SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - (selected) Preliminary Information Statement
   - Definitive Information Statement
2. Name of Registrant as specified in its charter
   BASIC ENERGY CORPORATION
3. Province, country or other jurisdiction of incorporation or organization
   Makati City
4. SEC Identification Number
   36359
5. BIR Tax Identification Code
   000-438-702-000
6. Address of principal office
   7/F Basic Petroleum Bldg, 104 Carlos Palanca St., Legaspi Village, Makati City
   Postal Code
   1229
7. Registrant's telephone number, including area code
   (+632) 8178596
8. Date, time and place of the meeting of security holders
   June 28, 2017, 3:00 P.M. Manila Golf and Country Club, Harvard Avenue, Forbes Park, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Jun 5, 2017
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    CORAZON M. BEJASA
    Address and Telephone No.
    7/F Basic Petroleum Bldg, 104 Carlos Palanca St., Legaspi Village, Makati City, (+632) 8178596

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,603,684,382

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

( ) Yes (•) No

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

Philippine Stock Exchange

BASIC ENERGY CORPORATION

Basic Energy Corporation
BSC

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 28, 2017
Type (Annual or Special)	Annual
Time	3:00 P.M.
Venue	Manila Golf and Country Club, Harvard Avenue, Forbes Park, Makati City
Record Date	Jun 5, 2017

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Jun 5, 2017
End date	Jun 28, 2017

Other Relevant Information
See attached SEC Form 20 IS and attachments

Filed on behalf by:

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   _/_ Preliminary Proxy Statement

   ___ Definitive Proxy Statement

   ___ Additional Materials

2. Name of Registrant as specified in its charter BASIC ENERGY CORPORATION

3. Incorporated in the Philippines
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 36359

5. BIR Tax Identification Code 000-438-702

6. 7/F Basic Petroleum Bldg., C. Palanca St., Legaspi Vill., Makati City 1229

   Address of principal office Postal Code

7. Registrant's telephone number, including area code +63(2)817-8596 & 98

8. June 28, 2017 at 3:00 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City

   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to the security holders. June 5, 2017

10. Name of Persons other than the Registrant Filing Proxy Statement

    NONE

    Address ___

    Phone Number ___

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,603,684,382

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

    Yes ✓ No ___

    If so, disclose name of the Exchange: Philippine Stock Exchange

PART I

A. GENERAL INFORMATION

ITEM I. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The 2017 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Wednesday, June 28, 2017, at 3:00 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City

The complete mailing address of the principal office of the Corporation is:

7th Floor, Basic Petroleum Bldg.
104 C. Palanca Jr. St., Legaspi Village
Makati City

RECORD DATE

The record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Stockholders Meeting is June 5, 2017.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: June 5, 2017

ITEM II – DISSENTERS' RIGHT OF APPRAISAL

The appraisal right may be exercised by any stockholder who shall have voted against (1) an amendment to the Articles of Incorporation that changes or restricts the rights of any stockholder or class of shares, or authorizes preferences in any respect superior to the outstanding shares of any class, or extends or shortens the corporate existence; (2) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; or (3) a merger and consolidation; by making a written demand on the Corporation for payment of the fair value of his share(s). The written demand, together with the share certificate/s of the withdrawing stockholder, must be received by the Corporation within thirty (30) calendar days from the date on which the vote was taken. Failure to make the written demand or to surrender the share certificate/s within such period shall be deemed a waiver of the appraisal right.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made. No payment shall be made to any withdrawing stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the Corporation.

The appraisal right is also available to a dissenting stockholder in case the Corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose as provided in Title IV, Section 42 of the Corporation Code. In addition, the Corporation shall take up and seek approval by stockholders of the denial of pre-emptive rights of stockholders to issuances from the un-issued authorized capital stock of the Corporation. This matter may give rise to the exercise of any dissenter's appraisal right.

ITEM III - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors.

The Corporation has not received any information from a director of the Corporation, either verbally or in writing of his/her intention to oppose any action to be taken by the Corporation at the annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM IV - VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) **Number of common shares** – 4,488,559,382 shares (inclusive of subscribed and unpaid shares), as of March 31, 2017. Each share is entitled to one vote, subject to cumulative voting, as explained below. There are no restrictions that limit the payment of dividends on common shares.

b) **Record Date** – June 5, 2017.

c) **Voting Rights** - At the annual meeting of stockholders, every stockholder entitled to vote shall be entitled to one vote for each share of stock registered in his name in the books of the Corporation. However, in the election of directors, every stockholder entitled to vote shall be entitled to cumulate his vote in accordance with the provisions of law in such case made and provided. Hence, a holder of shares of common stock may vote such number of shares recorded in his name in the books of the Corporation as of Record Date, for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute such shares of stock on the same principle among as many candidates as he shall see fit.

d) **Security Ownership of Certain Record and Beneficial Owners and Management**

(1) **Security Ownership of Certain Record and Beneficial Owners**

The entity known to the Registrant to be directly or indirectly the record or beneficial owner of more than 5% of the Corporation's outstanding common shares as of March 31, 2017 is:

(1)Title of Class	(2)Name & Address of Record Owner & Relationship with Issuer	(3) Name of Beneficial Ownership and Relationship with Record Owner	(4)Citizen-ship of Record Owner	(5) No. of Shares Held & Nature of Ownership (Record/ Beneficial)	(6) Percent-age
Common Shares	Philippine Depository and Trust Corporation* 37/F Tower I, Enterprise Center, Ayala Avenue, Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	2,110,348,245 (Record)	81.05%

*Philippine Depository and Trust Corporation (PDTC") is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"), which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as the PCD Nominee Corporation. The beneficial owner of such shares are PCD's participants who hold the shares on their behalf or on behalf of their clients.

PCD is a private corporation organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal security account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Five (5) PDTC participants hold more than five percent (5%) of the Corporation's total outstanding and issued common shares of stock, namely: Philstocks Financial, Inc. (formerly Accord Capital Equities Corporation) (247,602,955 shares) COL Financial Group, Inc., (220,745,354 shares), Deutsche Bank AG Manila Branch (138,620,000 shares), Unicapital Securities, Inc. (137,531,729 shares), and Yu & Company, Inc. (137,333,076 shares). None of the clients of said participants were reported to own more than 5% of the Corporation's total outstanding and issued common shares.

As of March 31, 2017, out of the 2,603,684,382 issued and outstanding shares of the Corporation, 2,282,278,865 shares or 87.65% are held by the public, while 2,442,870,894 shares equivalent to 93.82% are held by Filipino citizens and 160,813,,488 shares equivalent to 6.18% are held by foreigners.

(2) **Security Ownership of Directors and Key Officers**

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of March 31, 2017:

DIRECTORS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Oscar C. De Venecia	0 (direct) 10,110,000 (indirect)	Filipino	0.39%
Common	Francis C. Chua	10,000 (direct) 1,100,000 (indirect)	Filipino	0.04%
Common	Ramon L. Mapa	368,635 (direct)	Filipino	0.01%
Common	Oscar L. De Venecia, Jr.	516,334 (direct) 10,000,000(indirect)	Filipino	0.40%
Common	Reynaldo T. Casas	10,000 (direct)	Filipino	.0%
Common	Harvey L. N. Dychiao	10,000 (direct)	Filipino	.0%
Common	Ma. Florina M. Chan	10,000 (direct) 11,680,000 (indirect)	Filipino	0.45%

Common	Eduardo V. Manalac	10,000 (direct) 8,000,000 (indirect)	Filipino	0.30%
Common	Jaime J. Martirez	10,000 (direct)	Filipino	0%
Common	Isidoro O. Tan	24,822,276 (direct) 13,000,000 (indirect)	Filipino	1.45%
Common	Oscar S. Reyes	10,000 (direct) 500,000 (indirect)	Filipino	0.02%
	TOTAL	**80,167,245**		**3.06%**

EXECUTIVE OFFICERS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Alberto P. Morillo	303,185 (direct) 100, 000 (indirect)	Filipino	0.05%
Common	Corazon M. Bejasa	100,000 (indirect)	Filipino	-
Common	Marietta V. Villafuerte	100,000 (indirect)	Filipino	-
Common	Angel P. Gahol	1,476 (direct)	Filipino	-
	TOTAL	**604,661**		**0.02%**

DIRECTORS AND OFFICERS AS A GROUP

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Directors as a Group	29,097,245(direct) 51,070,000(indirect)	Filipino	1.12% 1.96%
	Executive Officers as a Group	304,661(direct) 300,000 (indirect)	Filipino	0.01% 0.01%
	TOTAL	**80,771,906**		**3.10%**

Voting Trust Holders of 5% or more

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

Changes in Control

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

ITEM V - DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors of the Corporation:

Name	**Period of Service**
Oscar C. De Venecia	1988 to July 12, 2007; February 12, 2009 up to the present
Francis C. Chua	1998 up to the present

Ramon L. Mapa	1976 up to the present
Oscar L. de Venecia, Jr.	1999-2006; March 30, 2007 up to the present
Ma. Florina M. Chan	April 3, 2008 up to the present
Reynaldo T. Casas	June 30, 2015 up to the present
Harvey Lawrence N. Dychiao	July 29, 2015 up to the present
Eduardo V. Manalac	September 30, 2009 up to the present
Jaime J. Martirez	October 10, 2007 up to the present
Isidoro O. Tan	1993 up to the present
Oscar S. Reyes	April 04, 2007 up to the present

Each director of the Corporation holds office for a one (1) year term beginning on the date of his election and expiring at the annual meeting of stockholders next after his election and until his successor shall have been elected and qualified.

