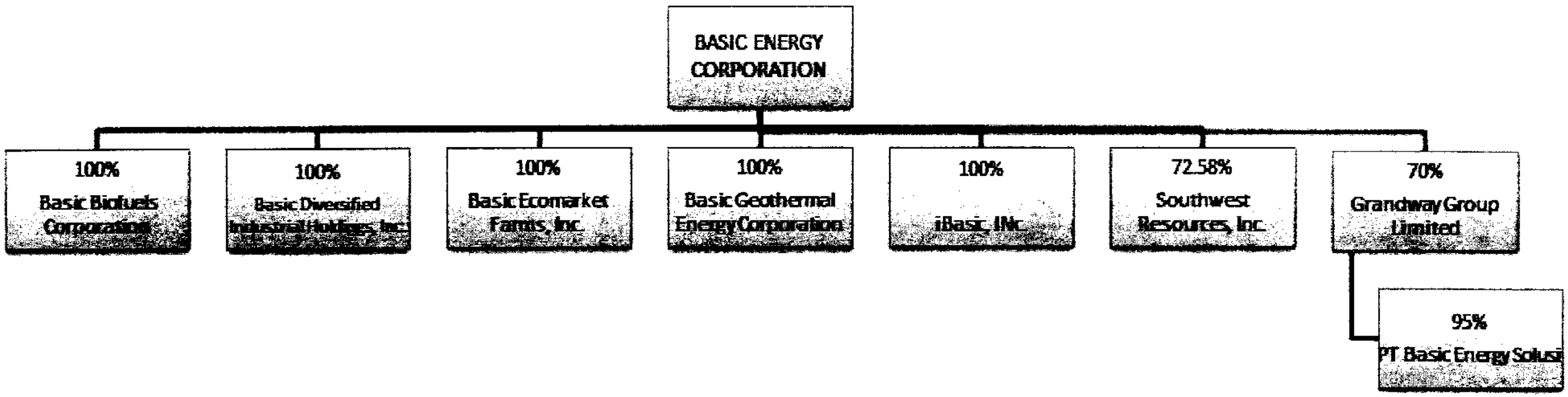
DECEMBER 31, 2015

Unappropriated Retained earnings as of December 31, 2014, as reflected in audited financial statements		₱131,173,688
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		5,433,321
Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized		(6,846,316)
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		129,760,693
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	5,444,815	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	5,999,575	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized	5,586,567	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	11,586,142	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	1,825,496	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	1,825,496	
Net income actually earned during the period		125,444,862
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
UNAPPROPRIATED RETAINED EARNINGS, *AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, END*		**₱125,444,862**

SCHEDULE III

BASIC ENERGY CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP (PART 1, 4H)



SCHEDULE IV

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2015:

[illegible]		[illegible]	[illegible]	[illegible]
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

[illegible]		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓

[illegible]		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

[illegible]		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

[illegible]		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

[illegible]		Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Schedule V

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68 AS AMENDED
DECEMBER 31, 2015

	2015	2014
Profitability ratios:		
Return on assets	**(0.00%)**	(0.01%)
Return on equity	**(0.00%)**	(0.01%)
Net profit margin	**0%**	0%
Solvency and liquidity ratios:		
Current ratio	**31.19:1**	3.96:1
Debt to equity ratio	**0.03:1**	0.03:1
Quick ratio	**30.56:1**	3.79:1
Asset to equity ratio	**1.03:1**	1.03:1
	(0.01%)	(0.01%)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR 2015

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter: BASIC ENERGY CORPORATION

3. 7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City
   Address of Principal Office Postal Code:1229

4. SEC Identification Number 36359

5. (SEC Use Only)
   [redacted] Industry Classification Code

6. BIR Tax Identification Number 000-438-702-000

7. + (632) 817-8596/98
   Issuer's Telephone number, including area code

8. Not Applicable
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
OSCAR C. DE VENECIA	NED		Nominating Committee	1972	**June 30, 2015**	**June 30, 2015**	43
FRANCIS C. CHUA	NED		Nominating Committee	1998	**June 30, 2015**	**June 30, 2015**	17
RAMON L. MAPA	NED		Nominating Committee	1976	**June 30, 2015**	**June 30, 2015**	39
OSCAR L. DE VENECIA, JR.	ED		Nominating Committee	1997	**June 30, 2015**	**June 30, 2015**	18
REYNALDO T. CASAS	ID		Nominating Committee	2015	**June 30, 2015**	**June 30, 2015**	6 mos.
MA. FLORINA M. CHAN	NED		Nominating Committee	2008	**June 30, 2015**	**June 30, 2015**	7
HARVEY LAWRENCE N, DYCHIAO	ID		Nominating Committee	2015	**July 29, 2015**	**July 29, 2015**	5 mos.
EDUARDO V. MANALAC	ID		Nominating Committee (no relationship)	2009	**June 10, 2015 (1 year as ID)**	**June 30, 2015**	6
JAIME J. MARTIREZ	NED		Nominating Committee	2007	**June 30, 2015**	**June 30, 2015**	8
OSCAR S. REYES	ID		Nominating Committee	2007	**June 30, 2015**	**June 30, 2015**	8
ISIDORO O. TAN	NED		Nominating Committee	1993	**July 30, 2015**	**June 14, 2015**	22

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. **(Please see attached excerpts from the Revised Company's Corporate Governance Manual).**

(c) How often does the Board review and approve the vision and mission? **The Board reviews the Company's vision and mission during the periodic strategic planning sessions of the Board and Management, which are usually conducted once every one or two years, depending on developments in the industry, regulatory structures and policies and the business imperatives of the Company.**

