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

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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 AUDITOR'S REPORT

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 1 8 2017
MARKET REGULATION
BY: Clay 1:55 pm

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of deferred exploration costs

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group's deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. Deferred exploration costs amounted to ₱87.83 million as at December 31, 2016, which pertains to participating interests in oil and gas and other renewable resources service contracts. The ability of the Group to recover its deferred exploration costs depends on the success of exploration for and evaluation of oil and gas and other renewable resources in the specific area. The Group recognized additional allowance for impairment amounting to ₱166.71 million in 2016. We considered the substantial amount of this account and the significant management judgment required when performing an impairment review as a key focus area in our audit.

The Group's disclosures about service contracts and impairment assessment are presented in Note 9 to the consolidated financial statements.

Audit response

Our audit procedures included understanding the processes and controls involved in determining whether there are impairment indicators under PFRS 6. We obtained the summary of the status of each exploration project as at December 31, 2016 and compared it with the disclosures submitted to regulatory agencies. We also inspected service contracts and relevant joint operations agreement of each of the exploration projects to determine that the period for which the Group has the right to explore in the specific area has not expired and/or the Group has rights and obligations under the contracts through participating interests. We also read the minutes of the meetings of the Group's Board of Directors for the discussion of management plans and significant developments on the service contracts or of any concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We considered the status of the service contracts and management's plans in determining whether the deferred exploration costs may be impaired. For deferred exploration costs where the status of the service contracts shows an indicator of impairment, we obtained and reviewed management's estimate of the service contract's recoverable amount.

Valuation of Investment Properties at Fair Value

The Group has investment properties which are accounted for using the fair value model and represent 18% of consolidated total assets as of December 31, 2016. Fair value gains relating to those properties amounted to ₱71.96 million decreasing the 2016 total comprehensive loss by 36%. As disclosed in Note 8 to the consolidated financial statements, the determination of the fair value of investment properties involves significant management judgment and estimations, and is based on appraisal reports prepared by an external appraiser. The valuation by the external appraiser depends on certain assumptions such as size, characteristics of lot, location and quality as well as listings of comparable properties by reference to historical data and comparable properties. Thus, we considered this as a key audit matter.

Audit response

We evaluated the competence, capabilities and objectivity of the external appraiser. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by reference to common valuation models, and evaluated key inputs used in the valuation, specifically size, characteristics of lot, location and quality as well as listings of comparable properties by reference to historical data and comparable properties. We also reviewed the disclosures relating to investment properties.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908689, January 3, 2017, Makati City

March 30, 2017

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱159,625,881	₱201,015,066
Receivables (Note 5)	2,500,836	2,460,790
Prepayments and other current assets (Note 6)	7,967,620	4,195,650
Total Current Assets	170,094,337	207,671,506
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 7)	135,521,886	160,410,490
Investment properties (Note 8)	275,380,505	203,424,809
Deferred exploration costs (Note 9)	87,826,307	223,495,457
Property and equipment (Note 10)		
At cost	20,360,268	3,064,605
At revalued amount	27,885,027	18,968,904
Deferred income tax asset - net (Note 20)	–	5,586,567
Other noncurrent assets	3,973,602	4,616,447
Total Noncurrent Assets	550,947,595	619,567,279
TOTAL ASSETS	₱721,041,932	₱827,238,785
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	₱7,216,221	₱4,649,360
Income tax payable	7,424	1,119,429
Dividends payable	888,714	888,714
Total Current Liabilities	8,112,359	6,657,503
Noncurrent Liability		
Accrued retirement benefits (Note 19)	13,411,887	13,694,736
Deferred income tax liability - net (Note 20)	307,042	–
Total Noncurrent Liabilities	13,718,929	13,694,736
Total Liabilities	21,831,288	20,352,239
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱0.25 par value		
Authorized - 10,000,000,000 shares		
Issued - 2,560,118,512 shares (Note 12)	640,029,628	640,029,628
Additional paid-in capital	32,699,360	32,699,360
Deposits for future stock subscription (Note 13)	13,941,078	–
Revaluation increment in office condominium (Note 10)	18,845,804	12,805,479
Net unrealized gains on changes in fair value of AFS financial assets (Note 7)	5,638,748	5,527,352
Remeasurement loss on accrued retirement benefits	(4,700,836)	(4,564,364)
Cumulative translation adjustment	(5,298,491)	(1,045,732)
Retained earnings	64,317,205	138,443,999
Total equity attributable to equity holders of the Parent Company	765,472,496	823,895,722
Non-controlling interests	(63,021,852)	(13,769,176)
	702,450,644	810,126,546
Treasury stock - at cost (Note 14)	(3,240,000)	(3,240,000)
Total Equity	699,210,644	806,886,546
TOTAL LIABILITIES AND EQUITY	₱721,041,932	₱827,238,785