NOMINATION OF DIRECTORS AND INDEPENDENT DIRECTORS

The Board of Directors of the Corporation, upon endorsement of the Nominating Committee composed of Mr. Oscar C. De Venecia, as Chairman, with Mr. Oscar S. Reyes, Mr. Ramon L. Mapa, Mr. Oscar L. De Venecia, Jr., and Mr. Reynaldo T. Casas as members, has approved the nomination of the following as directors for election at the annual meeting of stockholders:

Oscar C. De Venecia (incumbent director)
Francis C. Chua(incumbent director)
Ramon L. Mapa(incumbent director)
Oscar L. de Venecia, Jr. (incumbent director)
Ma. Florina M. Chan(incumbent director)
Jaime J. Martirez(incumbent director)
Supasit Pokinjaruras (new nominee)
Isidoro O. Tan (incumbent director)

As Independent Directors:
Harvey Lawrence N. Dychiao (incumbent director)
Eduardo V. Manalac(incumbent director)
Oscar S. Reyes(incumbent director)

The Nominating Committee has determined that all the nominees possess all the qualifications and have none of the disqualifications for directorship as prescribed in the Corporation's By-Laws and Manual of Corporate Governance. For the purpose of electing the independent directors, the Nominating Committee adopted the independence criteria set out in the Corporation's Manual of Corporate Governance, Section 38 of the Securities Regulation Code and the Code of Corporate Governance for Publicly Listed Companies. The three (3) independent directors-nominees, namely: Messrs. Harvey L.N. Dychiao, Eduardo V. Manalac and Oscar S. Reyes, are not officers or employees of the Corporation nor any of its subsidiaries, and are free from any business or other relationship with the Corporation which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors.

The nominees for election as independent directors of the Board of Directors were nominated, as follows:

Nominee	Nominating Party	Relationship
Harvey L.N. Dychiao	Oscar C. De Venecia	none
Eduardo V. Manalac	Oscar C. De Venecia	none
Oscar S. Reyes	Oscar C. De Venecia	none

None of the above directors declined to stand for election to the Board of Directors because of any disagreement with the Corporation or any matter relating to the Corporation's operations, policies or practices.

Board Committees

The present members of the Audit and Risk Committee, which reviews the audit plans, report and findings of the internal and external auditors of the Corporation, and evaluates the risks involved in the various investments and projects of the Corporation, are:

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

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

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

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

Oscar L. De Venecia , Jr.	-	Chairman
Francis C. Chua	-	Member
Harvey L. N. Dychiao(Independent Director)		Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member

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

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

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

Harvey L. N. Dychiao (Independent Director)	Chairman
Francis C. Chua	Vice-Chairman
Ma. Florina M. Chan	Member
Eduardo V.Manalac (Independent Director)	Member
Jaime J. Martirez	Member

The following are the incumbent officers of the Corporation:

Oscar C. De Venecia	Chairman
Oscar L. De Venecia, Jr.	President & CEO
Anthony L. Cuaycong	SVP & General Manager
Marietta V. Villafuerte	VP & Treasurer
Corazon M. Bejasa	VP & Corporate Secretary
Alberto P. Morillo	VP- Operations
Angel P. Gahol	AVP-Compliance Officer
Peter James D. Leano V	Drilling & Logistics Manager- Operations
Margaret Louise L. Honrado	Technical Manager- Operations
Darius A. Marasigan	Risk Management Officer

BACKGROUND INFORMATION

The following are the names, ages, positions and period of service in the Corporation of the nominees for election as directors for the term 2017-2018, and key officers of the Corporation, and their business experiences for the last five (5) years:

DIRECTORS

OSCAR C. DE VENECIA, 84 years old, Filipino, is the Chairman of the Board. Prior thereto, he held several positions in the Corporation: as the Executive Vice President of the Corporation and director in 1972; became President and CEO in 1980; and was elected as Chairman of the Board & CEO from 1988 to July 12, 2007. He served as Chairman of the Advisory Board from July 12, 2007 to February 11, 2009 before assuming the position of Chairman of the Board on February 12, 2009. He is also the Chairman of the subsidiaries of the Corporation, namely: Basic Biofuels Corporation , Basic Diversified Holdings, Inc., Basic Geothermal Energy Corporation, Basic Renewables, Inc.,. iBasic, Inc., and Southwest Resources, Inc.,

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

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

He was one of the Ten Most Outstanding Alumni in 1980 in the field of Civil Engineering and in the field of Civic Involvement in 1991, conferred by the Mapua Institute of Technology and National Association of Mapua Alumni; one of the Ten Most Outstanding Civil Engineers of the Philippines in 1980 conferred by the Philippine Institute of Civil Engineers; one of the

1981 Ten Most Outstanding Citizens of Dagupan City in the category of Business and Industry; one of the recipients of a Presidential Commendation on the discovery of commercial oil in the West Linapacan Field, from President Corazon C. Aquino on January 19, 1992; awarded a Plaque of Appreciation in recognition of his achievements as Chairman of the National PolioPlus Committee in the Philippines, Department of Health from President Fidel V. Ramos and an awardee of the "Chevalier Dans L'Ordre National Du Merite" from the French Government on February 10, 2004.

He is a Past President of the Rotary Club of Makati West and Past District Governor of Rotary International, District 3830; Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc.; and Past Chairman, Philippine College of Rotary Governors, Inc. (1997-1998). He has received numerous awards and recognitions: Awarded Plaque of Appreciation by the Rotary Foundation as Chairman of the National PolioPlus Immunization Committee (1992-2001) when the Philippines was certified Polio Free by the WHO on October 29, 2000; Multiple Paul Harris Fellow; Major Gift Donor; Volunteer and Benefactor of R.I.; Awardee, "Special Rotary International Presidential World Understanding and Peace Award" given by R.I. President Stan McCaffrey as President of the Rotary Club of Makati West during the 1982 R.I. Convention in Dallas, Texas, U.S.A.; Awardee, "Citation for Meritorious Service" and "Distinguished Service Award" from The Rotary International Foundation; Awardee, "President's Golden Century Citation" from R.I. President Herbert G. Brown; Awardee, "Regional Service Award for a Polio-Free World" from The Rotary International Foundation; Awardee, "Service Above Self Award", Rotary International. He was the Representative of District 3830 to the 2004 Rotary International Council on Legislation, Chicago, Illinois. He represented the President of Rotary International in various Rotary district conferences in the Philippines, Australia, India, Korea and Japan.

FRANCIS C. CHUA, 67 years old, Filipino, is a director of the Corporation since 1998, a Vice Chairman of the Board of the Directors and Director of the various subsidiaries of the Corporation since November, 2007. He is a member of the Board of Governors of the Philippine Stock Exchange, Vice Chairman of Bank of Commerce (a director since 2008) and a director of NGCP since 2009.

He was the Special Envoy on Trade and Investments of the Department of Foreign Affairs from June, 2007 to May 2010. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry since 2002. He is also the Honorary Consulate General of the Republic of Peru in Manila, since 2006. He was a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority from 2006 to 2009. He was the Chairman and President of BA Securities; President of the Philippine Satellite Corporation, and Vice-Chairman/Treasurer of Mabuhay Satellite Corporation.

For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, past President of the Chamber of Commerce of the Philippines Foundation; and Chairman Emeritus of the Philippine Chamber of Commerce & Industry.

He obtained his degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, in 1967, and was conferred Doctor of Humanities, Honoris Causa from the Central Luzon State University.

RAMON L. MAPA, 73 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors since October, 2007 and director of the various subsidiaries of Corporation. He is the Vice Chairman and Treasurer of Sicogon Development Corporation, Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002, and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002.

He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

OSCAR L. DE VENECIA, JR., 49 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed as President & CEO of the Corporation in August, 2011. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Geothermal Energy Corporation, Basic Renewables, Inc. and Basic Biofuels Corporation, and Basic Diversified Industrial Holdings, Inc., the Chairman and President of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc.

He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He was the President of the Rotary Club of Makati East for the Rotary Year 2010-2011, and is a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011.

He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

MA. FLORINA M. CHAN, 61 years old, Filipino, is a Director of the Corporation since April 3, 2008 and director of the various subsidiaries of the Corporation since 2008. She was the President & COO of Philippine Commercial Capital, Inc., with which she was employed from July 16, 1982 to March 31, 2011. She was also a director of PCCI Securities Brokers Corporation, International Capital Corporation and PCCI Equities, Inc., since 2005.

She obtained her degree in Bachelor of Science in Business Economics at the University of the Philippines in 1977 and Master in Business Administration at the Fordham University in 1980.

HARVEY LAWRENCE N. DYCHIAO, 38 years old, Filipino, is an Independent Director of the Corporation (a director since July, 2015). He is the Managing Director of Bonifacio Capital Group, Inc. He is a New York and Philippine-qualified lawyer with extensive transactional experience in mergers and acquisitions, and financings, working along private equity funds and strategic investors. His experience also includes advising in relation to project development, capital raising, privatizations/ restructurings of state-owned enterprises, structured finance transactions and insolvency workouts. His sector focus has included mining project development, logistics, real estate, financial institutions, public utilities and consumer goods, among others. He has also served in the public sector with the privatization and special projects team of the Department of Finance of the Philippines.

He attended Harvard Law School and is the executive director of the 800-member Harvard Club of the Philippines.

EDUARDO V. MAÑALAC, 70 years old, Filipino, and is an Independent Director of the Corporation (a director since October, 2009). He is the President of TransEnergy International Limited. From 2003 to late 2004, Mr. Mañalac was Undersecretary of the Department of Energy (DOE) of the Philippines, where, among other achievements, he promoted the standardization and use of coconut biodiesel, which highlighted the DOE's participation in developing the "Biofuels Law." He instituted a transparent new system for the awarding of oil service contracts, that led to the First Philippine Contracting Round in 2003. He was appointed President and CEO of the Philippine National Oil Company (PNOC) on August, 30, 2004, President and CEO of the PNOC Exploration Corporation (PNOC-EC) in September, 2004, and subsequently Chairman of the PNOC Energy Development Corporation (PNOC-EDC) within the same period. Mr. Mañalac also initiated international cooperative meetings that led to the historic signing of the Tripartite Agreement for a Joint Marine Seismic Undertaking in the South China Sea between the Philippines (PNOC), China (China National Offshore Oil Corporation), and Vietnam (Petrovietnam).