[1] Reckoned from the election immediately following January 2, 2012.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
OSCAR C. DE VENECIA	Basic Biofuel Corporation Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp	NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman
FRANCIS C. CHUA	Basic Biofuel Corporation Basic Renewables, Inc. Basic Geothermal Energy Corp. iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED NED
RAMON L. MAPA	Basic Biofuels Corporation Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp.	NED NED NED NED NED NED NED
OSCAR L. DE VENECIA, JR.	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp.	ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT
ISIDORO O. TAN	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED
EDUARDO V. MANALAC	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc.	ID ID ID ID ID

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Southwest Resources, Inc.	ID
JAIME J. MARTIREZ	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp	NED NED NED NED NED NED NED
HARVEY LAWRENCE N.DYCHIAO	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp Basic Diversified Industrial Holdings, Inc.	NED NED NED NED NED
MA. FLORINA M. CHAN	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc.	NED NED NED NED NED
REYNALDO T. CASAS	Basic Biofuels Corp Basic Renewables, Inc. Basic Geothermal Energy Corp Basic Diversified Industrial Holdings, Inc.	ID ID ID ID

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Francis C. Chua	Phil. Stock Exchange, Inc.	Non-Executive Director
Oscar S. Reyes	Bank of the Phil. Islands	Non-Executive Director
	Manila Electric Company	President & CEO/Executive Director
	Philippine Long Distance Co.	Member, Advisory Board
	Pepsi Cola Products Phils., Inc.	Independent Director/Chairman
	Cosco Capital, Inc	Independent Director
	Manila Water Co., Inc.	Independent Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

[illegible]	[illegible]	[illegible]
OSCAR L. DE VENECIA,JR	OSCAR C. DE VENECIA (Chairman of the Board)	Son

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **No.** In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **No.** If yes, briefly describe other guidelines:

[illegible]	[illegible]	[illegible]
Executive Director	N/A	N/A
Non-Executive Director	N/A	N/A
CEO	N/A	N/A

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
OSCAR C. DE VENECIA	0	**13,000,000**	**0.51**
FRANCIS C. CHUA	10,002	**13,000,000**	**0.51**
RAMON L. MAPA	368,635	**3,000,000**	**0.13**
OSCAR L. DE VENECIA, JR.	516,334	**9,025,000**	**0.37**
ISIDORO O. TAN	24,822,276	**13,000,000**	**1.47**
EDUARDO V. MANALAC	10,000	**8,000,000**	**0.31**
JAIME J. MARTIREZ	10,000	**15,025,000**	**0.58**
REYNALDO T. CASAS	10,000		**0.00**
MA. FLORINA M. CHAN	10,000	**13,000,000**	**0.51**
OSCAR S. REYES	10,000	**3,300,000**	**0.13**
HARVEY LAWRENCE N. DYCHIAO	10,000		**0.00**
TOTAL	**25,777,247**	**90,350,000**	**4.53**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chair and CEO:

Chairman of the Board	OSCAR C. DE VENECIA
CEO/President	OSCAR L. DE VENECIA, JR.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the meetings of the Board are held in accordance with By-Laws	Manages the day-to-day operations of the Company.
Accountabilities	To ensure qualitative and timely communication and information lines between and among the Board and Management.	Accountable for the efficient and effective operations of the Company and for the implementation of strategic plans as approved by the Board.

Deliverables	Supervision of the preparation of the agenda of the meeting in coordination with the Corporate Secretary; Schedule of Board Meetings and materials for the Board of Directors	Monitoring and compliance with budgets for operating and capital expenditures of the various projects of the Company

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions? **The Company has a short term succession plan for certain positions where the incumbents are due to retire or in case of sudden vacancies due to certain emergency situations. On the other hand, a long-term succession plan is being developed for these positions that would include development and training programs to prepare and equip the identified successors with the necessary management skills, experience and exposures.**

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. **Yes, the members of the present Board have wide and valuable experiences on the exploration, production and distribution of oil and gas and other energy resources, and also in the fields of banking, finance and investments.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. **Yes, the Chairman of the Board, Oscar C. de Venecia and the President, Oscar L. de Venecia, Jr. and Directors E.V. Manalac and O.S. Reyes have vast experiences in the oil and gas industry, and power generation and distribution. Director Reynaldo T. Casas has adequate experience in the solar industry.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	CEO/President	Directors	Directors
Accountabilities	Please refer to the above schedule	Please refer to the Company's Code of Corporate Governance	Please refer to the Company's Code of Corporate Governance
Deliverables	Please refer to the above schedule	Please refer to the Company's Code of Corporate Governance	Please refer to the Company's Code of Corporate Governance

Provide the company's definition of "independence" and describe the company's compliance to the definition. **An independent director is one who is independent of management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could or could reasonably be perceived to, materially interfere with his exercise of independent judgment.**

Does the company have a term limit of five consecutive years for independent directors? **The Company does not have a term limit of five years for independent directors. Oil or energy resource exploration and development projects have long gestation periods sometimes extending beyond 8 to 10 years. There is thus a need for directors of the Company to have longer terms to maintain continuity and consistency in strategic directions and decisions in pursuing the Company's projects.**

If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? **The Company has not prescribed the additional term limit for returning independent directors.** Please explain. **Please refer to the preceding paragraph.**