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
OTHER INCOME (CHARGES)			
Fair value adjustment on investment properties (Note 8)	**₱71,955,696**	₱–	₱–
Unrealized foreign exchange gains (losses) - net	**16,414,280**	(5,999,575)	–
Dividend income (Note 7)	**4,820,629**	5,985,400	5,145,575
Interest income (Note 16)	**4,633,256**	5,631,656	16,927,917
Realized gains (losses) on foreign exchange - net	**24,243**	(122,123)	–
Gain on sale of AFS financial assets (Note 7)	–	45,002,263	11,830,398
Others	**1,611**	(31,966)	2,848,840
	97,849,715	50,465,655	36,752,730
EXPENSES			
Provision for impairment of deferred exploration costs (Note 9)	**166,713,571**	–	–
General and administrative expenses (Note 18)	**51,954,997**	48,480,563	51,980,233
	218,668,568	48,480,563	51,980,233
INCOME (LOSS) BEFORE INCOME TAX	**(₱120,818,853)**	1,985,092	(15,227,503)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**930,058**	2,104,723	3,429,465
Deferred	**2,711,401**	1,068,692	(12,025,391)
	3,641,459	3,173,415	(8,595,926)
NET LOSS	**(₱124,460,312)**	(₱1,188,323)	(₱6,631,577)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱75,648,092)**	₱5,444,815	(₱3,579,062)
Non-controlling interest	**(48,812,220)**	(6,633,138)	(3,052,515)
	(₱124,460,312)	(₱1,188,323)	(₱6,631,577)
EARNINGS (LOSS) PER SHARE (Note 21)			
Basic/Diluted	**(₱0.030)**	₱0.002	(₱0.001)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET LOSS	**(₱124,460,312)**	(₱1,188,323)	(₱6,631,577)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**(4,693,215)**	1,059,867	(2,577,141)
Unrealized gains (losses) on AFS financial assets (Note 7)	**111,396**	(30,650,745)	2,813,837
	(4,581,819)	(29,590,878)	236,696
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment in office condominium	**10,802,318**	–	–
Income tax effect	**(3,240,695)**	–	–
	7,561,623	–	–
Remeasurement gain (loss) on retirement benefits liability (Note 19)	**(194,960)**	636,858	(3,293,697)
Income tax effect	**58,488**	(191,057)	988,109
	(136,472)	445,801	(2,305,588)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**2,843,332**	(29,145,077)	(2,068,892)
TOTAL COMPREHENSIVE LOSS	**(₱121,616,980)**	(₱30,333,400)	(₱8,700,469)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱72,364,304)**	(₱23,791,113)	(₱5,895,229)
Non-controlling interest	**(49,252,676)**	(6,542,287)	(2,805,240)
	(₱121,616,980)	(₱30,333,400)	(₱8,700,469)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock (Note 12)	Additional Paid-in Capital	Deposit for Future Stock Subscription (Note 13)	Revaluation Increment in Office Condominium (Note 10)	Net Unrealized Gain (Loss) on Changes in Fair Value of AFS Financial Assets (Note 7)	Remeasurement Loss on Accrued Retirement Benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment (CTA)	Total	Non-controlling Interest (NCI)	Treasury Stock	Total Equity
Balances at December 31, 2013	₱631,940,878	₱32,699,360	₱–	₱15,809,309	₱33,364,260	(₱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	–	–	–	–	2,813,837	(2,305,588)	–	(2,824,416)	(2,316,167)	247,275	–	(2,068,892)
Total comprehensive income (loss)	–	–	–	–	2,813,837	(2,305,588)	(3,579,062)	(2,824,416)	(5,895,229)	(2,805,240)	–	(8,700,469)
Issuance of 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	–	–	–	–	–
Balances at December 31, 2014	639,873,378	32,699,360	–	14,630,975	36,178,097	(5,010,165)	131,173,688	(2,105,599)	847,439,734	(7,226,899)	(3,240,000)	836,972,835
Net loss			–	–	–	–	5,444,815	–	5,444,815	(6,633,138)	–	(1,188,323)
Other comprehensive loss, net of tax			–	–	(30,650,745)	445,801	–	969,006	(29,235,938)	90,861	–	(29,145,077)
Total comprehensive income (loss)	–	–	–	–	(30,650,745)	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	5,527,352	(4,564,364)	138,443,999	(3,045,732)	823,895,722	(13,769,176)	(3,240,000)	806,886,546
Net loss	–	–	–	–	–	–	(75,648,092)	–	(75,648,092)	(48,812,220)		(124,460,312)
Other comprehensive income, net of tax	–	–		7,561,623	111,396	(136,472)	–	(4,252,759)	3,283,788	(440,456)	–	2,843,332
Total comprehensive income (loss)	–	–	–	7,561,623	111,396	(136,472)	(75,648,092)	(4,252,759)	(72,364,304)	(49,252,676)	–	(121,616,980)
Deposits for future stock subscriptions	–	–	13,941,078	–	–	–	–	–	13,941,078	–	–	13,941,078
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,521,298)	–	–	1,521,298	–	–	–	–	–
Balances at December 31, 2016	₱640,029,628	₱32,699,360	₱13,941,078	₱18,845,804	₱5,638,748	(₱4,700,836)	₱64,317,205	(₱9,298,491)	₱765,472,496	(₱63,021,852)	(₱3,240,000)	₱699,210,644

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱120,818,853)**	₱1,985,092	(₱15,227,503)
Adjustments for:			
Provision for impairment of deferred exploration costs (Note 9)	**166,713,571**	–	–
Fair value adjustment on investment properties (Note 8)	**(71,955,696)**	–	–
Unrealized foreign exchange losses (gains) - net	**(16,414,280)**	584,471	1,880,581
Dividend income	**(4,820,629)**	(5,985,400)	(5,145,575)
Interest income (Note 16)	**(4,633,256)**	(5,631,656)	(16,927,917)
Depreciation (Note 18)	**3,586,931**	3,575,378	3,486,723
Movements in accrued retirement benefits (Note 19)	**(477,809)**	2,418,425	651,835
Gain on sale of AFS financial assets	–	(45,002,263)	(11,830,398)
Others	**(1,611)**	31,966	(2,824,044)
Operating loss before working capital changes	**(48,821,632)**	(48,023,987)	(45,936,298)
Decrease (increase) in:			
Receivables	**(40,046)**	1,183,499	(612,390)
Prepayments and other current assets	**(3,771,971)**	(1,900,034)	(619,385)
Increase (decrease) in accounts payable and accrued expenses	**2,566,861**	(8,537,901)	11,621,828
Cash used in operations	**(50,066,788)**	(57,278,423)	(35,546,245)
Interest received	**4,633,256**	5,631,656	16,952,915
Income taxes paid (including final taxes on interest income)	**(2,042,065)**	(1,215,874)	(3,377,902)
Net cash flows used in operating activities	**(47,475,597)**	(52,862,641)	(21,971,232)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (Acquisitions of):			
Deferred exploration costs (Note 9)	**(31,044,421)**	(16,893,275)	(121,067,100)
Other assets	**642,845**	(858,845)	
AFS financial assets	–	(73,647,126)	–
Property, plant and equipment	**(1,416,066)**	(567,715)	(772,646)
Dividends received	**4,820,629**	5,985,400	5,145,575
Proceeds from sale of property and equipment	**10,780**	106,180	–
Proceeds from sale of AFS financial assets	**25,000,000**	291,886,917	101,764,074
Net cash flows from (used in) investing activities	**(1,986,233)**	206,011,536	(14,930,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from deposits for future stock subscription	**13,941,078**	–	–
Proceeds from issuance of capital stock	–	156,250	7,932,500
Cash flows from financing activities	**13,941,078**	156,250	7,932,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(35,520,752)**	153,305,145	(28,968,829)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,868,433)**	566,260	(4,430,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**201,015,066**	47,143,661	80,542,774
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱159,625,881**	₱201,015,066	₱47,143,661

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information 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.

The Philippine Stock Exchange (PSE) have issued a memorandum stating the sector and subsector reclassification of the Company. From Oil subsector of the Mining & Oil Sector, it has been changed to Electricity, Energy, Power & Water subsector of the Industrial sector. This is the result of PSE's review of the Company's plans and prospects, and in consideration of the Company's recent developments and change in business activity. The reclassification took effect on October 24, 2016.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, were authorized for issuance by the BOD during its meeting on March 30, 2017.

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, 2016 and 2015.