Prior to 2003, he was an executive for the Oklahoma-based Phillips Petroleum Company, now Conoco Phillips based in Houston Texas. He served as Exploration Manager for Latin America/Asia/Former Soviet Union from 1981-85 and was then assigned to head Phillips Petroleum Company Indonesia as its Managing Director from 1985-87. He was also President and General Manager of Phillips Pakistan from 1987-89 and Exploration Manager for Latin America from 1989-95. His last posting with Phillips was China, where, as Vice-President and Exploration Manager for Phillips China, he discovered the giant Peng Lai oil field in northern China's Bohai Bay in 1999. For this reason, and for other outstanding achievements, the government of the People's Republic of China honoured him with its Friendship Award in 2001, and its first-ever Foreign Model Worker Award in 2002.

Mr. Mañalac attended the University of the Philippines in Diliman, Q.C. Philippines, which conferred on him an Outstanding Alumni Award in 2005. He graduated from UP with a Bachelor of Science degree in Geology in 1967, and completed post-Graduate studies in petroleum geology through 1969.

JAIME J. MARTIREZ, 62 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Unicapital Finance and Investments, Inc., Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He is a director in Majalco, Inc., a diversified holding corporation, in Malayan Savings Bank and in MJ Holdings, Inc., a real estate company engaged in commercial property development in the Makati Central Business District. He is a past director of the Philippine Finance Association, a member of the Makati Business Club and the European Chamber of Commerce (ECCP). He has acquired and developed professional expertise in the field of Investment Banking for the last 41 years, since 1976.

He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and completed the academic units for a Masters degree in Business Administration from the Ateneo Graduate School of Business in 1979.

SUPASIT POKINJARURAS, 34 years old and a national of Thailand. He was appointed as member of the Advisory Board of the Corporation in February, 2017. He is the Executive Director of Vintage Engineering Public Company Limited, a publicly listed company registered in Thailand, since 2015. He is also the Managing Director of Green Earth Power (Thailand) Co. Limited since 2012. He is co-founder and President of AVA Asia Ltd since 2014 and co-founder and Managing Director of Good Deal Entertainment Co., Limited, since 2013. His first foray into the Renewable Energy Industry brought him to develop one of the most innovative and advance Solar Power Plant project in Japan. Soon after he became the head of Green Earth Power (Thailand) Co., Ltd., he co-developed a 220MW Solar Farm in Minbu, Myanmar. Mr. Supasit is well versed on the financial aspects of operations and on current and new solar power technologies.

He obtained a Bachelor of Business Administration (International Program) degree from Thammasat University, Thailand, and a Master of Science in Financial Analysis degree from the University of San Francisco, USA.

OSCAR S. REYES, 71 years old, Filipino, and a director of the Corporation and its subsidiaries since June 2007. He is presently the President and Chief Executive Officer of the Manila Electric Corporation and the President/Director of Meralco Powergen Corporation. Among his other positions are: Member of the Advisory Board of Philippine Long Distance Telephone Company, and Member of the Advisory Council of the Bank of the Philippine Islands. He is the Chairman of the following companies: Meralco Industrial Engineering Services, Inc., Meralco Energy, Inc., CIS Bayad Center, Inc., Redondo Peninsula Energy Inc., and Pepsi Cola Products Philippines, Inc., Pacific Light Power Pte Ltd., MRail, Inc., MSpectrum, Inc. Atimonan One Energy, Inc. and Aurora Managed Power Services, Inc. He is a director of PLDT Communications & Energy Ventures Inc., Asian Eye Institute, Republic Surety & Insurance Co., Inc. and Clark Electric Development Corporation, and an independent director of Manila Water Co., Cosco Capital Inc., Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Grepalife Dollar Bond Fund Corporation, Grepalife Fixed Income Fund Corporation, Grepalife Bond Fund Corporation and Petrolift Inc.. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of One Meralco Foundation, Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc.

He finished his Bachelor of Arts Major in Economics (Cum Laude) degree at the Ateneo de Manila University in 1965. He took post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School

ISIDORO O. TAN, 69 years old, Filipino, is a director of the Corporation and its subsidiaries. since 1993. He is also the President & Director of Filspin, Inc. for the last thirty (30) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

OFFICERS

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

CORAZON M. BEJASA, 69 years old, Filipino, is the Corporate Secretary of the Corporation with the rank of Vice President since July 12, 2007. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, (Magna Cum Laude) in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 60 years old, Filipino, is the Vice-President for Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the

Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm. He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978, and has earned MBA units from the Ateneo de Manila University. He has taken the Management Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

MARIETTA V. VILLAFUERTE, 70 years old, Filipino, is the Treasurer of the Corporation with rank of Vice President since March 16, 2009. She was Vice-President for Finance of the Corporation from January, 2008 to March 15, 2009. She was the Senior Vice President & Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

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

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

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

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

SIGNIFICANT EMPLOYEES

The key officers of the Corporation who are expected to make a significant contribution to the business of the Corporation consist of the above-named directors holding executive positions and officers. To retain these key officers, the employee benefits of the Corporation as defined in its Personnel Manual, may be upgraded when warranted by an improved financial condition of the Corporation, to make these benefits competitive with the industry.

FAMILY RELATIONSHIPS

Mr. Oscar L. de Venecia, Jr., President & CEO, is the son of Mr. Oscar C. De Venecia, the Chairman of the Corporation. There are no other family relationships within the fourth civil degree known to the Corporation among the rest of the directors, nominees and executive officers of the Corporation.

INVOLVEMENT IN ANY LEGAL PROCEEDINGS

The Corporation is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order or judgment subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years ending March 31, 2017.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There has been no material transaction during the past two (2) years, nor is there any material transaction, contractual or other commitments, currently on-going or being proposed, to which the Corporation was or is to be a party with any incumbent director and/or executive officer of the Corporation, disclosed or required to be disclosed in the financial statements of the Corporation pursuant to SFAS/IAS No. 24. In the normal course of business, the Corporation has transactions with its subsidiaries consisting of non-interest bearing advances to finance the working capital requirements of these subsidiaries, and provides assistance to its subsidiaries in carrying out certain administrative functions in connection with its business operations.

ITEM VI – COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

Total	*2017*	Php9,300,000.00 (estimated)	Php751,205.00 (estimated)	0
	2016	Php9,057,096.00	Php729,170.00	0
	2015	Php8,144,320.00	Php610,220.00	0
All Other Officers as a Group Unnamed	*2017*	Php2,731,860.00 (estimated)	Php221,715.00 (estimated)	0
	2016	PHP2,645,250.00	Php215,150.00	0
	2015	Php2,336,962.00	Php178,149.00	0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php15,000.00 and Php7,500.00 per attendance, respectively. Except for the stock option plan discussed below and the existing retirement plan for officers and employees of the Corporation, and the Management Contract of the President & CEO, there is no other existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants, options and other rights for directors and officers of the Corporation, or which will arise from the resignation, retirement, expiration of term of employment, change in control or change in the officer's responsibilities.

A stock option plan was approved by the stockholders at the 2007 annual meeting of stockholders, whereby directors and members of the Advisory Board, officers and selected employees of the Corporation and its subsidiaries, and other persons as determined by the Board of Directors shall be granted the option to purchase shares of stock of the Corporation from its unissued capital stock at par value, and exercisable on the 3rd year from approval of the plan by the stockholders, subject to such allocation of shares as may be approved by the Board of Directors, not to exceed the total of 500,000,000 shares (SOP shares). On June 18, 2010, the stockholders approved the extension of the exercise period from July 12, 2010 to July 11, 2013. The details and mechanics of the plan have been approved by the Board of Directors on July 29, 2011. The SEC has issued its Certificate of Exemption from Registration requirements on September 8, 2011. The SOP shares were approved for listing by the Philippine Stock Exchange- 26,700,000 shares in December, 2012 and 473,300,000 shares in July, 2013. As of March 31, 2017, 117,625,000 shares have been paid and listed in the Philippine Stock Exchange.

ITEM VII. INDEPENDENT AUDITORS

Sycip, Gorres, Velayo & Co. (SGV) was the Corporation's independent auditors for the year 2016. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2017 by the stockholders at the annual meeting of stockholders. Representatives of SGV will be present during the annual meeting of stockholders and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions from stockholders, should there be any. SGV has accepted the Corporation's invitation to stand for re-election this year.

Audit services of SGV for the fiscal year ended December 31, 2016 included the examination of the books and consolidated financial statements of the Corporation, assistance in the preparation of the Corporation's final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission and the Bureau of Internal Revenue. The audit fees for 2015 and 2016 were Php530,000.00 and Php575,000.00, respectively. The audit fee for 2015 was fully paid as of May 31, 2016, while Php415,000.00 was paid on February 2, 2017 for the audit fee for 2016, with a remaining balance of Php160,000.00.

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

Upon recommendation of the Audit Committee and the Board of Directors, SGV will be recommended as the external auditor who will conduct the audit of the Corporation for the fiscal year 2017, subject to approval by the stockholders. In compliance with SRC Rule 68, paragraph 3(b)(iv) (Rotation of External Auditors), Mr. Jaime F. del Rosario, was assigned as partner-in-charge beginning with the 2013 audited financial statements.

ITEM VIII - COMPENSATION PLANS

There are no plans, under which cash or non-cash compensation may be paid or distributed to directors and officers of the Corporation, which will be taken up at the annual meeting of stockholders.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM IX - AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

There is no capital increase which will be submitted for approval of stockholders at the annual stockholders meeting.

Subject to the execution of the relevant subscription agreements, the issuance of a total of 392,092,829 shares to Vintage Engineering Public Company Limited of Thailand shall be submitted for approval of stockholders at the annual stockholders meeting. The shares to be issued are common shares, the dividend, voting and other rights of which are prescribed in the Company's By-laws. Shares of the Company are not entitled to pre-emptive rights.

The consideration for the said shares shall be based at least on the par value of the shares or Php0.25 per share, payable in cash, the net proceeds of which shall be used for investments by the Company in renewable energy projects.