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Dennis D. Decena	Independent Director	June 30, 2015	End of term; he was employed on a full time basis by a government owned corporation.
Gabriel R. Singson,Jr.	Director	July 29, 2015	Resignation due to business considerations.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nomination process conducted by the Nomination Committee	a. Possession of all prescribed qualifications b. Non-possessions of any disqualifications c. Other factors such as judgment, skill, experience, interplay of nominee's experience and qualifications with other nominees, and other value-added factors
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
b. Re-appointment		
(i) Executive Directors	Nomination process conducted by the Nomination Committee	(Same as above)
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
c. Permanent Disqualification		
(i) Executive Directors	Please refer to 5.1.7BI of the Revised Manual of Corporate Governance	Please refer to 5.1.7BI of the Revised Manual of Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
d. Temporary Disqualification		
(i) Executive Directors	Please refer to 5.1.7BII Revised Manual of Corporate Governance	Please refer to 5.1.7BI of Revised Manual of Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
e. Removal		
(i) Executive Directors	Please refer to the Revised Manual on Corporate Governance	Please refer to the Revised Manual on Corporate Governance

(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
f. Re-instatement		
(i) Executive Directors	Please refer to the Revised Manual on Corporate Governance	Please refer to the Revised Manual on Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
g. Suspension		
(i) Executive Directors	Please refer to the Revised Manual on Corporate Governance	Please refer to the Revised Manual on Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)

Voting Result of the last Annual General Meeting:

Name of Director	Votes Received
All 11 nominees for directors	**2,386,218,356**

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any. **Orientation program covers:**

(1) The Board of Directors, Advisory Board and Board Committees
(2) Organization
(3) Operations of the Company and its various projects
(4) Corporate Governance Manual
(5) External and Internal Audit Plans and
(6) Personnel Policy Manual with Code of Conduct.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years: **The directors and some senior management attended the in-house seminar on Corporate Governance conducted by SGV & Company last September 30, 2015.**

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Oscar S. Reyes	2.04.14	CG and Risk Management	Institute of Corporate Directors
Oscar S. Reyes	4.01.14	CG Enhancement Session- Corporate Requirements under US Laws and Regulations and the Foreign Corrupt Practices Act of 1977	PLDT
Oscar S. Reyes	5.28.14	Corporate Governance	SGV
Oscar S. Reyes	12.04.14	CG Enhancement Session/ Trends and Current Topics in Developed Economies & Their Application in the Philippines/ASEAN	PLDT and Smart Communications, Inc.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Oscar S. Reyes	3-8-16	CG Enhancement Summit	Ayala Corporation
Francis C. Chua	2014	Corporate Governance	PSE
All other Directors	9-30.15	Corporate Governance	SGV

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees: **Please refer to the Personnel Policy Manual of the Company and Revised Corporate Governance Manual.**

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	See Revised Corporate Governance Manual	See Revised Corporate Governance Manual and Personnel Policy Manual	See Personnel Policy Manual
(b) Conduct of Business and Fair Dealings	Same	Same	Same
(c) Receipt of gifts from third parties	Same	Same	Same
(d) Compliance with Laws & Regulations	Same	Same	Same
(e) Respect for Trade Secrets/Use of Non-public Information	Same	Same	Same
(f) Use of Company Funds, Assets and Information	Same	Same.	Same
(g) Employment & Labor Laws & Policies	Same	Same	Same
(h) Disciplinary action	Same	Same	Same
(i) Whistle Blower	Same	Same	Same
(j) Conflict Resolution	Same	Same	Same

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **Yes.**

3) Discuss how the Company implements and monitors compliance with the code of ethics or conduct. **Process is initiated by the Human Resource and Admin Head, in coordination with the Compliance Officer, and recommended action is submitted to the President. Where officers are involved, the recommended action is submitted by the President to the Board of Directors.**

4) Related Party Transactions (RPTs)

(a) Policies and Procedures. **RPTs are required to be reported to the Board of Directors and are included in the notes to the Audited Financial Statement of the company in the form of disclosures.**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Subject to review of the Corporate Governance Committee and the Audit and Risk Committee, and approval of the

	Board of Directors and subject to full disclosures.
(2) Joint Ventures	-same as above-
(3) Subsidiaries	-same as above-
(4) Entities Under Common Control	-same as above-
(5) Substantial Stockholders	-same as above-
(6) Officers including spouse/children/siblings/parents	-same as above-
(7) Directors including spouse/children/siblings/parents	-same as above-
(8) Interlocking director relationship of Board of Directors	-same as above-

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders. **None**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism.

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	All transactions pass through review for conflict of interest situations by the Management Committee and the Compliance Officer. Should there be a conflict of interest, the transaction is submitted to the Corporate Governance Committee and to the Board for decision.
Group	-same as above-

5) Family, Commercial and Contractual Relations. **None**

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description of the Relationship**
None		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description**
None		

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	None
Corporation & Third Parties	The Company opted to submit to Arbitration Proceedings its claim against Forum Energy PLC for certain amounts due under the Sales and Purchase Agreement dated April 3, 2006. In 2012, the Ad-Hoc Arbitration Tribunal decided in favor of the Company. Subsequently, the parties executed a Compromise Agreement, settling all issues subject of the arbitration proceedings.
Corporation & Regulatory Authorities	None