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 (NCI) 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, 2016 and 2015 are as follows:

Subsidiaries	2016	2015	Date of Incorporation	Nature of Business
Basic Diversified Industrial Holdings, Inc. (BDIHI)	**100.00**	100.00	February 15, 1996	Investment holding
iBasic, Inc. (iBasic)	**100.00**	100.00	April 13, 1998	Information technology
Basic Renewables, Inc. (BRI)	**100.00**	100.00	September 24, 2008	Exploration, development and utilization of renewable energy resources
Basic Biofuels Corporation (BBC)	**100.00**	100.00	January 11, 2005	Development of biofuels
Basic Geothermal Energy Corporation (BGEC)	**100.00**	100.00	October 11, 2011	Exploration and development of geothermal energy resources
Southwest Resources, Inc. (SRI)	**72.58**	72.58	May 28, 1998	Oil exploration and investment holding
Grandway Group Limited (Grandway)	**70.00**	70.00	January 28, 2013	Investment holding
PT Basic Energi Solusi (PT BES)	**66.50**	66.50	May 6, 2013	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 SRJ, 30% equity interest in the net assets of Grandway and 33.50% equity interest in the net assets of PT BES and as at December 31, 2016 and 2015.

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 (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 (PFRSs).

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

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

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

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

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

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

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

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

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

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

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

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

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

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

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

Annual Improvements to PFRSs (2012 - 2014 cycle)

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

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing

involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

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

Effective beginning on or after January 1, 2017

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

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

Deferred effectivity

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

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

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

Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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

Initial Recognition and Measurement of Financial Instruments

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's cash and cash equivalents and receivables as at December 31, 2016 and 2015 are classified under this category (see Notes 4 and 5).

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

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

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

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

As at December 31, 2016 and 2015, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 7).

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

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

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

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

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

As at December 31, 2016 and 2015, included in loans and borrowings are the Group's accounts payable and accrued expenses and dividends payable (see Note 11).

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income.

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

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

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

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more and "prolonged" as greater than twelve (12) months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of comprehensive income is removed from OCI and recognized in consolidated statement of comprehensive income.

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Other income" account in the consolidated statement of comprehensive income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated profit or loss, the impairment loss is reversed through consolidated statement of comprehensive income.

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

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

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

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

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

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

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

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

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

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

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

Office condominium is carried at revalued amount less depreciation and any impairment in value charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of revalued asset does not differ materially from its carrying amount. Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statements of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings.

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

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

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

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

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

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

Depreciation ceases when assets are fully depreciated or at earlier of the date that line item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

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

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

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

Intangible asset

Accounting Software

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

Other Noncurrent Assets

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

Impairment of Nonfinancial Assets

Property and Equipment and Other Noncurrent Assets

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

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

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

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

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

using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A reassessment is made after inception of the lease only if one of the following applies:
a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

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

Retirement Benefits Costs
The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:
- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.

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

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

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

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

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

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss 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 geothermal energy projects as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

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

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

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

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.

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

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

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

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

As at December 31, 2016 and 2015, the Group assessed that there were no impairment indicators on its AFS financial assets. The carrying value of the Group's AFS financial assets amounted to ₱135.52 million and ₱160.41 million as at December 31, 2016 and 2015, respectively (see Note 7).

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

For investment properties, a valuation methodology based on a sales comparison approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The key assumptions used to determine the fair value of the properties are provided in Note 8.

Revaluation increase on office condominium recognized as OCI in 2016 amounted to ₱7.56 million, net of applicable tax. Net book value of revalued office condominium amounted to ₱27.89 million and ₱18.97 million as at December 31, 2016 and 2015, respectively (Note 10).

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

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

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

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

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

Provision for impairment loss on deferred exploration costs is ₱166.71 million in 2016 and nil in 2015 and 2014 (see Note 9).

The carrying amount of deferred exploration costs, net of allowance for impairment loss amounting to amounted to ₱87.83 million and ₱223.49 million as at December 31, 2016 and 2015, respectively (see Note 9).

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 ₱15.50 million and ₱15.58 million, as at December 31, 2016 and 2015, respectively (see Note 20).

As at December 31, 2016 and 2015, the Group has deductible temporary differences on allowance for impairment losses and carryforward benefit of NOLCO, and excess MCIT over RCIT, amounting to ₱99.52 million and ₱90.86 million, 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 ₱13.41 million and ₱13.69 million as at December 31, 2016 and 2015, 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 (DCF) projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group recognized a fair value adjustment on its investment properties amounting to ₱71.96 million in 2016, and nil in 2015 and 2014. The fair value adjustments on its investment properties are based on the latest appraisal reports in 2016 for the land in Bolinao, Pangasinan, San Fabian, Pangasinan, Tanay, Rizal, and Gutalac, Zamboanga del Norte. The fair value of the Group's investment properties amounted to ₱275.38 million and ₱203.42 million as at December 31, 2016 and 2015, respectively (see Note 8).

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱5,783,117**	₱30,764,289
Cash equivalents	**153,842,764**	170,250,777
	₱159,625,881	₱201,015,066

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 (3) months depending on the immediate cash requirements of the Group. Interest income amounted to ₱1.62 million, ₱1.66 million and ₱0.44 million in 2016, 2015 and 2014, respectively (see Note 16).

The Group has US$ denominated cash on hand and in banks amounting to US$29,144 and US$151,148 as at December 31, 2016 and 2015, respectively. The Group has Indonesian Rupiah (IDR) denominated cash on hand and in banks amounting to 40.70 million IDR and 141.96 million IDR as at December 31, 2016 and 2015, respectively.

5. Receivables

	2016	2015
Accounts receivable	**₱4,104,617**	₱3,879,094
Dividends receivable	**788,253**	749,097
Interest receivable	**143,851**	386,981
Advances to officers and employees	**165,099**	143,270
Other receivables	**31,963**	35,295
	5,233,783	5,193,737
Less allowance for impairment losses	**(2,732,947)**	(2,732,947)
	₱2,500,836	₱2,460,790

Accounts receivable are short term, non-interest bearing due from third parties.

Dividends receivable arise from the Group's investments in equity securities.

Interest 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.

Other receivables arise from short-term, noninterest-bearing transactions of the Group.

6. Prepayments and Other Current Assets

	2016	2015
Input VAT	**₱7,380,113**	₱3,393,495
Prepaid expenses	**587,507**	802,155
	₱7,967,620	₱4,195,650

Input VAT represents VAT paid on domestic purchases of goods and services.