The approval of stockholders owning at least a majority of the outstanding capital stock of the Company shall be required for the issuance of the shares, to enable the Company to comply with the requirements of the Philippine Stock Exchange for the listing of said shares. The issuance of the shares shall have the effect of diluting the shareholdings in the Company of the other shareholders, and correspondingly, their voting rights and dividend rights, if any shall be declared in the future.

ITEM X - MODIFICATION OR EXCHANGE OF SECURITIES

There is no modification or exchange of securities which will be submitted for approval of stockholders at the annual stockholders meeting.

ITEM XI - FINANCIAL AND OTHER INFORMATION

(a) 2016 Audited Financial Statements

The 2016 financial statements of the Corporation were audited by the Corporation's external auditors:

SGV & Company
Mailing Address: SGV Building, 6760 Ayala Avenue, Makati City 1226
Certifying Partner: Jaime F. Del Rosario
C.P.A. No. 56915
PTR No. 5908689 issued on January 3, 2017

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2016 are attached as part of this Information Statement.

(b) Changes in and disagreements with accountants on accounting and financial disclosures

There are no disagreements with the Corporation's external auditors on any accounting principles or practices, and financial statement disclosures or auditing scope or procedures in the 2016 audited financial statements of the Corporation.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company adopted as of January 1, 2016. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

1. 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
2. Amendments to PAS 1, Presentation of Financial Statements, Disclosure Initiative
3. Amendments to PAS 27, Separate Financial Statements, Equity Method in Separate Financial Statements
4. Annual Improvements to PFRSs (2012 – 2014 cycle)

   i. Amendment to PFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal
   ii. Amendments to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts
   iii. Amendments to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
   iv. Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue
   v. Amendments to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'

The above changes were disclosed in the Consolidated Audited Financial Statements of the Company as of December 31, 2016.

(c) Participation of Representatives of External Auditors

Representatives of SGV and Company, which audited the aforementioned financial statements of the Corporation (i) are expected to be present at the annual meeting of stockholders (ii) will have the opportunity to make a statement if they desire to do so; and (iii)are expected to be available to respond to appropriate questions from stockholders during said meeting.

(d) Incorporation by Reference

The following documents are incorporated herein by reference and are attachments to this Information Statement:

(1) Notice of Annual Stockholders Meeting and Proxy Form;

(2) 2016 Management Report
(3) Audited Consolidated Financial Statements (ACFS) of the Corporation as of December 31, 2016; and
(4) Statement of Management's Responsibility for the 2016 ACFS.

ITEM XII - MERGER, CONSOLIDATION, ACQUISITION & SIMILAR MATTERS

There are no actions to be taken up at the annual meeting of stockholders which will involve the merger or consolidation of the Corporation with another entity or acquisition by the Corporation of any other going business or the assets thereof.

ITEM XIII – ACQUISITION/DISPOSITION OF PROPERTY

There are no actions to be taken up at the annual meeting of stockholders which will involve the acquisition or disposition of property, whether real or personal, of the Corporation.

ITEM XIV - RESTATEMENT OF ACCOUNTS

There are no actions to be taken up at the annual meeting of stockholders which will involve the restatement of any asset, capital or surplus account of the Corporation.

D. OTHER MATTERS

ITEM XV – ACTION WITH RESPECT TO REPORTS

The following actions on reports of the Corporation shall be sought for in the annual meeting of stockholders:

(a) Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on June 29, 2016.

The Minutes contain the following:

- Approval of the Minutes of the 2015 Stockholders' Meeting.
- Notation of the 2015 Management Report and the 2015 Audited Financial Statements.
- Ratification of all acts done by the Board of Directors and Management for the term 2015-2016.
- Election of the Directors of the Corporation for the term 2016-2017; and
- Appointment of SGV & Co. as the external auditor for the fiscal year 2016.

(b) Notation of the 2016 Management Report and the Audited Consolidated Financial Statements for the year ending December 31, 2016.
(c) Ratification of all acts of the Board of Directors and Management for the period covering the term 2016-2017, a list of which shall be furnished to all stockholders of the Corporation at the annual meeting of stockholders.
(d) Election of the Members of the Board of Directors including Independent Directors for the ensuing year;
(e) Extension of the corporate term of the Company for another fifty (50) years beginning September 19, 2018;
(f) Issuance of a total of 392,092,829 shares to Vintage Engineering Public Company Limited of Thailand; and
(g) Appointment of External Auditors for the fiscal year 2017.

ITEM XVI - MATTERS NOT REQUIRED TO BE SUBMITTED

There are no matters to be taken up at the annual meeting of stockholders which are not required to be submitted for stockholders' vote or approval.

ITEM XVII – AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BY-LAWS

The proposed extension of the corporate term of the Corporation for another fifty (50) years beginning September 19, 2018 shall be taken up at the annual meeting of stockholders and will involve the amendment to Article Fourth of the Amended Articles of Incorporation. There is no matter to be taken up at the annual meeting of stockholders which involve an amendment of the Amended By-Laws of the Corporation.

ITEM XVIII - OTHER PROPOSED ACTION

There are no other proposed actions to be submitted for stockholders' approval at the annual meeting of stockholders:

ITEM XIX - VOTING PROCEDURES

(a) VOTE REQUIRED

Motions in general require the affirmative vote of a majority of the shares of the Corporation's common stock present and/or represented and entitled to vote in the annual meeting of stockholders.. The proposed amendments to the Amended Articles of Incorporation of the Corporation will require the affirmative vote of at least two thirds ($^2/_3$) of the outstanding and issued capital stock of the Corporation.

(b) ELECTION OF DIRECTORS

In the election of directors, every stockholder entitled to vote shall be allowed to accumulate his vote in accordance with the provisions of law. For this year's election, the top eleven (11) nominees with the most number of votes will be declared as the elected directors. If the number of the nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballot.

(b) METHOD OF COUNTING VOTES

Counting of votes will be done by the Corporate Secretary (or his authorized representatives) with the assistance of the representatives of the independent auditors and stock transfer agent of the Corporation. All votes attaching to the shares of common stock owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

ATTACHMENTS

The attachments to this Information Statement consist of the Notice of Stockholders' Meeting and Proxy Form, the Corporation's 2016 Management Report, and the 2016 Consolidated Audited Financial Statements of the Corporation.

The Corporation will provide without charge each person solicited, on the written request of any such person, a copy of the Corporation's Annual Report for 2016 (SEC Form 17-A). Such written request should be directed to the:

Corporate Secretary
Basic Energy Corporation
7th Floor, Basic Petroleum Bldg.
104 Carlos Palanca, Jr. St., Legaspi Village
Makati City

At the discretion of Management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the Corporation in furnishing the exhibits.

Copies of resolutions of the Board of Directors, since the 2016 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

PART II

SOLICITATION INFORMATION

ITEM I - IDENTIFICATION

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 28, 2017 at 3:00 P.M. AT THE MANILA GOLF AND COUNTRY CLUB, HARVARD ROAD, FORBES PARK, MAKATI CITY.

ITEM II - INSTRUCTIONS

a) The proxy form attached to this Information Statement shall be used, signed by the stockholder concerned, and need not be notarized. The proxy shall be executed in favour of the Chairman of the Board or in his absence, the Secretary of the meeting.

b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

c) Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders, without need of any written proxy, provided a copy of the court appointment shall be presented to the Corporate Secretary of the Corporation.

d) The proxy form for shares of stock owned jointly shall be signed by all owners and for shares owned in an "and/or" capacity, by any one of the owners.

e) Proxy form executed abroad shall be duly authenticated by the Philippine embassy or consular office in that state or country.

f) Proxies should be submitted to the Corporate Secretary of the Corporation on or before June 14, 2017.

g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on June 21, 2017 at 3:00 P.M. at the principal office of the Corporation, and any stockholder, in person or through counsel, may be present during the validation of proxies. The proxy rules under the SEC implementing rules SRC No. 20 (11) (b) shall govern all proxy issues raised during the validation process.

ITEM III - REVOCABILITY OF PROXY

A stockholder giving a proxy has the power to revoke it by a written instrument at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

ITEM IV– PERSON MAKING THE SOLICITATION

The solicitation of proxies is being undertaken by the Corporation in order to obtain the required quorum and the required vote to approve the matters to be taken up at the annual meeting of stockholders. The Corporation has not received any written information by any director of any intention to oppose any action to be taken up in the annual meeting of stockholders.

The Corporation intends to utilize couriers and messengers and the services of the Philippine Post Office to undertake the personal delivery of the proxy statements and proxy forms. Costs will be limited to the printing costs, costs of delivery services and mailing, estimated at about Php 400,000.00 and will be shouldered by the Corporation.

ITEM V - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors.

PART III

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, and after reasonable inquiry and to the best of our knowledge and belief and on behalf of the Corporation, we certify that the information set forth in this report is true, complete and correct.

Signed on April 12, 2017, at Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

BASIC ENERGY
CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS MEETING

Notice is hereby given that the regular Annual Meeting of Stockholders of **BASIC ENERGY CORPORATION** will be held at the **MANILA GOLF AND COUNTRY CLUB, Harvard Road, Forbes Park, Makati City, on Wednesday, June 28, 2017 at 3:00 p.m**., with the following agenda:

AGENDA

1. Call to Order
2. Certification of Due Notice of Meeting and Existence of Quorum
3. Approval of Minutes of the Annual Stockholders Meeting Held on June 29, 2016
4. Presentation of the 2016 Annual Report
5. Ratification of All Acts of the Board and Management
6. Election of Directors
7. Amendment of Article Fourth of the Amended Articles of Incorporation (to extend corporate term by another 50 years)
8. Issuance of Shares to Vintage Engineering Public Company (Thailand)
9. Appointment of External Auditors
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business on June 5, 2017 are entitled to notice of, and to vote at, this meeting. For this purpose, the Stock and Transfer Books of the Corporation will be closed from June 5 to June 28, 2017.