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **Board meetings are scheduled at the organizational meeting of the Board of Directors convened after the election of the members at the annual stockholders meeting. These meetings are usually set every last Wednesday of the month, except for the month of December.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	OSCAR C. DE VENECIA	**June 30, 2015**	**13**	**11**	**84.46**
Member	FRANCIS C. CHUA	**June 30, 2015**	**13**	**7**	**53.84**
Member	RAMON L. MAPA	**June 30, 2015**	**13**	**12**	**100.00**
Member	OSCAR L. DE VENECIA, JR	**June 30, 2015**	**13**	**13**	**100.00**
Member	ISIDORO O. TAN	**June 30, 2015**	**13**	**11**	**84.86**
Independent	EDUARDO V. MANALAC	**June 30, 2015**	**13**	**9**	**69.23**
Member	JAIME J. MARTIREZ	**June 30, 2015**	**13**	**11**	**84.46**
Independent	REYNALDO T. CASAS	**June,30 2015**	7	**6 June-Dec.**	**85.71**
Member	MA. FLORINA M. CHAN	**June 30, 2015**	**13**	**8**	**61.54**

Independent	OSCAR S. REYES	**June 30, 2015**	**13**	**10**	**76.92**
Member	HARVEY LAWRENCE N. DYCHIAO	**July 29, 2015**	**6**	**6 July-Dec**	**100.00**

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **Yes, as the need arises. During one Board meeting last year, the non-executive directors requested for a separate meeting without the executive director and key officers. There was also a meeting of the Audit and Risk Committee with the external auditor, without the presence of the executive director and key officers.**

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? **No.** Please explain. **Per By-laws of the Company, a majority of the directors present constitute a quorum.**

5) Access to Information

a. How many days in advance are board papers[5] for board of directors meetings provided to the board? **At least 2 Days.**

b. Do board members have independent access to Management and the Corporate Secretary? **Yes.**

c. State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.? **Please refer to Article 6 of the Company's Manual of Corporate Governance.**

d. Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. **Yes.**

e. Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

Committee	**Details of the procedures**
Executive	Direct access to Officers in charge of supplying information requested.
Audit	Direct access to Officers in charge of supplying information requested.
Nomination	Direct access to Officers in charge of supplying information requested.
Remuneration	Direct access to Officers in charge of supplying information requested.
Others (specify): Corporate Governance and Finance and Investments Committees	Direct access to Officers in charge of supplying information requested.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Procedures	Details
Request for external advice is submitted to the Board of Directors for approval of the engagement of the service provider.	The request should contain the service provider for the external advice, its credentials and the fee structure.
	The engagement shall be in writing and shall contain the terms and conditions as approved by the Board, to include the period for the engagement, and independence and confidentiality clauses.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
New	**Inclusion of Risk Management in the responsibilities of the Audit Committee**	**To ensure that all projects of the Company undergo a risk evaluation and assessment process.**
New	**Related party transactions are reviewed by the Corporate Governance and Audit and Risk Committees**	**To ensure that all RPT transactions are fully disclosed to the Board and are covered by the required disclosures in the audited financial statements.**

D. REMUNERATION MATTERS

1) Remuneration Process. Based on approved annual budget and compared to relevant and applicable industry practice.

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Approval of the Board, upon recommendation of the Compensation and Remuneration Committee	Approval of the Board, upon recommendation of the Compensation and Remuneration Committee
(2) Variable remuneration	Same	Same
(3) Per diem allowance	Same	Same
(4) Bonus	Same	Same
(5) Stock Options and other financial instruments	Same	Same
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The only executive director is the President and CEO, covered by item 1) above.	Basic salary plus 13th month pay and bonuses as may be approved by the Board of Directors, upon recommendation of the Compensation and Remuneration Committee.	Compared to relevant and applicable industry practice.
Non-Executive Directors	Directors are paid per diems may be approved by the Board, for attendance and performance at Board and Board Committee meetings	For 2015, Php12,100.00 per diem for Board meetings and 50% thereof for Board Committee meetings. Allowances are as prescribed by the Board of Directors	Compared to relevant and applicable industry practice.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? **No.** Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Director	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	**Php2,659,800.00**	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	**Php157,300.00**	**Php1,101,100.00**	**Php314,600.00**
(d) Bonuses	**Php221,650.00**	None	None
(e) Stock Options and/or other financial instruments	50,500,000 shares subscribed by the President	From 30,000,000 to 60,100,000 shares subscribed by the other directors	From 4,000,000 to 52,000,000 shares subscribed by the IDs
(f) Others (Specify)Allowances	None	None	None
Total (monetary)	**Php3,038,750.00**	**Php1,101,100.00**	**Php314,600.00**

Other Benefits	Executive Director	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None

3) Pension Plan/s Contributions	Per Company retirement plan	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	Covered by HMO provider	None	None
(g) Car Plan	None	None	None
(h) Others (Specify) Company Car	Php124,533.39 (book value as of 12.31.15	Php793,310.03 (book value as of 12.31.15)	None
Total	N/A	N/A	N/A

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Oscar C. de Venecia	52,000,000	None	52,000,000	2.03
Francis C. Chua	52,000,000	None	52,000,000	2.03
Ramon L. Mapa	30,000,000	None	30,000,000	1.17
Oscar L. de Venecia, Jr	50,500,000	None	50,500,000	1.97
Jaime J. Martirez	60,100,000	None	60,100,000	2.35
Ma. Florina M. Chan	52,000,000	None	52,000,000	2.03
Eduardo V. Manalac	30,000,000	None	30,000,000	1.17
Oscar S. Reyes	52,000,000	None	52,000,000	2.03
Isidoro O. Tan	52,000,000	None	52,000,000	2.03

(b) Amendments of Incentive Programs. **None**

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. **None.** Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	N/A