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

7. AFS Financial Assets

	2016	2015
Debt securities - quoted	**₱40,282,029**	₱66,112,613
Investments in quoted shares of stock	**95,239,857**	94,297,877
	₱135,521,886	₱160,410,490

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

The movements in AFS financial assets account follow:

	2016	2015
Balances at January 1	**₱160,410,490**	₱364,298,764
Additions	**–**	73,647,126
Disposals	**(25,000,000)**	(246,884,655)
Unrealized gains (losses) on AFS financial assets	**111,396**	(30,650,745)
Balances at December 31	**₱135,521,886**	₱160,410,490

Interest rates in 2016 and 2015 on these AFS debt securities range from 4.50% to 4.84% and 4.5% to 5.45%, respectively. Interest income earned on these securities amounted to ₱3.01 million, ₱3.97 million, and ₱16.48 million in 2016, 2015 and 2014, 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:

	2016	2015
Beginning balances	**₱5,527,352**	₱36,178,097
Gains recognized in equity	**111,396**	14,351,518
Realized gain on sale of AFS financial assets	**–**	(45,002,263)
Unrealized gains (losses) in AFS financial assets taken in other comprehensive income	**111,396**	(30,650,745)
Ending balances	**₱5,638,748**	₱5,527,352

Dividend income earned from quoted equity stocks amounted to ₱4.82 million, ₱5.99 million and ₱5.15 million in 2016, 2015 and 2014, respectively.

8. Investment Properties

	2016	2015
Acquisition cost	**₱62,799,972**	₱62,799,972
Accumulated unrealized gain on investment properties:		
Beginning balances	**140,624,837**	140,624,837
Unrealized valuation gains on investment property	**71,955,696**	–
	212,580,533	140,624,837
Ending balances	**₱275,380,505**	₱203,424,809

The Group engaged an independent firm of appraisers, to determine the fair values of the following properties:

Location	Appraisal Date	Area in square meters	Appraisal Value
San Fabian, Pangasinan	June 25, 2016	182,981	₱223,138,000
Bolinao, Pangasinan	June 25, 2016	403,836	129,228,000
Gutalac, Zamboanga del Norte	August 16, 2016	218,095	5,234,000
Tanay, Rizal	June 24, 2016	35,000	5,023,000

The fair values were estimated through the sales comparison approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. Records of recent sales and offerings of similar land are analyzed and comparison made for such factors as size, characteristics of the lot, location, quality and prospective use.

The Group has 60.9% beneficial ownership interest on the land in San Fabian.

The Group has determined that highest and best use for the properties located in San Fabian and Bolinao, Pangasinan is for residential or recreational utility. For properties located in Gutalac, Zamboanga del Norte and Tanay, Rizal, the Group has determined that the highest and best use of the investment property is for agricultural utility and agro-industrial development, respectively.

Direct operating expenses related to the investment properties include real property taxes paid in 2016 and 2015 amounting to ₱0.15 million and ₱0.06 million, 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.

9. Deferred Exploration Costs

The movements in deferred exploration costs follow:

	2016	2015
Beginning balances	**₱269,238,092**	₱252,344,817
Additions	**31,044,421**	16,893,275
	300,282,513	269,238,092
Less allowance for impairment losses	**212,456,206**	45,742,635
Ending balances	**₱87,826,307**	₱223,495,457

Oil and Gas Service Contracts (SCs)
The Parent Company is a party, together with other companies, to SC 53 (Onshore Mindoro) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of the contract area situated in onshore Mindoro.

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 Northwest Palawan Micro-Continental Block (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 data 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.

Pitkin had an agreement with Mindoro Palawan Oil and Gas, Inc. (MPOGI) to transfer Pitkin's 70% Participating Interest and Operatorship to MPOGI. On June 10, 2016, a formal request was sent to the DOE and was eventually approved by the department on October 24, 2016. Deferred exploration costs pertaining to SC 53 amounts to ₱18.46 million and ₱18.40 million as at December 31, 2016 and 2015, respectively.

Indonesia Oil Project
In 2013, the Group embarked on the Indonesia Oil Project, as it had passed all the financial criteria for a project as set by the Board, upon recommendation of Management, and had the potential of generating immediate cash flow in less than a year after drilling. The Group entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which was engaged in the business of developing oil fields and held a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited 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 for the management and operation of oil wells. The joint venture then established PT Basic Energi Solusi (PT BES) as its operating arm in Indonesia.

PT BES, as a sub-contractor, entered into a cooperation agreement with PT Ekamaro for the management and operation of ten (10) oil wells located in the Dadangilo and Wonocolo areas in East Java, Indonesia. These wells are part of the wells covered by cooperation agreements between PT Ekamaro and KUD Sumber Pangan and KUD Usaha Jaya Bersama, both of which had production agreements with Pertamina, the entity vested by the Indonesian Government with the authority to manage old oil wells in Indonesia.

PT BES drilled five (5) of the aforementioned ten (10) wells. However, production was low at only an estimated total of 20,772 barrels compared to projections at the start of the project of 269,346 barrels, while the buying price of Pertamina steadily dropped, from IDR4,160/liter (or USD73.50/barrel) at the start of the project, to IDR2,718/liter (or USD 34.57/barrel) by the 1st quarter of 2015. Calculated project IRR, which was at 85.88% at the start of the project, had become negative. During this time, some miners moved for upward adjustments in their revenue sharing, which entailed negotiations with PT Ekamaro, the KUDs, and the miners concerned. Before negotiations could be finalized, Pertamina instituted changes in the framework for the operation of old oil wells and eventually suspended its contracts with the KUDs and designated a new temporary body, the Paguyuban, to handle logistics.

By the middle of 2015, the project was placed on hold until Pertamina is able to finalize the organizational structure of local miners in said areas. These miners are slated to handle the management and operation of oil wells in said areas and with whom PT BES and/or PT Ekamaro shall enter into new co-operation agreements. Over a year has passed and Pertamina still has not designated a new organization of local cooperatives or miners groups to supervise the oil operations from old oil wells in the area.

Deferred exploration costs pertaining to the Indonesia Oil Project amounts to ₱147.93 million and ₱153.32 million as at December 31, 2016 and 2015, respectively which was fully provided for allowance for impairment.

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 GSCs.

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.

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. Sub-Phase 3 which involves the drilling of one (1) exploratory well has been extended from July 2016 to July 2017. Estimated cost for this work program is ₱166,000,000. As of December 31, 2016, drilling works on the exploratory well are on-going. Deferred exploration costs pertaining to GSC 8 amounts to ₱45.96 million and ₱14.14 million as at December 31, 2016 and 2015, respectively.

Other GSCs
The Parent Company was also awarded the service contracts from the DOE in February 2013, 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. These projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated cost for the 2016 work programs for these service contracts is ₱33.4 million which is allocated as part of the contingency budget.

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.