In case you cannot attend in person, please accomplish the attached Proxy Form and mail or deliver the same at the principal office of the Corporation at the 7th Floor, Basic Petroleum Building, 104 C. Palanca, Jr. St., Legaspi Village, Makati City, on or before June 14, 2017. Validation of proxies will be conducted on June 21, 2017 at 3:00 p.m. at the principal office of the Corporation.

Minutes of the 2016 Annual Stockholders Meeting are available for your perusal at the principal office of the Corporation during business hours.

We look forward to your attendance at the Annual Stockholders Meeting.

Makati City, April 17, 2017.

CORAZON M. BEJASA
Corporate Secretary

PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
June 28, 2017 – 3:00 P.M.
MANILA GOLF AND COUNTRY CLUB
Harvard Road, Forbes Park, Makati City

The undersigned stockholder of **BASIC ENERGY CORPORATION** (the "Corporation"), hereby appoints, names and constitutes ______________________________ or, in his absence, the Chairman of the Board of the Corporation, as proxy to represent and vote all shares registered in the name of the undersigned stockholder at the Annual Meeting of the stockholders of Corporation scheduled on June 28, 2017 at 3:00 P.M. and any postponements or adjournment(s) thereof, and hereby ratifying and confirming any and all action taken by said proxy on matters which may properly come before such meeting or its postponements or adjournment(s) thereof. In particular, the undersigned hereby directs the proxy to vote the shares on the following agenda items in the manner indicated below, or if not so indicated, the proxy shall exercise full discretion in acting thereon.

AGENDA ITEMS **ACTION**

		Approve	Disapprove	Abstain	
1.	Approval of the Minutes of the June 29, 2016 Meeting				
2.	Notation of the 2016 Annual Report				
3.	Ratification of all acts of the Board and Management for 2016-2017				
4.	Election of Directors				**Authority to Vote Withheld**
	Oscar C. De Venecia				
	Francis C. Chua				
	Ramon L. Mapa				
	Oscar L. De Venecia, Jr				
	Ma. Florina M. Chan				
	Jaime J. Martirez				
	Supasit Pokinjaruras				
	Isidoro O. Tan				
	Harvey L. N. Dychiao (Independent Director)				
	Eduardo V. Manalac (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5..	Extension of Corporate Term for 50 years from 9.19.18 (Article Fourth of the Amended Articles of Incorporation				
6.	Issuance of total of 435,658,699 shares to Vintage Engineering Public Company (Thailand)				
7.	Appointment of SGV & Co. as External Auditor				

The above-named nominees were screened and pre-qualified in accordance with the Corporation's Manual of Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies.

Signed this ________________, 2017 at ____________________.

Stockholder: ______________________
Signature over Printed Name

NOTES:

(a) All proxies for the meeting should be received by the Corporate Secretary **on or before June 14, 2017**.
(b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

(THIS PROXY IS BEING SOLICITED ON BEHALF OF BASIC ENERGY CORPORATION)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **HARVEY LAWRENCE N. DYCHIAO**, Filipino, of legal age and a resident of Unit 1108 Baron 3 Towers, A. Mabini St., San Juan, M.M., after having been duly sworn in accordance with law, declare that:

1. I am a nominee for Independent Director of Basic Energy Corporation for the term 2017-2018 and have been its Independent Director since 2016;
2. I am presently the Managing Director of Bonifacio Capital and have held such position since 2012;
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Basic Energy Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuance of the Securities Exchange Commission (SEC);
4. I am not related to any director, officer or substantial shareholder of Basic Energy Corporation, or any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and
7. I shall inform the Corporate Secretary of Basic Energy Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on April __, 2017 at Makati City. APR 0 6 2017

HARVEY LAWRENCE N. DYCHIAO
Affiant

SUBSCRIBED AND SWORN to before me this APR 0 6 2017, Affiant exhibiting to me his BIR TIN No. 211 544 784.

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Page No. 86
Book No. 181
Series of 2017.

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1052367 for 20[illegible]
PTR #5909501 Jan. 03, 2017 Makati
S.C. Roll No. 59597
MCLE Compliance No. V [illegible] March 2016
Unit 301 3rd Flr. [illegible]
101 Urban Avenue, Brgy. [illegible]
Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES,** Filipino, of legal age and a resident of Unit 6, Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn in accordance with law, declare that:

1. I am a nominee for Independent Director of Basic Energy Corporation and have been its Independent Director for since 2008;

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

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director Member, Advisory Board	2001-2010 2010 - present
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016 2016-present
Manila Electric Company	President & CEO / Director	2012 - present 2010 - present
Pepsi Cola Products Philippines Inc.	Chairman	2007 - present
Manila Water Co., Inc.	Independent Director	2005 - present
Cosco Capital Inc.	Independent Director	2009 - present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Grepalife Dollar Bond Fund Corporation	Independent Director	2011 - present
Grepalife Fixed Income Fund Corporation	Independent Director	2011 - present
Grepalife Bond Fund Corporation	Independent Director	2011 - present
Petrolift Inc.	Independent Director	2007 – present
Meralco Powergen Corporation	President/Director	2010 - present
Redondo Peninsula Energy Inc.	Chairman	2011- present
Meralco Industrial Engineering Services Inc.	Chairman	2010 - present
Meralco Energy Inc.	Chairman	2010 - present
CIS Bayad Center, Inc.	Chairman	2010 – present
PacificLight Power Pte Ltd.	Chairman	2013 - present
MRail Inc.	Chairman	2015 - present
MSpectrum Inc.	Chairman	2015-present
Atimonan One Energy Inc.	Chairman	2016 -present
Aurora Managed Power Services Inc.	Chairman	2016 - present
PLDT Communications & Energy Ventures Inc.	Director	2013 - present
Asian Eye Institute	Director	2010 - present
Republic Surety & Insurance Co., Inc.	Director	2010 - present
Clark Electric Development Corporation	Director	2013-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Basic Energy Corporation as provided for in Section

4. I am not related to any director, officer or substantial shareholder of Basic Energy Corporation, or any of its related companies or any of its substantial shareholders;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and

7. I shall inform the Corporate Secretary of Basic Energy Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on April APR 1 0 2017 in Makati City.

Reyes
OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me this APR 1 0 2017, Affiant exhibiting to me his Philippine Passport No. EB 8380979 issued on June 13, 2017 and valid until June 12, 2018.

Doc. No. 56
Page No. 13
Book No. 82
Series of 2017.

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20 Makati City
IBP #1052367 for 2017 Nov. 22, 2016-RSM
PTR #5909501 Jan. 03, 2017-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

DRAFT ONLY

(Signatory still abroad, will be back on April 24, 2017)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDUARDO V. MANALAC**, Filipino, of legal age and a resident of Unit 18 B/C Phoenix Heights Condominium, Henry Javier Street, Pasig City, after having duly sworn in accordance with law, declare that:

1. I am a nominee for Independent Director of Basic Energy Corporation and have been its Independent Director for the last two (2) years;
2. I am presently the President of TransEnergy International Limited and have been employed by this company since 2007;
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Basic Energy Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuance of the Securities Exchange Commission (SEC) ;
4. I am not related to any director, officer or substantial shareholder of Basic Energy Corporation, or any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and
7. I shall inform the Corporate Secretary of Basic Energy Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on April , 2017 in Makati City.

EDUARDO V. MANALAC
Affiant

SUBSCRIBED AND SWORN to before me this ______________, affiant exhibiting to me his BIR TIN No. 225-311-454.

Doc. No.___
Page No.___
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Series of 2017

BASIC ENERGY CORPORATION

2016 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION
PART I. BUSINESS

(A) Description of Business

(1) Business Development

The Company was organized initially as Basic Enterprises, Inc., on September 19, 1968 and became an oil and gas exploration and development company on April 26, 1971. A year after, it assumed a new name, Basic Petroleum and Minerals, Inc. Over the years, the Company evolved from an operating company into a holding company under the corporate name, Basic Consolidated, Inc. As a holding company, it holds equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Renewables, Inc., which is into renewable energy exploration and development, Basic Geothermal Energy Corporation, which is into geothermal energy exploration and development, Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company, and Grandway Group Limited, a Hong Kong registered company, with the Company holding a 70% equity interest.

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

The Company has been awarded by the Department of Energy a total of five (5) service contracts for the exploration and development of geothermal energy, namely: GSC No. 8 at Mabini, Batangas, which was awarded in 2007, and GSC No. 2013-02-042 at Mariveles, Bataan, GSC No. 2013-02-041 at East Mankayan, Benguet, Mountain Province and Ifugao, GSC No. 2013-02-043 at Iriga, Camarines Sur and Albay and GSC No. 2013 - 11-048 at West Bulusan, Sorsogon, which were awarded in 2013. For GSC No. 8, the Company committed to drill an exploratory well by July, 2017, and except for the West Bulusan project, pre-development works are being undertaken in the other geothermal power projects.

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

In 2014, the Company was awarded by the Department of Energy four (4) hydro-power service contracts, namely: HSC No. 2014-01-383 at Puntian 1 River, HSC No. 2014-01-384 at Puntian 2 River, HSC No. 2014-01-385 at Malogo 2 River and HSC No. 2014-01-386 at Talabaan River, all located in Negros Occidental. The Company has withdrawn from these service contracts, to enable the Company to focus on its geothermal energy projects.

The Company continues to look for business opportunities for the development of other renewable energy resources such as but not limited to solar energy, wind power or biomass energy, as it pursues its geothermal energy projects.

(2) Business of the Company and its Subsidiaries

Oil and Gas Operations

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

Service Contract(SC) 53 (Onshore Mindoro)

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

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

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

The consortium agreed to drill Progreso-2 to fulfil one of its two (2) well obligations and to negotiate with the DOE that the planned geology and geophysical works be considered as fulfilment of the second well. For Sub-Phase 2, the approved firm budget amounts to US$ 8.42 million and the contingent budget amounts to US$ 6.14 million The project is presently suspended, however, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP.

In 2016, the DOE approved the agreement between Pitkin Petroleum and Mindoro Palawan Oil and Gas, Inc. (MPOGI) for the transfer of Pitkin Petroleum's participating interest and operatorship to MPOGI.