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Anthony L. Cuaycong	Php9,587,684.00
Corazon M. Bejasa	
Marietta V. Villafuerte	
Alberto P. Morillo	
Angel P. Gahol	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: Please refer to the Company's Corporate Governance Manual.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive					Please refer to the Company's Corporate Governance Manual.	Please refer to the Company's Corporate Governance Manual.	Please refer to the Company's Corporate Governance Manual.
Audit and Risk		3	2		Same as above	Same as above	Same as above
Nomination	1	3	2		Same as above	Same as above	Same as above
Remuneration	1	3	1		Same as above	Same as above	Same as above
Others : Finance and Investment Committee ; Corporate Governance Committee	1 	5 3	2 2		Same as above	Same as above	Same as above

2) Committee Members

(a) Executive Committee – **The Board of Directors had their regular monthly meetings during the year, hence there was no need to convene an Executive Committee meeting. Besides, if there is a need for the Board to meet earlier than the scheduled monthly meetings, the Board may convene for a special meeting, as it had done in the past years.**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A	N/A	N/A	N/A	N/A	N/A	N/A

(b) Audit and Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar S. Reyes	6/30/2015	2	2	100%	1 yr.
						1 yr.
Member (NED)	Ma Florina M. Chan Jaime J. Martirez	6/30/2015 6/30/2015	2 2	2 2	100% 100%	1 yr.
Member (ID)	Eduardo V. Manalac Harvey L.N. Dychiao	6/30/2015 7/29/2015	2 2	2 1	100% 50%	1 yr. 5 mos.

Disclose the profile or qualifications of the Audit Committee members. **The Audit and Risk Committee is composed of at least three (3) directors, preferably with accounting and finance background or work experience. At least one member should be an independent director and at least one member should have a related or relevant audit experience. Each member shall have an adequate understanding of accounting and auditing principles in general, and of the Corporation's financial management systems, business operations and business environment, in particular.**

Describe the Audit and Risk Management Committee's responsibility relative to the external auditor:

1. **Assess the independence and professional qualifications and competence of external auditors;**
2. **Review of the engagement and rotation process of external auditors or firm;**
3. **Review and approval of scope of audit work and fees of external auditors;**
4. **Assessment of non-audit services, if required;**
5. **Understanding disagreements between the external auditors and Management;**
6. **Define actions to take on the findings of external auditors;**
7. **Ensures Management's competence and understanding regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions;**
8. **Evaluation of performance of external auditors, reappointment and resignation;**
9. **Review of compliance of external auditor with auditing standards; and**
10. **Ensures completeness and timeless of communication with external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the Management that affect the audit and financial reporting.**

(a) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Oscar C. de Venecia	6/30/2015	1	1	100%	1 yr.
Member (ED)	Oscar L. de Venecia, Jr.	6/30/2015	1	1	100%	1 yr.
Member (NED)	Ramon L. Mapa	6/30/2015	1	1	100%	1 yr.
Member (ID)	Reynaldo T. Casas	6/30/2015	1	1	100%	6 mos.
Member (ID)	Oscar S. Reyes	6/30/2015	1	1	100%	1 yr.
Member (ID)	Harvey Lawrence N. Dychiao	7/29/2015	1	1	100%	5 mos.

(b) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Oscar L. de Venecia, Jr.	6/30/2015	1	1	100%	1 yr.
Member (NED)	Francis C. Chua	6/30/2015	1	1	100%	1 yr.
Member (ID)	Reynaldo T. Casas	6/30/2015	1	1	100%	6 mos.
Member (NED)	Jaime J. Martirez	6/30/2015	1	1	100%	1 yr.
Member(NED)	Isidoro O. Tan	6/30/2015	1	1	100%	1 yr.

(c) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Eduardo V. Manalac	6/30/15	1	1	100%	1 yr.
Member (NED)	Francis C. Chua	6/30/15	1	1	100%	1 yr.
Member (NED)	Ma. Florina M. Chan	6/30/15	1	1	100%	1 yr.
Member (ID)	Reynaldo T. Casas	6/30/15	1	1	100%	6 mos.
Member	Jaime J. Martirez	6/30/15	1	1	100%	1 yr.

(d) Finance and Investments Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jaime J. Martirez	6/30/15	1	1	100%	1 yr.
Member (NED)	Ramon L. Mapa	6/30/15	1	1	100%	1 yr.
Member (ED)	Oscar L. de Venecia, Jr.	6/30/15	1	1	100%	1 yr.
Member (ID)	Harvey Lawrence N. Dychiao	7/29/15	1	1	100%	5 mos.
Member (NED)	Ma. Florina M. Chan	6/30/15	1	1	100%	1 yr.
Member (ID)	Eduardo V. Manalac	6/30/15	1	1	100%	1 yr.
Member (NED)	Reynaldo T. Casas	6/30/15	1	1	100%	6 mos.
Member (NED)	Isidoro O. Tan	6/30/15	1	1	100%	1 yr.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Gabriel. R. Singson, Jr.	Resignation
Audit	Gabriel R. Singson, Jr.	Resignation
	Dennis D. Decena	End of Term
Nomination	Gabriel R Singson, Jr.	Resignation
	Dennis D. Decena	End of Term
Remuneration	Gabriel R. Singson, Jr.	Resignation
Others (specify)	N/A	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	No meetings were held as the Board had its regular monthly meetings	
Audit	Approval of Audited Financial Statements	Financial highlights and significant changes and variances from the last year's AFS.
Nomination	Nomination of Nominees for Board of Directors	Qualifications of Nominees.
Remuneration	Approval of Directors' per diems and allowances	Reasonableness of remunerations for directors.
Finance and Investments	Approval of investments and projects of the Company	Investment exposures for each project.
Corporate Governance Committee	Review of compliance with the Revised Corporate Governance Manual and amendments thereto	Implementation of the Corporate Governance guidelines for listed companies.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Regular monthly board meetings	Continuing review of policies and procedures
Audit	Implementation of Audit Plans	Taxes, Risk Management and Internal Controls
Nomination	Nominations of Directors	Review of Qualifications and Disqualifications of Nominees
Remuneration	Review of per diems of directors and pay scale of Management.	Prevailing structures in comparable industries.
Others : Finance and Investments Committee	Review of projects and investments	Economic viability of projects and investment yields.
Corporate Governance Committee	Continuing review of the Corporate Governance Manual	Compliance with existing rules and regulations.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company- **The Company shall remain focused on minimizing the potential adverse effects on transactions and projects on the Company's financial performance due to exposures to various risks, such as transactional , financial, foreign exchange, liquidity, credit, equity price and other risks .**