In a Farm-in Agreement executed between Desco, Inc. and the Parent Company on January 22, 2016, the Parent Company assigned to Desco, Inc. an 80% participating interest in the Iriga project. The assignment was approved by the DOE in a letter received by the Parent Company on November 8, 2016. Desco, Inc. is now the operator of the Iriga project.

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.

Deferred exploration costs pertaining to other GSCs amounts to ₱20.36 million and ₱16.92 million as at December 31, 2016 and 2015, respectively.

Hydropower Service Contracts (HSCs)
The Parent Company had considered projects involving the exploration, development and production of hydropower energy. In February 2014, the Parent Company 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 is situated in Cadiz City and Victorias City in Negros Occidental, while the Puntian I and II Hydropower Projects are situated along Puntian River in the municipality of Murcia, Negros Occidental. The Talabaan Hydropower Project is situated in Cadiz City, Negros Occidental.

However, in January 2016, the Parent Company returned the above service contracts to the DOE, as the economic forecasts for these projects, obtained from the initial studies, do not meet the standards set by the Parent Company for projects. The DOE has not yet approved the relinquishment of these service contracts.

Deferred exploration costs pertaining to the HSCs amounts to ₱2.56 million as at December 31, 2016 and 2015, which was fully provided with allowance for impairment.

The full recovery of the deferred exploration costs, amounting to ₱87.83 million as at December 31, 2016, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of geothermal energy and natural gas resources is dependent upon the discovery of steam and natural gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof.

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.

In 2016, the Group recognized additional allowance for impairment amounting to ₱16.22 million, ₱2.56 million and ₱147.93 million for deferred costs pertaining to SC 47, HSCs and Indonesia Oil Project, respectively.

10. Property and Equipment

At cost:

2016

	Office Equipment, Furniture and Fixtures	Building and Building Improvement	Transportation Equipment	Machinery and Equipment	Total
Cost:					
Beginning balances	₱9,585,134	₱5,283,338	₱5,041,240	₱–	₱19,909,712
Additions	180,029	–	–	–	180,029
Transfers	–	–	–	18,825,539	18,825,539
Retirements	(38,095)	–	–	–	(38,095)
Ending balances	9,727,068	5,283,338	5,041,240	18,825,539	38,877,185
Accumulated depreciation:					
Beginning balances	8,920,422	3,801,288	4,123,397	–	16,845,107
Depreciation (Note 18)	417,291	210,505	759,181	313,759	1,700,736
Retirements	(28,926)	–	–	–	(28,926)
Ending balances	9,308,787	4,011,793	4,882,578	313,759	18,516,917
Net book values	₱418,281	₱1,271,545	₱158,662	₱18,511,780	₱20,360,268

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

At revalued amounts:

	2016	2015
Revalued amount	**₱28,649,000**	₱25,250,000
Accumulated depreciation		
Beginning balances	**6,281,096**	4,246,021
Reversal due to revaluation	**(7,403,318)**	–
Depreciation (Note 18)	**1,886,195**	2,035,075
Ending balances	**763,973**	6,281,096
Net book values	**₱27,885,027**	₱18,968,904

Revaluation of Office Condominium
The Group engaged an independent firm of appraisers, to determine the fair value of its office condominium as at August 25, 2016. The fair value is determined using the generally accepted sales comparison approach. The date of the appraisal was September 5, 2016.

Revaluation increment in office condominium as at December 31, 2016 and 2015 amounted to ₱18.85 million and ₱12.81 million, 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, 2016 and 2015 would be as follows:

	2016	2015
Cost	**₱1,730,010**	₱1,730,010
Accumulated depreciation	**(1,038,006)**	(922,672)
	₱692,004	₱807,338

The cost of the Group's fully depreciated assets still in use amounted to ₱12.66 million as at December 31, 2016 and 2015, respectively.

11. Accounts Payable and Accrued Expenses

	2016	2015
Accounts payable	₱4,786,321	₱4,649,360
Other payables	2,429,900	–
	₱7,216,221	₱4,649,360

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.

12. Equity

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

2016

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,854,545)	(2,060,463,636)
Issued	1,758,145,455	439,536,364
Subscribed	2,646,848,057	661,712,014
Subscriptions receivable	(1,844,875,000)	(461,218,750)
	801,973,057	200,493,264
	2,560,118,512	₱640,029,628

2015

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,854,545)	(2,060,463,636)
Issued	1,758,145,455	439,536,364
Subscribed	2,646,848,057	661,712,014
Subscriptions receivable	(1,844,875,000)	(461,218,750)
	801,973,057	200,493,264
	2,560,118,512	₱640,029,628

The movements on shares outstanding in 2016 and 2015 are as follows:

	2016	2015
Beginning balances	2,560,118,512	2,559,493,512
Additional subscription	–	625,000
Ending balances	2,560,118,512	2,560,118,512

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 617.50 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 1.50 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 million fully paid-up shares and with respect to 1.0 billion, 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 (1.60 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 2.50 billion shares 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 2.0 billion shares to ₱2.50 billion consisting of 10.0 billion shares. Pursuant to this increase, 537.5 million shares to the subscribers to the capital increase were issued 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 million 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 PSE approved for listing the remaining 473 million shares.

Stock Options Plan (SOP)
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 million 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 500.0 million 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 PSE on January 21, 2013 which was classified as deposit for future stock subscription as at December 31, 2012. On July 24, 2013, the PSE approved for listing the remaining 473.0 million shares. As of December 31, 2016, 117.63 million shares SOP shares were listed with the PSE.

13. Deposits for Future Stock Subscription

On October 5, 2016, a Memorandum of Agreement (MOA) was executed between the Parent Company and Vintage Engineering Public Company Limited (VTE), a publicly listed company registered under the laws of Thailand. Under the MOA, VTE will subscribe to 435.66 million shares of the Parent Company. Earnest money in the amount of ₱13.94 million was received by the Parent Company thru actual remittance on October 19, 2016.

A subscription agreement was executed by the parties on February 27, 2017, which states that the Parent Company agrees to issue to VTE, and VTE agrees to subscribe to and purchase from the Parent Company, 43.57 million common shares of the Parent Company at a value of ₱0.32 per share or a total subscription price of ₱13.94 million. The remaining 392.09 million shares will be covered by another subscription agreement/s to be executed by the parties.

14. Treasury Stock

The treasury stock represents 18.0 million shares of the Parent Company which are held by Basic Geothermal Energy Corporation.