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

Indonesia Oil Project

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

In 2013, PT BES 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 EP 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 compared to projections at the start of the project, while the buying price of EP 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. During this time, the local miners moved for upward adjustments in their revenue sharing from oil produced and sold to EP Pertamina, which entailed negotiations with PT Ekamaro, the KUDs, and the local miners concerned. Before negotiations could be finalized, EP Pertamina instituted changes in the organizational framework for the operation of old oil wells and eventually suspended the operations of the KUDs.

By the middle of 2015, the project was placed on hold until EP Pertamina is able to finalize the organizational structure of local cooperatives or 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 EP Pertamina still has not designated a new organization of local cooperatives or local miners groups to manage the oil operations from old oil wells in the area.

In view thereof, the deferred exploration costs pertaining to this project amounting to Php147.93 million as at December 31, 2016, was fully provided for allowance for impairment.

Geothermal Energy Operations

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

Mabini, Batangas Geothermal Service Contract

The Mabini, Batangas Geothermal Service Contract was awarded to the Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is 5 years, and was extended up to 2017.

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

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

The Company completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment in 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 considering the existence of adequate infrastructure, adjacency to transmission lines and a strong power demand in the area.

In 2015, Trans-Asia Oil and Energy Development Corporation (now Phinma Energy Corporation) has agreed to a 25% participating interest in this project, which was confirmed upon completion of the gravity survey which it conducted in 2014. The DOE approved the farm-in agreement of the Company with Phinma Energy on September 15, 2015.

For this service contract, the work program committed to the DOE involved the drilling of one (1) exploratory well by July, 2017. The drilling of the well was undertaken by Diamond Drilling Corporation of the Philippines, with the well spud done in June, 2016. On February 6, 2017, target depth was reached at 1,679 meters. Currently, various tests are being conducted to determine the geothermal resource in the area. Estimated costs for this work program is Php167 Million.

Frontier Geothermal Service Contracts

The Company was also awarded the service contracts from the Department of Energy (DOE), 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.

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

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

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

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

In 2016, Desco, Inc. entered into a Farm-in Agreement with the Company acquiring an eighty percent (80%) participating interest in and the operatorship of the Iriga Geothermal Project. The farm-in agreement and transfer of operatorship of the project to Desco, Inc. was approved by the DOE in a letter received by the Company on November 8, 2016. In 2017, Desco, Inc. entered into a Farm-in Agreement with the Company covering the acquisition of a twenty-five percent (25%) participating interest in the Mariveles Geothermal Project, which has already been submitted to the DOE.

In 2016, the Company requested the DOE for a moratorium on the West Bulusan Geothermal Project, in view of the concerns raised by the indigenous people in the area and the local church officials against the project, which prevented the Company to conduct the necessary permitting works.

The above projects, except the West Bulusan project, are undergoing permitting works and coordination with the local government units involved. Estimated costs for the work programs for these service contracts for 2017 is Php 33 Million.

Hydro-Power Energy

The Company was awarded service contracts for the development of hydro-power resources by the Department of Energy, which prescribes the periods and programs for these service contracts, pursuant to R.A. 9513 (Renewable Energy Act of 2008), in February, 2014. 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.

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

Risk Management

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

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

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

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

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

Exploring in Geological Proven Petroleum Areas. The Company has been making investments in these areas and will continue to invest in geologically identified provinces potentially rich in petroleum and geothermal resources.

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

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

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

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

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

(3) Employees

The Company has twenty-three (23) officers and regular employees, of which seven (7) are executive officers, three (3) are technical managers, nine (9) are assigned as accounting, administrative, IT and operations support staff and four (4) are assigned for utility and service staff. The Company expects to hire additional officers and other personnel and/or engage the services of consultants or project employees in 2017 as may be needed, as additional technical and project staff for its on-going projects. When the Company will pursue additional renewable energy projects, project managers and engineering, technical and other support personnel may be required for its projects.

(B) Description of Properties

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

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

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

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

The Company, through another subsidiary, owns a parcel of land located at Gutalac, Zamboanga del Norte with an area of approximately 22 hectares, suitable for agricultural farm development.

For 2016, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

(C) Legal Proceedings

The Company or its subsidiaries and affiliates are not involved in any pending legal proceeding/s relative to its properties or property interests of the Company, in the last five (5) years.

Management's Discussions and Analysis and Plan of Operation for 2017

Oil and Gas Operations

For 2017, the Company will continue with its business in oil and gas exploration, being a party, together with other oil exploration companies, to a service contract for the exploration, development and exploitation of natural gas in certain areas situated in offshore Mindoro (Service Contract 53).

For Service Contract 53, the consortium has agreed to drill Progreso-2 to fulfil one of the tw0 (2) well obligations under the Sub-Phase 2 program of the project. While preparations are on-going for the drilling works, the term for this phase is deemed suspended and will start upon resolution of pending issues with the NCIP and the Famatodi, Inc., the association of indigenous peoples in the project area. The Company has a 3% participation in this service contract.

The Company's cash requirements for Service Contract 53, for the whole year of 2017 is budgeted at a total of Php18.3 Million, which will be adequately funded by its cash and short-term investments. There will be a need for the Company to raise additional funds and increase manpower should there be new developments to pursue the above project in 2017.

Geothermal Energy Operations

The Company is committed to drill an exploratory well in the Mabini, Batangas Geothermal Service Contract (GSC No. 8) by July, 2017. All the required permits, leases and licenses for the drilling of the exploratory well have been obtained and the Department of Energy had approved the Company's notice of intent to drill in GSC No. 8. The well spud was done in June, 2016, after which drilling operations were conducted up to February 6, 2017, when target depth was reached at 1,679 meters. Well completion tests and surveys were conducted afterwards and further tests are currently being undertaken to determine the geothermal resource in the area.

The Company will continue discussions with other companies interested in the exploration and development of geothermal resources in this service contract.

The Company's cash requirements for GSC No. 8 is budgeted at about Php166 Million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds to further develop its geothermal energy projects. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Hydro-Power Energy Operations

The Company has advised the Department of Energy of its intentions to withdraw and return the service contracts for the exploration and development of hydro-power resources awarded to the Company. This will enable the Company to focus on its geothermal projects.

Business Development

The Company continues to look for business opportunities for the exploration and development of renewable energy resources, such as but not limited to geothermal resources in other areas, solar power resources in properties owned by the Company and other properties which may be identified in the future, and other renewable energy resources.

The Company's cash requirements for the business development of other renewable energy projects, is budgeted at about Php 5 million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds for solar projects which may be awarded to the Company in 2017. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2016

(a) Full Fiscal Years (Three Years)

2016

For 2016, total assets of the Company stood at Php 721.042 million, a decrease of Php 106.197 million from the balance of Php 827.239 million in 2015. Current assets amounting to Php 170.094 million decreased by Php 37.577 million from the balance of Php 207.671 in 2015. This was primarily due to the decrease in cash and cash equivalents disbursed for costs and expenses during the year. Non-current assets, totaling Php 550.948 million decreased by Php 68.619 million from the balance of Php 619.567 million. This was primarily due to the decrease in deferred exploration costs of Php 135.669 due to the provisions for impairment losses booked for the year amounting to Php 166.713 million and the decrease in available for sale (AFS) financial assets of Php 24.889 million due to redemption. These decreases, however, were partially offset by increases in investment properties and property and equipment totaling Php 80.872 million due to revaluation and Php 17.296 due to acquisitions.

Total liabilities closed at Php 21.831 million, an increase of Php 1.479 million from the balance of Php 20.352 million in 2015. This was primarily due to the increase of Php 2.567 million in payables and accrued expenses, partially offset by the decrease in income tax payable amounting to Php 1.112 million.

Total equity recorded was Php 699.211 million, a decrease of Php 107.676 million compared to the balance of Php 806.887 million in 2015. The decrease was primarily due to the decreases in retained earnings amounting to Php 74.127 million due to the losses for the year, non-controlling interests of Php 49.252 million and translation adjustment of Php 4.253 million. These decreases were, however, partially offset by deposit on future subscriptions of Php 13.941 million and an increase in revaluation increment of Php 6.040 million.

Total revenue generated for the year amounted to Php 97.850 million, an increase of Php 47.384 million from the revenue in 2015 of Php 50.466 million. Revenues for the year were mostly from fair value adjustments on investment properties amounting to Php 71.956 million, unrealized foreign exchange gains of Php 16.414 million and interests and dividends totaling Php 9.454 million.

Costs and expenses were from general and administrative expenses amounting to Php 51.955 million and provisions for impairment losses on deferred exploration costs of Php 166.713 million. Provisions for impairment losses of Php 147.933 were booked on deferred costs for the Indonesia oil project as the project was placed on hold by the middle of 2015 until Pertamina is able to finalize the organizational structure of local miners who will handle the management and operation of oil well in said areas and with whom the Company shall enter into new cooperation agreements. In addition, Php 16.224 million provisions for impairment losses were booked on deferred costs for SC 47 as the Department of Energy (DOE) had already approved the relinquishment of the service contract by the consortium, which includes the Company, and Php 2.556 million on deferred costs for hydropower service contracts as the Company advised the DOE of its intentions to withdraw and return the hydropower service contracts awarded to the Company.

For the year 2016, the Company recorded a consolidated operating loss of Php 124.460 million, Php 75.648 million of which was attributable to equity holders of the parent company and Php 48.812 million to non-controlling interests. Deducting a net comprehensive income of Php 2.843 million, total comprehensive loss amounted to Php 121.617 million, Php 72.364 million of which was attributable to equity holders of the parent company, and Php 49.253 million to non-controlling interests.

2015

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

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

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

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

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

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

2014

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

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

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

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

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

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

(b) Interim Period- First Quarter, 2017 (Unaudited as of March 31, 2017)

For the quarter ending March 31, 2017, total assets stood at Php 709.665 million, total liabilities at Php 23.654 million and stockholders' equity at Php 749.424 million, with minority interest comprising Php 63.413 million.