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof -**Risk management is a responsibility of the Audit and Risk Committee and all new projects have been reviewed by the Committee for the effectiveness and adequacy of the applicable risk management systems for each specific project.**

(c) Period covered by the review- **2015.**

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness- **Updates of all projects are presented to the Board every month where the relevant risks are reviewed and addressed.**

(e) Where no review was conducted during the year, an explanation why not.- N/A.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	**Risk Management Policy**	**Objective**
Probability of Exploration/ Discovery or Existence of Oil and Other Energy Resources for Commercial Production	1) Use of 3-D seismic data and other studies and advanced and proven technology and systems; 2) Spread risks through farm-outs and joint ventures	1) To improve on the probability of success of discovery or existence of oil and gas and other energy resources 2) Risks sharing with other investors
Operational and Environmental Risks in Exploration and Drilling Activities	1) Engagement of competent personnel and contractors who will provide the required services 2) Application of standards in design, work program, procurement and installation, and contract preparation, execution and implementation and performance monitoring and control 3) Formulation and implementation of operating guidelines to include contingencies 4) Compliance with environmental laws and regulations	1) To mitigate and address operational and environmental risks
Volatility of Oil and Gas Pricing and Exchange Risks	1) Use of forecasting models and other early identification systems of these external threats 2) Keeping abreast with local and global developments in the industry, including global economic and political conditions 3) Engagement of competent professionals in handling pricing negotiations	1) To make the Company prepare for and adopt early measures to mitigate the effects of pricing and exchange changes, which are usually beyond the control of the Company.
Changes in Government Regulations or Policies and Leadership	1) Continuing coordination, consultations and advocacy with government officials involved in the industry 2) Keeping abreast of developments in the government agencies involved in the industry	1) To make the Company prepare for and adopt early measures to mitigate the effects of changes in government policies and regulations and leadership.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
-same as above-		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The Company has no controlling stockholder or stockholders group.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Exploration Risks	Undertaken by the Operations Group and the Risk Management Officer	Undertaken by the Audit and Risk Committee, subject to the final decision of the Board of Directors.
Operational Risks	Undertaken by the Operations Group and the Risk Management Officer	Undertaken by the Audit and Risk Committee, subject to the final decision of the Board of Directors.
Pricing and Exchange Risks	Undertaken by the Operations Group and the Risk Management Officer	Undertaken by the Finance and Investments Committee, subject to the final decision of the Board of Directors.
Changes in Government regulations and policies	Undertaken by the Operations Group and the Risk Management Officer	Undertaken by the Audit and Risk Committee, subject to the final decision of the Board of Directors.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Risk Committee	Monthly reporting and updating of status of projects	Review of risk exposures and adopting measures or policies to address or mitigate these risks in a timely and expedient manner.
Finance and Investments Committee	Monthly reporting and updating of status of project investments and costs	Review of risk exposures and adopting measures or policies to address or mitigate these risks in a timely and expedient manner.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:
(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit
(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit	In charge of 1) the systematic evaluation and improvement of risk management, control, governance and implementation of best practices in all areas of operations; 2) Significant financial and operating information are accurate, reliable and timely; and 3) Ensuring compliance with Company policies and procedures and applicable laws and regulations; among others.	Outsourced	R.S. Bernaldo & Associates	Reporting to the Audit and Risk Management Committee and to the Board of Directors

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? **Yes.**

(c) Discuss the internal auditor's reporting relationship with the audit committee. **The Internal Auditor reports to the Audit Committee and to the Board of Directors.**
Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? **Yes.**

(d) Resignation, Re-assignment and Reasons
Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. **None**

Name of Audit Staff	Reason
None	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Completed
Issues[6]	None
Findings[7]	Adoption of Written Accounting Procedures and Policies
Examination Trends	Not yet established

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	**Implementation**
Department Audits	Last Quarter, 2015
Financial Audits	Last Quarter, 2015
Operational Audits	Last Quarter, 2015
Contract Audits	Last Quarter, 2015
Fraud and Financial Irregularity Audits	Last Quarter, 2015

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	**Financial Analysts**	**Investment Banks**	**Rating Agencies**
The Auditors report directly to the Audit and Risk Management Committee and to the Board of Directors. Other than tax advisory matters, the Auditors are not allowed to undertake non-audit services for the Company.	N/A	N/A	N/A

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers

[6] "Issues" are compliance matters that arise from adopting different interpretations.