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 Southwest Resources, Inc., 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:

2016	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱6,897	₱31,963	₱748,753
Noncurrent assets	–	189,372,749	12,434
Current liabilities	(354,298)	(190,287,528)	(169,558,310)
Non-controlling interest	(₱95,257)	(₱264,848)	(₱56,547,036)
Financial performance:			
General and administrative expense	₱74,145	₱164,382	₱145,503,064
Other income	–	(1)	(2,830)
Group's share in net loss for the year	53,814	115,067	96,757,656
Non-controlling interest share in net loss for the year	20,331	49,314	48,742,578
Net loss	₱74,145	₱164,381	₱145,500,234
Cash flows:			
Operating activities	(₱79,145)	(₱207,039)	(₱2,601,378)
Investing activities	–	(5,916,363)	6,258,874
Financing activities	78,645	1,322,377	5,916,363
Effect of foreign exchange rate changes in cash and cash equivalents	–	4,440,112	(9,911,796)
Net decrease in cash and cash equivalents	(₱500)	(₱360,913)	(₱337,937)

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
Cash flows:			
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)

16. Interest Income

	2016	2015	2014
Interest income on:			
AFS financial assets - debt securities (Note 7)	**₱3,008,473**	₱3,967,574	₱16,485,231
Cash and cash equivalents (Note 4)	**1,624,783**	1,664,082	442,686
	₱4,633,256	₱5,631,656	₱16,927,917

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 as at December 31, 2016 and 2015.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱11.40 million, ₱11.00 million and ₱10.90 million in 2016, 2015 and 2014, respectively, while, post-employment benefits amounted to ₱15.90 million, ₱11.60 million and ₱8.70 million in 2016, 2015 and 2014, respectively.

Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2016, 2015 and 2014, total per diems received by the members of the BOD amounted to ₱1.80 million, ₱1.70 million and ₱2.10 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 SOP for directors and officers covering 500.0 million shares 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. As of December 31, 2016, the entire 500.0 million shares were subscribed of which 117.6 million shares have been paid.

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, 2016 and 2015 amounted to ₱18.97 million and ₱12.48 million, respectively (see Note 19).

c. The assets and investments of the retirement benefit fund as at December 31, 2016 and 2015 follows:

	2016	2015
Investment in unit investment trust fund	**₱9,880,674**	₱3,083,081
Investments in bonds	**7,762,295**	4,024,889
Investment in stocks	**1,262,660**	1,258,300
Accrued payables	**(15,709)**	(11,835)
Special savings deposits	**1,205**	4,060,561
Others	**78,298**	61,041
	₱18,969,423	₱12,476,037

d. In 2016 and 2015, the Parent Company contributed ₱6.50 million and ₱3.00 million to the retirement benefit fund, respectively (see Note 19).

18. General and Administrative Expenses

	2016	2015	2014
Personnel:			
Salaries and wages	**₱18,368,157**	₱20,492,201	₱17,748,514
Retirement benefits cost	**6,022,191**	5,418,425	3,651,835
Other employee benefits	**5,013,012**	4,169,418	4,430,130
Transportation and travel	**5,243,019**	3,872,858	3,621,375
Representation and entertainment	**4,497,613**	3,821,185	3,303,483
Depreciation (Note 10)	**3,586,931**	3,575,378	3,486,723
Taxes and licenses	**1,204,403**	1,357,065	1,871,133
Professional fees	**1,969,836**	1,074,091	1,685,285
Communication	**1,091,396**	864,437	977,944
Utilities	**925,155**	912,735	919,389
Annual stockholders meeting	**599,210**	596,891	700,866
Office supplies	**541,204**	317,031	492,586
Association and membership dues	**218,850**	227,316	115,716
Repairs and maintenance	**181,624**	321,966	171,771
Outside services	**69,029**	–	2,906,578
Rent	**–**	–	815,928
Others	**2,423,367**	1,460,466	5,080,977
	₱51,954,997	₱48,480,563	₱51,980,233

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.

RA No. 7641 ("Retirement Pay Law") an act amending Article 287 of PD 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:

2016	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱26,170,773	(₱12,476,037)	₱13,694,736
Current services cost	5,462,212	–	5,462,212
Net interest	1,141,901	(581,922)	559,979
	6,604,113	(581,922)	6,022,191
Actuarial (gain) loss:			
Change in financial assumptions	(1,424,846)	–	(1,424,846)
Experience adjustments	814,226	–	814,226
Change in demographic assumptions	217,044	–	217,044
Return on plan assets	–	588,536	588,536
	(393,576)	588,536	194,960
Contributions	–	(6,500,000)	(6,500,000)
At December 31	₱32,381,310	(₱18,969,423)	₱13,411,887

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
Current services cost	5,115,263	–	5,115,263
Net interest	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

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

	2016	2015
Money market investments	**99.60%**	67.00%
Cash in bank and other receivables	**0.40%**	33.00%
	100.00%	100.00%

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:

	2016	2015
Discount rate	**5.49%**	5.06%
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:

The Group expects to contribute ₱5.78 million to the defined benefit pension plan in 2017.

	Increase (Decrease)	Effect on Present Value of Defined Benefit Obligation
Discount rate		
2016	**+1.00%**	**(₱29,506,596)**
	-1.00%	**35,852,621**
2015	+1.00%	(₱23,752,434)
	-1.00%	29,117,529
Future salary increase		
2016	**+1.00%**	**₱35,891,840**
	-1.00%	**(29,411,206)**
2015	+1.00%	₱29,107,592
	-1.00%	(23,709,245)

20. Income Taxes

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

b. Current income tax in 2016, 2015 and 2014 pertains to MCIT. Provision for (benefit from) income tax consists of:

	2016	2015	2014
Current			
Final tax	**₱922,634**	₱1,118,482	₱3,332,074
Income tax	**7,424**	986,241	97,391
Deferred	**2,711,401**	1,068,692	(12,025,391)
	₱3,641,459	₱3,173,415	(₱8,595,926)

c. The components of net deferred income tax assets recognized by the Group as at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred income tax assets on:		
NOLCO	₱10,389,557	₱10,389,557
Accrued retirement benefits	4,023,566	4,108,420
Excess MCIT	1,015,237	1,007,813
Other payables	75,867	75,867
	15,504,227	15,581,657
Deferred income tax liability on:		
Revaluation increment on office condominium	(8,543,187)	(5,954,477)
Unrealized foreign exchange gain	(7,268,082)	(4,040,613)
	(15,811,269)	(9,995,090)
Net deferred income tax assets (liabilities)	(₱307,042)	₱5,586,567

d. As at December 31, 2016 and 2015, 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:

	2016	2015
NOLCO	₱45,007,430	₱36,112,296
Allowance for impairment on:		
Deferred exploration cost	47,876,020	47,876,020
AFS financial assets	4,090,935	4,090,935
Receivables	2,549,237	2,732,947
Excess of MCIT over RCIT	–	45,827

As at December 31, 2016, 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
2016	₱44,521,585	₱7,424	2019
2015	485,845	910,421	2018
2014	35,350,899	97,392	2017
	₱80,358,329	₱1,015,237	