Total revenues recorded as of March 31, 2017 was Php 3.896 million, while total costs and expenses amounted to Php 14.417 million, resulting to a net loss of Php 10.521 million with minority interest recorded at Php 391.471 thousand for a net loss after minority interest of Php 10.129 million. Total revenue for the period amounting to Php 3.896 was mostly from interests and dividends from placements and investments amounting to Php 2.151 million and unrealized foreign exchange gain of Php 1.739 million. Costs and expenses were all in general administrative expenses amounting to Php 14.417 million.

(c) Key Performance Indicators

The following table shows the top Key Performance indicators for the past three (3) years:

Key Performance Indicators	Year 2016	Year 2015	Year 2014
Return on Investment (ROI)	-16.53%	-0.14%	-0.79%
(Net Income / Ave. Stockholders' Equity)			
Net Profit Margin	-127.20%	-2.35%	-18.04%
(Net Income / Net Revenue)			
Investment in Projects (Non-Petroleum)	38.19%	24.59%	23.57%
(As a % of Total Assets)			
Investment in Wells and Other Facilities	12.18%	27.02%	23.93%
(As a % of Total Assets)			
Current Ratio	20.97:1	31.19:1	3.71:1
(Current Assets / Current Liabilities)			

Asset Turnover	12.64%	5.97%	4.28%
(Net Revenue / Average Total Assets)			
Solvency Ratios:			
Debt to Equity Ratio	3.12%	2.52%	3.13%
Asset to Equity Ratio	103.12%	102.52%	103.13%
Interest Rate Coverage Ratio	n/a	n/a	n/a

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

ROI was -16.53% in 2016, -0.145 in 2015 and -0.79% in 2014. All three years showed negative rates because the Company booked losses for these years.

Profit Margin was -127.20% in 2016, -2.35% in 2015, and -18.04% in 2014. All three years showed negative rates because the Company booked net losses for these years as mentioned in the previous paragraph.

Investment in Non-Petroleum Projects as a % of Total Assets was 38.19% in 2016, 24.59% in 2015 and 23.57% in 2014.. The increase in ratio from 2014 to 2015 was due to the decrease in the total assets base as compared to investments while the increase in ratio from 2015 to 2016 was due to the increase in investments while total assets decreased in 2016 as compared to 2015.

Investment in Wells and Other Facilities as a % of Total Assets was 12.18% in 2016, 27.02% in 2015 and 23.93% in 2014. The increase in ratio from 2014 to 2015 was due to the increase in investments while total assets decreased, while the decrease in ratio from 2015 to 2016 was due to the decreases both in investments and total assets in 2016 as compared to 2015.

Current ratio was 20.97:1 in 2016, 31.19:1 in 2015 and 3.71:1 in 2014. The increase in ratio from 2014 to 2015 was due to the increase in current assets which current liabilities decreased. The decrease in ratio from 2015 to 2016 was due to the decrease in current assets while current liabilities increased in 2016 as compared to 2015.

Asset Turnover was 12.64% in 2016, 5.97% in 2015 and 4.28% in 2014. The increase in ratio from 2014 to 2015 was due to the increase in revenue while average total assets decreased. The increase in ratio from 2015 to 2016 was due to the increase in revenue but average total assets decreased in 2016 as compared to 2015.

Debt to Equity Ratio was 3.12% in 2016, 2.52% in 2015 and 3.13% in 2014. The decrease in ratio from 2014 to 2015 was due to the decreases in both liabilities and in equity, while the increase in ratio from 2015 to 2016 was due to the increase in liabilities while equity decreased in 2016 as compared to 2015.

Asset to Equity Ratio was 103.12% in 2016, 102.52% in 2015 and 103.13% in 2014. The decrease in ratio from 2014 to 2015 was due to the decreases in both total assets and equity, while the increase in ratio from 2015 to 2016 was also due to the decreases in both total assets and equity in 2016 as compared to 2015.

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

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

Since December 31, 2016, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period. There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

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

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

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

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

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

(d) Comparative Analysis

First Quarter of 2017 (Interim Unaudited vs. Fiscal Year 2016 Results of Operations)

For the quarter ending March 31, 2017, the company booked total revenues of Php 3.896 million with total cost and expenses of Php 14.417 million resulting to a net loss of Php

10.521 million with minority interest recorded at Php 391.471 thousand for a net loss net of minority interests of Php 10.129 million.

Total revenue for the 1st quarter of 2017 of Php 3.896 million was mostly from interests and dividends from placements and investments amounting to Php 2.151 million and unrealized foreign exchange gain of Php 1.739 million.

Total cost and expenses for the 1st quarter of 2017 amounting to Php 14.417 million was all from general and administrative expenses.

Total Assets as of March 31, 2017 stood at Php 709.665 million, a decrease of Php 11.377 million from Php 721.042 million as of December 31, 2016. Current assets, mostly in cash and cash equivalents decreased by Php 25.471 million, as these were used for operations and for the cash requirements of the existing projects of the company. Non-current assets, however, increased by Php 14.094 million, net of increases in deferred charges of Php 13.502 million and property and equipment of Php 1.709 million and decreases in available for sale (AFS) financial assets of Php 1.112 million.

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

Total Stockholders' Equity as of March 31, 2017 stood at Php 749.424 million, a decrease by Php 12.808 million from Php 762.232 million as of December 31, 2016. This was due to the net loss booked for the 1st quarter of 2016 of Php 10.129 million, fair value adjustments on AFS financial assets of Php 1.121 million and cumulative translation adjustment of Php 1.558 million.

First Quarter, 2017 (Interim Unaudited) vs. First Quarter, 2016 Results of Operations

The Company recorded total revenues of Php 3.896 million for the 1st quarter ending March 2017, a decrease of Php 863 thousand from the balance as of the same quarter in 2016 of Php 4.759 million. The decreases in revenues during the 1st quarter of 2017 as compared to the same quarter in 2016 were from interests and dividends and unrealized foreign exchange gain.

Costs and expenses for the 1st quarter of 2017 amounted Php 14.417 million, an increase of Php 1.694 million from the balance of Php 12.728 million for the same quarter of 2015. The increase was in general and administrative expenses booked during the 1st quarter of 2017 as compared to the same quarter in 2016.

For the 1st quarter of 2017, the Company booked a net loss on a consolidated basis after minority interest of Php 10.129 million as compared to the net loss booked during the 1st quarter of 2016 amounting to Php 9.969 million.

Total Assets as of March 31, 2017 stood at Php 709.664 million a decrease of Php 108.225 million from Php 817.889 million as of March 31, 2016. Current assets decreased by Php 50.911 million mainly due to the decrease in cash and cash equivalents of Php 56.064 million partially offset by an increase in other current assets of Php 4.964 million. Non-current assets decreased by Php 57.314 million. Decreases recorded were from deferred charges of Php 128.144 million due to provisions for impairment losses booked in 2016, available for sale AFS financial assets of Php 23.466 million due to redemption, deferred income tax asset of Php 5.586 million and other current assets of Php 800 thousand. These decreases were partially offset by increases in investment properties of Php 71.956 million and property and equipment due to revaluation of these properties.

Total Liabilities closed at Php 23.654 million as of March 31, 2017, an increase of Php 1.058 million from PhP 22.596 million as of March 31, 2016 . The increase was primarily from accounts payable and accrued expenses partially offset by decreases in income tax payable of Php 979 thousand and accrued retirement benefits payable of Php 283 thousand.

Total Stockholders' Equity as of March 31, 2017 stood at Php 749.424 million, a decrease of Php 57.638 million from Php 807.062 million as of March 31, 2016. The decrease was mainly due to the decreases in retained earnings of Php 74.287 million, and cumulative translation adjustment of Php 4.730 million, which were partially offset by deposits for future subscriptions of Php 13.941 million, increases in revaluation increment in office condominium of Php 6.040 million and fair value adjustments on AFS financial assets of Php 1.534 million.

2016 vs. 2015 Results of Operations

For the year ended December 31, 2016, the Company recorded total revenue of Php 97.950 million an increase of Php 47.384 million compared to the revenue booked as of the year ended December 31, 2015 of Php 50.466 million. The increase was mainly due to the fair value adjustment on investment properties booked for the year amounting to Php 71.955 million and the increase in unrealized foreign exchange gains amounting to Php 22.414 million. These increases, however, were partially offset by decreases in gain on sale of AFS financial asset of Php 45.0 million, dividend and interest income of Php 2.163 million.

Costs and expenses for the year ended December 31, 2016 amounted to Php 218.668 million, an increase of Php 170.188 million from costs and expenses booked for the year ended December 31, 2015 of Php 48.480 million. The increase was mainly due to the provisions for impairment losses on deferred costs that were booked in 2016 in the total amount of Php 166.713 million.

The Company recorded a net operating loss on a consolidated basis of Php 124.460 million and a total comprehensive loss of Php 121.617 million for the year ended 2016 as compared to a net operating loss of Php 1.188 million and total comprehensive loss of Php 30.333 million for the year ended 2015.

2015 vs. 2014 Results of Operations

For the year ended December 31, 2015 the Company recorded total revenues of Php 50.466 million an increase of Php 13.713 million from total revenues booked as of December 31, 2014 of Php 36.753 million. The increase was mainly due to the increase in gain on sale of AFS financial assets of Php 33.172 million which was partially offset by decreases in interest income of Php 11.296 million, unrealized foreign exchange gains of Php 6.0 million and fair value adjustments on investment properties of Php 2.824 million.

Costs and expenses for the year ended December 31, 2015 amounted to Php 51.980 million all in general and administrative expenses, a decrease of Php 3.5 million from the balance recorded as of December 31, 2014 of Php 48.480 million.

The Company recorded a net operating loss on a consolidated basis of Php 1.188 million and total comprehensive loss of Php 30.333 million for the year ended 2016 as compared to a net operating loss of Php 6.632 million and total comprehensive loss of Php 8.700 millin for the year ended 2015.