[7] "Findings" are those with concrete basis under the company's policies and rules.

and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. **The Chairman and the President & CEO.**

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following: **None**

	Policy	**Activities**
Customers' welfare	**Policies in dealing with customers and suppliers are embodied in the Personnel Policy Manual and Code of Conduct**	**As and when needed**
Supplier/contractor selection practice	**Contractor selection shall be based on at least three (3) proposals based on the same terms of reference given to the prospective suppliers/contractors**	**Included in the work programs for each project.**
Environmentally friendly value-chain	**None**	**None**
Community interaction	**Each project has a community and social responsibility program**	**Included in the work programs for each project.**
Anti-corruption programmes and procedures	**Policies against bribery and corrupt practices are embodied in the Personnel Policy Manual and Code of Conduct**	**As and when needed**
Safeguarding creditors' rights	**None- the Company has no outstanding loans or borrowings**	**N/A**

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? **No, each project of the Company has its own corporate responsibility program.**

3) Performance-enhancing mechanisms for employee participation.

   (a) What are the company's policy for its employees' safety, health, and welfare?
   The Company is responsible for providing facilities that will safeguard and ensure the safety, health and welfare of its employees.

   (b) Show data relating to health, safety and welfare of its employees. **The Company maintains a Health Maintenance Policy with I-Care for their annual check-ups, medical and hospitalization requirements, subject to the limits provided in the policy. Cost of the HMO is fully paid for by the Company. In the last three (3) years, the Company was a sponsor in a bowling tournament where most employees of the Company participated and cost of which (uniforms, food allowances and payment for lane fees and practice games) were fully paid for by the Company.**

   (c) State the company's training and development programmes for its employees. Show the data. **The Company sends employees to seminars concerning their work, upon recommendation of Management.**

   (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. **The Company recognizes and values the performance of employees and their contributions to the bottom-line. The Company has a performance evaluation system from which annual salary adjustments and other incentives are based, subject to recommendation of Management and the Compensation and Remuneration Committee.**

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation. **These procedures are provided in the Personnel Policy Manual of the Company.**

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Filipino)	**2,110,585,871**	**82.46**	
PCD Nominee Corporation (Foreign)	**71,098,529**	**2.77**	

(b) Senior Management

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar L. de Venecia, Jr.	**516,334**	**9,025,000**	**0.3**
Corazon M. Bejasa		**100,000**	**.00**
Marietta V. Villafuerte		**100,000**	**.00**
Alberto P. Morillo	**303,185**	**1,350,000**	**.06**
Angel P. Gahol	**1,476**		**.00**
TOTAL	**820,995**	**10,575,000**	**.036**

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No policy as yet
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure. **N/A.**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo & Co.	Php 530,000.00	**N/A**

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information:

a. PSE/SEC Disclosures and Reports
b. Company Web site

5) Date of release of audited financial report: April 15, 2015

6) Company Website
Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	**Yes**
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **N/A.**

7) **Disclosure of RPTs (Related Party Transactions)**

RPT	Relationship	Nature	Value
Compensation of key management personnel	Officers	Compensation	Php12,469,134.00 for 2015
Stock options	Directors, Chairman and Members of the Advisory Board, Officers and Employees	Company share subscriptions	None for 2015
Investments in/Advances to Subsidiaries	Subsidiaries	Investments and Advances	None for investments in 2015 and Php21.5 Million in advances for 2015
Contributions to the Retirement Fund	Retirement Fund for Officers and Employees	Retirement Benefits	Php3.0 Million for 2015

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? **RPTs are required to be reported to the Board of Directors and are disclosed and included in the notes to the audited financial statements of the Company.**

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum
Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of stockholders

(b) System Used to Approve Corporate Acts
Explain the system used to approve corporate acts.

System Used	Board of Directors' approval.

Description	All proposals are reviewed and studied by Management and if favorable, are endorsed to the Board of Directors for approval.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code. **None; the Company follows the provisions of the Corporation Code and its Bylaws.**

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
N/A	

Dividends- **The Company has not declared dividends as of end of the last fiscal year.**

Declaration Date	Record Date	Payment Date
N/A		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
The Company addresses all concerns raised to it by stockholders.	1) Open line communication between the Chairman, the President & CEO and the stockholders. 2) Stockholders can communicate directly to the Chairman or the Board or the key officers of the Company, by letter or email or by phone, about their issues or concerns and these are required to be addressed or responded to immediately.
During the annual meetings, the Chairman ensures that the stockholders present are encouraged to ask questions or clarifications about matters presented in the agenda.	Open forum in annual meetings. Even after the annual meeting is adjourned, some stockholders approach the directors, who take the time to answer their questions.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

   The above matters require the vote of at least 2/3 of the outstanding capital stock of the Company and these are required to be presented at the annual stockholders' meetings. These matters are required to be thoroughly explained to the stockholders, who are enjoined to ask questions or clarifications prior to voting.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **No, at least fifteen (15) business days under the Securities Regulation Code.**
   a. Date of sending out notices: June 8, 2015
   b. Date of the Annual/Special Stockholders' Meeting: June 30, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. **None.**

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Annual Stockholders Meeting	More than majority of stockholders	None	None
Ratification of acts of the Board of Directors and Management	More than majority of stockholders	None	None
Election of Directors	More than majority of stockholders	None	None
Appointment of External Auditors	More than majority of stockholders	None	None
Amendments to the Articles (principal office address) and Bylaws (schedule of annual meetings)	More than majority of stockholders	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: **July 1, 2015 thru PSE Odisy.**

(e) Modifications- **None.**
State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending In Person	% of SH In Proxy	Total % of SH attendance
Annual	7 Directors present	June 30, 2015	Viva Voce	4.80%	49.37%	54.17%
Special	N/A					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **There is no need, as votes are given by viva voce. Per policy, if there is a need for voting by ballots, counting of votes is done by the representatives of the external auditors present at the meeting and confirmed by stock transfer agent of the corporation, and noted by the Corporate Secretary and the Compliance Officer of the Company.**