Movements in NOLCO and excess MCIT follow:

NOLCO	2016	2015
Beginning balances	₱70,744,152	₱110,612,481
Additions	44,521,585	485,845
Applications	–	(6,600,711)
Expirations	(34,907,408)	(33,752,463)
Ending balances	₱80,358,329	₱70,744,152

MCIT	2016	2015
Beginning balances	**₱1,053,640**	₱245,989
Additions	**7,424**	910,421
Expirations	**(45,827)**	(102,770)
Ending balances	**₱1,015,237**	₱1,053,640

e. The reconciliation of the tax computed at the statutory tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2016	2015	2014
Tax computed at 30% statutory rate	**₱7,492,389**	₱595,528	(₱4,568,251)
Adjustments for:			
Fair value adjustment on investment properties	**(21,586,709)**	10,073	–
Expiration of NOLCO and MCIT	**10,518,051**	10,228,809	12,857,406
Nondeductible expenses	**7,869,678**	7,077,628	991,045
Movement in temporary differences for which no deferred income tax assets were recognized	**2,147,704**	(12,062,890)	(9,894,875)
Non-taxable income	**(1,446,189)**	(1,795,620)	(2,390,886)
Interest income subject to final taxes	**(1,353,465)**	(563,985)	(1,746,301)
Gain on sale of AFS investments	–	–	(3,549,119)
Others	–	(316,128)	(294,945)
Provision for (benefit from) income tax	**₱3,641,459**	₱3,173,415	(₱8,595,926)

21. **Basic/Diluted EPS**

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

	2016	2015	2014
Net income (loss) attributable to equity holders of the Parent Company (a)	**(₱75,648,092)**	₱5,444,815	(₱3,579,062)
Transaction cost on potential issuance of common shares	–	–	–
Net income (loss) attributable to holders of the Parent Company adjusted for the effect of dilution (b)	**(₱75,648,092)**	₱5,444,815	(₱3,579,062)
Weighted average number of shares for basic earnings per share (c)	**2,560,118,512**	2,560,118,512	2,559,493,512

(Forward)

	2016	2015	2014
Weighted average number of shares adjusted for the effect of dilution (d)	**2,560,118,512**	2,560,118,512	2,559,493,512
Basic earnings (loss) per share (a/c)	**(₱0.030)**	₱0.002	(₱0.001)
Diluted earnings (loss) per share (b/d)	**(₱0.030)**	₱0.002	(₱0.001)

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 at December 31, 2016 and 2015, the Group has two main business segments - investment holding and renewable energy and natural 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:

2016

	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	**₱42,847,512**	**(₱163,666,365)**	**₱–**	**(₱120,818,853)**
Provision for income tax	**–**	**3,641,459**	**–**	**3,641,459**
Net income (loss)	**₱42,847,512**	**(₱167,307,824)**	**₱–**	**(₱124,460,312)**
Assets and Liabilities:				
Segment assets	**₱189,419,271**	**₱694,574,572**	**(₱438,332,416)**	**₱445,661,427**
Investment properties	**119,819,824**	**155,560,681**	**–**	**275,380,505**
Consolidated total assets	**₱309,239,095**	**₱850,135,253**	**(₱438,332,416)**	**₱721,041,932**
Consolidated total liabilities	**₱216,275,464**	**₱194,187,478**	**(₱388,631,654)**	**₱21,831,288**
Other Segment Information:				
Additions to:				
Property and equipment	**₱–**	**₱180,029**	**₱–**	**₱180,029**
Deferred exploration costs	**–**	**31,044,421**	**–**	**31,044,421**
Depreciation	**–**	**3,586,931**	**–**	**3,586,931**

2015

	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	(₱451,221)	₱2,436,313	₱–	1,985,092
Provision for income tax	–	(3,173,415)	–	(3,173,415)
Net income (loss)	(₱451,221)	(₱737,102)	₱–	(₱1,188,323)
Assets and Liabilities:				
Segment assets	₱194,437,377	₱876,818,178	(₱447,441,579)	₱623,813,976
Investment properties	76,435,571	126,989,238	–	203,424,809
Consolidated total assets	₱270,872,948	₱1,003,807,416	(₱447,441,579)	₱827,238,785
Consolidated total liabilities	₱220,718,695	₱200,478,795	(₱400,845,251)	₱20,352,239
Other Segment Information:				
Additions to:				
Property and equipment	₱567,715	₱–	₱–	₱567,715
Deferred exploration costs	–	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	Renewable Energy and Natural Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	(₱377,973)	₱22,125,470	(₱36,975,000)	(15,227,503)
Benefit from (provision for) income tax	(3)	8,595,929	–	8,595,926
Net income (loss)	(₱377,976)	₱30,721,399	(₱36,975,000)	(6,631,577)
Assets and Liabilities:				
Segment assets	₱173,622,470	₱ 892,692,115	(₱406,580,413)	₱659,734,172
Investment properties	76,435,571	127,022,816	–	203,458,387
Consolidated total assets	₱250,058,041	₱1,019,714,931	(₱406,580,413)	₱863,192,559
Consolidated total liabilities	₱184,458,538	₱199,422,611	(₱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		3,486,723	–	3,486,723

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, DCF models and option pricing models, as appropriate.

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

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

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

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

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

	2016			2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
AFS Financial Assets						
Quoted debt securities	**₱40,282,029**	**₱–**	**₱–**	₱66,112,613	₱–	₱–
Quoted equity securities	**95,239,857**	**–**	**–**	94,297,877	–	–
	135,521,886	**–**	**–**	160,410,490	–	–
Investment properties	**–**	**–**	**275,380,505**	–	–	203,424,809
	₱135,521,886	**₱–**	**₱275,380,505**	₱160,410,490	₱–	₱203,424,809

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 8).