(e) Changes in and disagreements with accountants on accounting and financial disclosures

There were no disagreements with the Company's external auditors on any accounting and financial disclosures in the 2016 audited financial statements of the Company.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company adopted as of January 1, 2016. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

i. 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

ii. Amendments to PAS 1, Presentation of Financial Statements, Disclosure Initiative

iii. Amendments to PAS 27, Separate Financial Statements, Equity Method in Separate Financial Statements

iv. Annual Improvements to PFRSs (2012 – 2014 cycle)

   a. Amendment to PFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal
   b. Amendments to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts
   c. Amendments to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
   d. Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue
   e. Amendments to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'

The above changes were disclosed in the Consolidated Audited Financial Statements of the Company as of December 31, 2016.

PART II. SECURITIES OF THE COMPANY

(A) Market Price and Dividends Information

(1) Market Information

The shares of stock of the Company are traded in the Philippine Stock Exchange. The Company's high and low closing prices for each quarter of years 2015 and 2016, and the first three (3) months/quarter of 2017, are as follows:

	HIGH			LOW		
	2015	2016	2017	2015	2016	2017
1st Quarter	Php0.27	Php0.27	Php0.41	Php0.26	Php0.18	Php0.18
2nd Quarter	0.25	0.26		0.24	0.23	
3rd Quarter	0.21	0.25		0.20	0.20	
4th Quarter	0.21	0.24		0.20	0.18	

The last trading price of shares of the Corporation at close of trading as of March 31, 2017 was Php0.24 per share. Further, the high and low sales prices of shares of the Corporation, as of March 31, 2017 were Php0.25 and Php0.24 per share, respectively.

HOLDERS

Top 20 Stockholders as of March 31, 2017:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Filipino)	2,110,348,245	81.05%
PCD Nominee Corporation (Foreign)	112,909,985	4.34%
Vintage Engineering Public Co. Ltd.	43,565,870	1.67%
Christodel Phils, Inc.	25,736,744	0.99%
Isidoro O. Tan	24,822,276	0.95%
Phases Realtors, Inc.	20,989,439	0.81%
Northwest Traders Corporation	20,745,757	0.80%
Jose C. De Venecia, Jr.	10,013,225	0.38%
Samuel Uy	10,000,000	0.38%
Northwest Investors, Inc.	8,708,890	0.33%
Mark Anthony L. De Venecia	8,363,333	0.32%
JLV Holdings, Inc.	7,200,000	0.28%
MDV Holdings, Inc	5,070,000	0.19%
Horacio Rodriquez	4,408,523	0.17%
Northwest Securities,Inc.	3,998,109	0.15%
Christine Chua	3,149,221	0.12%
East West Commodities, Inc.	3,019,498	0.12%
Renato Castaneda	2,500,000	0.10%
Vicky Chua	2,500,000	0.10%
Jennette Lista	2,500,000	0.10%
Archivald Po	2,500,000	0.10%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange. The Company's level of public float as of March 31, 2017 is 87.65% of total issued and outstanding shares.

3) DIVIDENDS

a) No cash/stock dividends have been declared in 2016 and 2015.
b) There are no restrictions that limit the payment of dividend on common shares

4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

a. SOP Shares

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

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

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

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

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

b. Issuance of Shares to Vintage Engineering Public Company of Thailand

Vintage Engineering Public Company, a publicly listed company registered in Thailand, subscribed to 43,565,870 shares on February 24, 2017. The issuance of said shares was confirmed by the Securities and Exchange Commission on March 21, 2017 as an exempt transaction under Section 10.1 (k) of the Securities Regulation Code, where the total number of subscribers is not more than nineteen (19).

CORPORATE GOVERNANCE

New Corporate Governance Manual

Pursuant to SEC Memorandum Circular No. 19, series of 2016, the Company shall adopt a new Manual on Corporate Governance, following the principles and recommendations prescribed in the Code of Corporate Governance for Publicly Listed Companies embodied in said SEC Memorandum Circular. The new Manual on Corporate Governance of the Company, which is required to be submitted on or before May 31, 2017, shall contain the following main provisions:

1. The Board's Governance Responsibilities
2. Disclosure and Transparency
3. Internal Control System and Risk Management Framework
4. Cultivating a Synergic Relationship with Shareholders, and
5. Duties to Stakeholders

Corporate Governance Committee

The Board of Directors has established a Corporate Governance Committee since 2009. The Committee assists and guides the Board in the performance of its corporate governance responsibilities, and is thus responsible for maintaining and ensuring good governance of the Company, and compliance with all relevant laws, regulations and following to the extent possible, best business practices on corporate governance, applicable to publicly listed companies in the energy development sector..

The Committee is presently composed of five (5) members, two (2) of whom are independent directors and the Chairman being an independent director, as follows:

Harvey L. N. Dychiao (Independent Director)	-	Chairman
Francis C. Chua	-	Vice Chairman
Ma. Florina M. Chan	-	Member
Eduardo V. Manalac (Independent Director)	-	Member
Jaime J. Martirez	-	Member

Evaluation Process for Assessing Compliance with the Manual on Corporate Governance

The Corporate Governance Committee shall continue to adopt a Corporate Governance Self Rating Form to evaluate the level of compliance by the Company, as a whole, and by the Board with the Company's Manual on Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies. The Compliance Officer shall assist the Corporate Governance Committee in overseeing the evaluation process on a periodic basis, and at least annually, to ensure a reasonable level of compliance by the directors, officers and employees of Company with leading practices contemplated in the Company's Manual on Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies.

Annual Corporate Governance Report

The Company shall submit its 2016 Annual Corporate Governance Report (ACGR) to the Securities and Exchange Commission, based on the Revised Code of Corporate Governance, on or before May 31, 2017, and shall be posted in the Company's website. Subsequent ACGRs shall be based on the Code of Corporate Governance for Publicly Listed Companies.

Internal Control

The Board of Directors is responsible for the Company's system of internal financial control. This system is designed to promote reasonable assurance against any material misstatement, risks or loss. It aims to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

The Company has its Internal Audit Manual, setting the internal audit policies, internal control systems and procedures and reporting of internal audit results to the Audit Committee and to the Board of Directors.

Anti-Money Laundering Manual

The Board of Directors of the Company has adopted its Anti-Money Laundering Manual. The Company is in compliance with the provisions of its Anti-Money Laundering Manual.

REQUEST FOR 2016 ANNUAL REPORT ON SEC FORM 17-A

The Corporation will provide without charge each person solicited, on the written request of any such person, a copy of the Corporation's Annual Report for 2016 (SEC Form 17-A). Such written request should be directed to the:

Corporate Secretary
Basic Energy Corporation
7th Floor, Basic Petroleum Bldg.
104 Carlos Palanca, Jr. St., Legaspi Village
Makati City

At the discretion of Management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the Corporation in furnishing the exhibits.

April 12, 2017, Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Basic Energy Corporation & Subsidiaries, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements ,management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so..

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

OSCAR C. DE VENECIA
Chairman of the Board

OSCAR L. DE VENECIA, JR.
President &Chief Executive Officer

MARIETTA V. VILLAFUERTE
Vice President & Treasurer

Signed this 30th day of March, 2017.

SUBSCRIBED AND SWORN to before me this ____ day of APR 07 2017 2017 affiants having exhibited to me their TIN # as follows:

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

Notary Public

ATTY. HOMERT N. LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20 Makati City
IBP #10[illegible] for 2017 Nov. 22 2016-RSM
PTR #5909501 Jan. 03 2017 Makati
S.C. Roll No. 59587
MCLE Compliance No. V 001 4429 9 March 2016
G/F [illegible] Bldg
101 Urban Avenue Brgy. Pio del Pilar
Makati City

Doc. No. 492
Page No. 100
Book No. 181
Series of 2017.

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.*

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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.

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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

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	(1,045,732)	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	(₱5,298,491)	₱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.

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 SRI, 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.

<u>Prepayments and Other Current Assets</u>
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.

<u>Investment Properties</u>
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

<u>Hydropower Service Contracts (HSCs)</u>
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	**–**	**189,372,740**	**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**	321,066	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	**2,549,217**	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)**	(33,753,463)
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	₱–	₱–	₱159,625,881
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

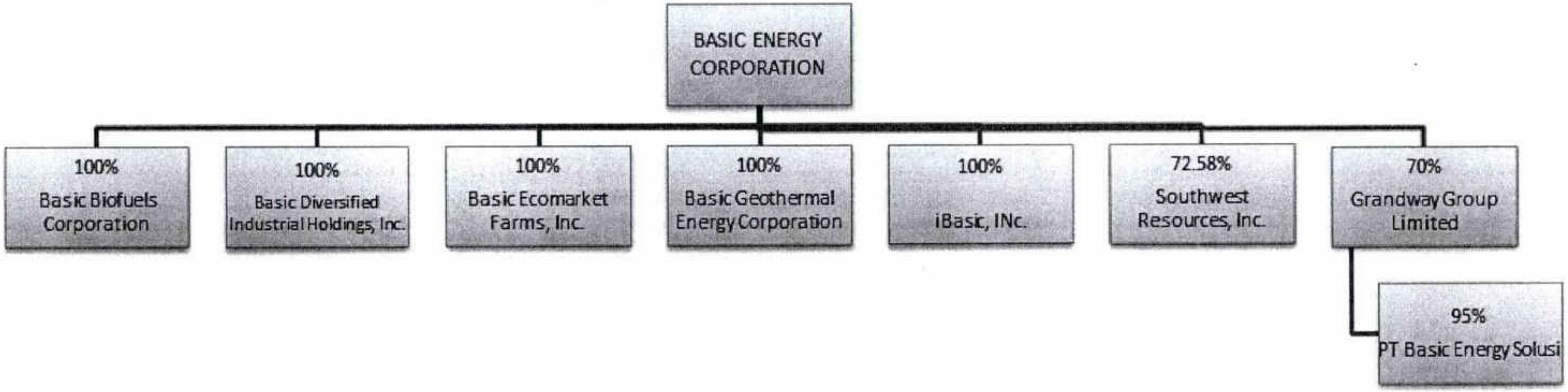
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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**

SCHEDULE IV

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

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