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Article I Section 5 of the By-laws of the corporation provides that at every meeting of the stockholders of the corporation, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the corporation, however, that in the case of election of directors, every stockholder entitled to vote shall be entitled to accumulate his votes in accordance with the provisions of law.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The proxy must be in the form prescribed under the SRC rules and must be signed by the stockholder concerned. For

	corporate stockholders, the proxy must be supported by a Board resolution authorizing the proxy and designating the officer or person in charge of carrying out the authorities indicated in the proxy. The signatures are validated by the Corporate Secretary, with the assistance of the stock and transfer agent. The proxies are reviewed by the Board of Inspectors prior to the stockholders' meeting.
Notary	The proxy form is not required to be notarized.
Submission of Proxy	Deadline for submission is five calendar days prior to the meeting.
Several Proxies	Accepted, provided shares voted are indicated, and total shares for the proxies must not exceed the total number of shares recorded in the books of the Company in the name of the stockholder.
Validity of Proxy	Up to five (5) years if so indicated in the proxy.
Proxies executed abroad	Accepted, subject to the above requirements.
Invalidated Proxy	Notice is required to be sent to the stockholder concerned.
Validation of Proxy	By the Board of Inspectors organized by the Board of Directors.
Violation of Proxy	Subject to the sanctions provided under the Securities Regulation Code.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notice of the time and place of holding any annual meeting, or any special meeting, of the stockholders, shall be given either by mailing the same enclosed in a postage prepaid envelope addressed to each stockholder on record entitled to vote at the address left by such stockholder with the Secretary of the corporation, or at his last known post address, or by delivering the same to him in person, at least fifteen (15) days before the date for such meeting	Mail thru courier and post office, and publication in major newspaper of notice of annual stockholders meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	6,668
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 8, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 8, 2015
State whether CD format or hard copies were distributed	CD and hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	No dividend declaration for the year
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **N/A.**

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board respects the rights of the minority stockholders as provided for in the Corporation Code and in the Company's Corporate Governance Manual.	By the Corporate Secretary and the Compliance Officer.

(b) Do minority stockholders have a right to nominate candidates for board of directors? **Yes, any stockholder has the right to nominate candidates for membership in the Board of Directors.**

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. **All material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. These policies are reviewed at least annually by the Committee on Corporate Governance.**

Disclose who reviews and approves major company announcements. **Major announcements are approved by the Board of Directors.**

Identify the committee with this responsibility, if it has been assigned to a committee. **Company disclosures are reviewed by the Legal Counsel and the President & CEO before it is released.**

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

Investor Relations Officer: MR. ANTHONY L. CUAYCONG
Executive Vice-President
Tel. No. 02-8178596 to 98
Fax No. 02-8170191
Email: alcuaycong@basicenergy.ph

	Details
(1) Objectives	To maintain and promote and efficient and timely communication system between and among the Company and its stockholders.
(2) Principles	It is the right of every stockholder, irrespective of number of shares held, to be informed of the Company's plans, undertakings, projects and on-going activities.
(3) Modes of Communications	Through the Company's website, disclosures to PSE/SEC and direct emails and telephone responses to inquiring stockholders.
(4) Investors Relations Officer	MR. ANTHONY L. CUAYCONG Tel. No. 02-8178596 to 98 Fax No. 02-8170191 Email: alcuaycong@basicenergy.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? **None.**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **N/A**

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Promoting environmental responsibility among all officers and employees, and directors	Officers and employees and directors
Raising awareness among all officers and employees, and directors on climate change and other environmental challenges	Officers and employees and directors
Developing and implementing occupational health, safety, and environmental policies to reduce and mitigate disasters and accidents, not only in the work place but also in the areas where the projects of the Company are being undertaken.	Officers and employees and directors; contractors and their workers
Maintaining a healthy work environment for all officers and employees, and directors, contractors and their workers.	Officers and employees and directors; contractors and their workers
Practicing environmentally sound technologies in undertaking projects to ensure environmental sustainability in the areas the projects are undertaken.	Communities or areas where projects are undertaken

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Review and evaluation conducted by the Board at year-	Duties and responsibilities of the Board of Directors as

	end and upon review of nominations for the Board prior to the annual stockholders meeting.	prescribed in the Corporate Governance Manual.
Board Committees	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting.	Duties and responsibilities of the Board Committees as prescribed in the Corporate Governance Manual and their respective charters.
Individual Directors	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting.	Duties and responsibilities of the directors as prescribed in the Corporate Governance Manual.
CEO/President	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting.	Duties and responsibilities of the CEO/President as prescribed in the Corporate Governance Manual and the company's personnel policy manual.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	Reprimand
Second Violation	Suspension from office, the duration of which shall depend on the gravity of the offense committed.
Third Violation	Removal

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati, on April __, 2016.

SIGNATURES

OSCAR C. DE VENECIA
Chairman of the Board

OSCAR L. DE VENECIA, JR.
Chief Executive Officer

EDUARDO V. MANALAC
Independent Director

REYNALDO T. CASAS
Independent Director

ANGEL P. GAHOL
Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 13 2016 affiant(s) exhibiting to me their Tax Identificatiion Nos, as follows:

NAME	TAX IDENTIFICATION NOS.
OSCAR C. DE VENECIA	130-704-840
OSCAR L. DE VENECIA, JR.	146-709-049
EDUARDO V. MANALAC	225-311-454
REYNALDO T. CASAS	172-572-786
CORAZON M. BEJASA	135-811-384

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Book No. XV
0Series of 2016.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-18 (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No MKT5323136/1-4-2016/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City