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

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

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 at December 31, 2016 and 2015. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

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

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

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

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

	2016		2015	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**29,144**	**₱1,371,528**	151,148	₱7,113,025
IDR	**40,697,508**	**149,737**	141,956,745	482,653
AFS financial assets:				
Quoted equity investments - US$	**6,000**	**298,320**	–	–
		₱1,819,585		₱7,595,678

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

	2016	2015
US$	**49.72**	47.06
IDR	**0.0037**	0.0034

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, 2016 and 2015 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax
2016	**+2.11%**	**₱742**
	-1.56%	**(548)**
2015	+1.09%	₱1,648
	-0.29%	(438)
	Change in IDR rate	Increase (decrease) in income before income tax
2016	**+ 0.30%**	**₱122,093**
	- 0.30%	**(122,093)**
2015	+0.016%	₱22,713
	- 0.016%	(22,713)

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, 2016 and 2015 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2016		
AFS financial assets	**+ 22.35%**	**₱29,395,142**
AFS financial assets	**- 22.35%**	**(29,395,142)**
2015		
AFS financial assets	+ 14.35%	₱22,988,635
AFS financial assets	- 14.35%	(22,988,635)

Credit risk

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

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

The 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:

	2016		
	Neither Past Due nor Impaired (High Grade)	**Past Due and Impaired**	**Total**
Loans and receivable:			
Cash and cash equivalents*	₱159,598,559	₱–	₱159,598,559
Receivables:			
Interest receivable	143,851	–	143,851
Other receivables	31,963	–	31,963
	159,774,373	–	159,774,373
AFS financial assets:			
Debt securities - quoted, at fair value	40,282,029	–	40,282,029
Quoted equity investments	95,239,857	–	95,239,857
	135,521,886	–	135,521,886
	₱295,296,259	₱–	₱295,296,259

Excluding cash on hand.

	2015		
	Neither Past Due nor Impaired (High Grade)	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	–	94,297,877
	160,410,490	–	160,410,490
	₱361,819,645	₱–	₱361,819,645

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, 2016 and 2015, respectively.

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

Liquidity risk

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

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

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

	2016			
	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	₱159,625,881	₱–	₱–	P159,625,881
Receivables:				
Accrued interest receivable	143,851	–	–	143,851
Other receivables	31,963	–	–	31,963
	159,801,695	–	–	159,801,695
AFS financial assets - quoted debt securities	40,282,029	–	–	40,282,029
	200,083,724	–	–	200,083,724
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	7,210,540	–	–	7,210,540
Dividends payable	–	–	888,714	888,714
	7,210,540	–	888,714	8,099,254
Net liquidity position	₱192,873,184	₱–	(₱888,714)	₱191,984,470

	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	4,649,360	–	–	4,649,360
Dividends payable	–	–	888,714	888,714
	4,649,360	–	888,714	5,538,074
Net liquidity position	₱218,941,919	₱43,958,676	(₱888,714)	₱262,011,881

Capital Management

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

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

Management of working capital focuses on short-term decisions relating to cash and cash equivalents and other current assets and liabilities. The goal of working capital management is to ensure that the Group is able to continue its business operations and that it has sufficient funds to satisfy maturing current liabilities and operating expenses.
As at December 31, 2016 and 2015, the Group is not subject to any externally imposed capital requirements.

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

	2016	2015
Capital stock	**₱640,029,628**	₱640,029,628
Additional paid-in capital	**32,699,360**	32,699,360
Retained earnings	**64,317,205**	138,443,999
	₱737,046,193	₱811,172,987

SGV
Building a better working world

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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 AUDITOR'S 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, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 30, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the 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
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908689, January 3, 2017, Makati City

March 30, 2017

BASIC ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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	₱66,112,613	(₱25,000,000)	₱–	(₱830,584)	₱40,282,029
Investments in shares of stock:					
Quoted	94,297,877	–	2,610,949	(1,668,969)	95,239,857
	₱160,410,490	(₱25,000,000)	₱2,610,949	(₱2,499,553)	₱135,521,886

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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	₱143,270	₱21,829	₱–	₱–	₱165,099	₱–	₱165,099

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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	21,730,470	194,121	–	–	21,924,591	–	21,924,591
BBC	5,881,017	110,024	–	–	5,991,041	–	5,991,041
iBasic	3,816,606	196,743	–	–	4,013,349	–	4,013,349
BGEC	–	–	–	–	–	–	–
SRI	245,653	78,645	–	–	324,298	–	324,298
Grandway	195,114,494	(4,822,521)	–	–	190,291,973	–	190,291,973

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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
Accounting Software	–	216,000	–	–	–	216,000
Total	₱3,757,602	₱216,000	₱–	₱–	₱–	₱3,973,602

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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, 2016

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

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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 -		

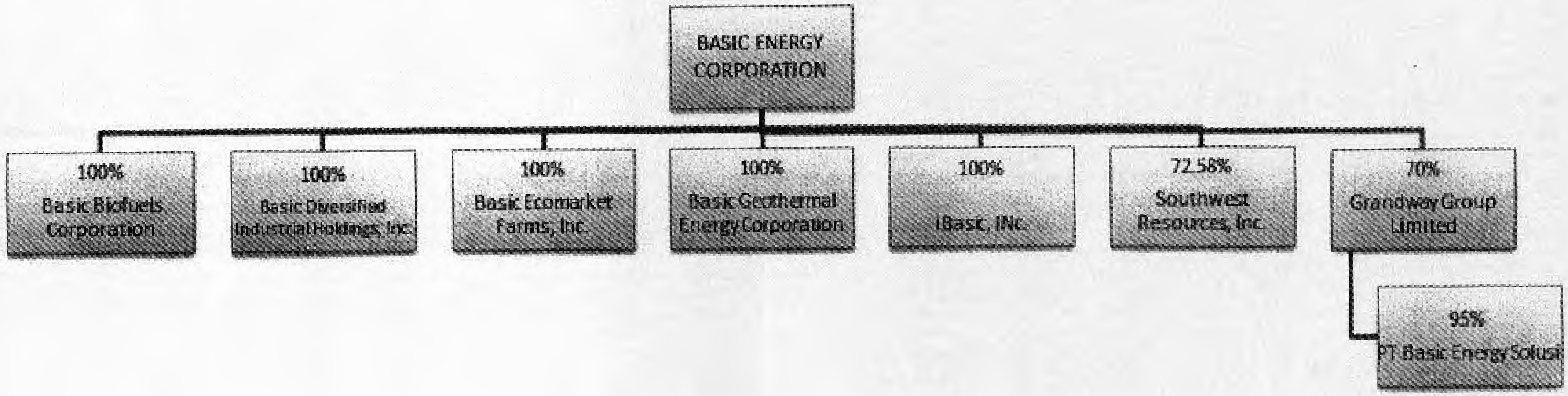
BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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

SCHEDULE III

BASIC ENERGY CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP (PART 1, 4H)



SCHEDULE II

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2016

Unappropriated Retained earnings as of December 31, 2015, as reflected in audited financial statements		₱138,443,999
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*		137,031,004
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		132,715,173
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*		**₱132,715,173**

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, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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, 2016

	2016	2015
Profitability ratios:		
Return on assets	(0.00%)	(0.00%)
Return on equity	(0.00%)	(0.00%)
Net profit margin	0%	0%
Solvency and liquidity ratios:		
Current ratio	20.97:1	31.19:1
Debt to equity ratio	0.03:1	0.03:1
Quick ratio	20.97:1	31.19:1
Asset to equity ratio	1.03:1	1.03:1
		(0.01%)