THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, 1550 Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080
E-mail: info@philodrill.com
Website: www.philodrill.com

Information Statement
Annual Stockholders' Meeting
18 June 2014

SEC Number ***38683***
File Number ____

THE PHILODRILL CORPORATION

(Company's Full Name)

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Metro Manila

(Company's Address)

631-1801 to 05; 631-8151 to 52

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 20-IS
Definitive Information Statement

Form Type

Amendment Designation (If applicable)

Period Ended Date

(Secondary License Type and File Number)

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 Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **THE PHILODRILL CORPORATION**

3. Jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **38683**

5. BIR Tax Identification Code: **000–315–612–000**

6. **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City** — **1550**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code: **(632) 6318151-52; (632) 6311801-05**

8. **18 June 2014, 2:30 p.m., Garden Ballroom, EDSA Shangri-la Manila, 1 Garden Way, Ortigas Center, Mandaluyong 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 security holders: **16 May 2014**

10. Name of Person Filing the Statement/Solicitor*:* **The Philodrill Corporation**
    Address*:* **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550**
    Telephone No.**: (632) 6318151-52; (632) 6311801-05**

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 or Amount of Debt Outstanding
Common	191,868,805,358

12. Are any or all of registrant's securities listed in a Stock Exchange?
    YES, Philippine Stock Exchange, Common Shares

THE PHILODRILL CORPORATION
8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City 1550, Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

INFORMATION STATEMENT

PART I

A. General Information

Item 1. Date, time and place of meeting of stockholders

(a) The 2014 Annual Stockholders' Meeting (the "Meeting") of The Philodrill Corporation (the "Company") will be held on 18 June 2014, 2:30 p.m., at the Garden Ballroom, EDSA Shangri-la Manila, 1 Garden Way, Ortigas Center, Mandaluyong City. The complete mailing address of the Company is 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

(b) This Information Statement and the accompanying Proxy Form will be first sent to stockholders at least one (1) month prior to the date of the Meeting in accordance with the Company's By-Laws, or on or before 16 May 2014.

Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair market value of his shares in case: (i) any amendment to the Company's Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) of any sale, lease, mortgage or disposition of all or substantially all of the corporate assets; and, (iii) of merger or consolidation. If, at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the Meeting, any stockholder who voted against the proposed action and who wishes to exercise his right of appraisal must make a written demand, within thirty (30) days after the date of the Meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his stock certificates. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

NO corporate action is being proposed or submitted at the Meeting that may call for the exercise of a stockholder's right of appraisal.

Item 3. Interest or Opposition of Certain Persons in Matters to be Acted Upon

(a) **NO** director, officer, or associate of such director or officer has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the Meeting, except election of directors.

(b) **NO** director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

(a) Class and Number of Shares. The Company has only one (1) class of shares – Common Shares – which are issued and transferable to both Philippine and non-Philippine nationals; *provided,* that the Company's Common Shares shall not be issued to non-Philippine nationals in excess of 40% of the Company's outstanding capital stock. As of Record Date, the Company's outstanding capital stock is 191,868,805,358 shares. Each share is entitled to one (1) vote.

(b) Record Date. The Record Date with respect to this solicitation is 19 March 2014. Only stockholders of record as at the close of business on 19 March 2014 are entitled to notice of, and to vote at, the Meeting.

(c) Cumulative Voting. Stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one (1) nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; *provided*, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

(d) Owners of 5% or More. The following persons are known to the Company to be directly or indirectly the owner of more than 5% of the Company's voting securities as of 31 March 2014:

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A and C)	Filipino	74,698,520,113	38.9327%
Common	National Book Store, Inc. 4/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,735,965,802	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,962,800,000	8.840%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	26,099,009,706	13,603%
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	108,936,264	0.0567%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	22,669,541,758	11.815%

Note A: The number of shares held by PCD Nominee Corporation (PCD) is net of the shares held by Alakor Securities Corporation (ASC) for the accounts of National Book Store Inc (NBS) and Alakor Corporation (AC).

Note B: Of the 74,698,520,113 shares held by PCD, 73,103,594,520 shares have been fully paid and issued, while 1,594,925,593 are subscribed. The 16,962,800,000 shares held by ASC for NBS have been fully paid and issued, while the 16,735,865.802 shares held by NBS are subscribed. The 26,099,009,706 shares held by ASC for AC have been fully paid and issued, while the 16,735,965,801 shares held by AC are subscribed. The 22,669,541,758 shares held by ASC for APO, 22,242,307,692 shares have been fully paid and issued, while the 427,234,066 shares are subscribed

Note C: The shares registered in the name of PCD are beneficially owned by its clients. Thus, PCD does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date. The proxies of ASC, NBS and AC are appointed by their respective Boards of Directors and the Company becomes aware of such proxies only when the appointments are received by the Company. Based on previous practice, Mr. Alfredo C. Ramos has been appointed proxy for ASC, NBS and AC for the previous years. Mr. Ramos has direct/indirect interest/shareholdings in NBS and AC.

(e) Voting Trust Holders of 5% or more. To the extent known to the Company, there is **NO** person holding more than 5% of the Company's voting stock under a voting trust or similar agreement.

(f) Stock Ownership of Management. The Company's directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated officers (O) own the following number of shares as of 31 March 2014:

		Amount/Nature of Beneficial Ownership				
		Issued				
Class	**Name of Beneficial Owner**	**Direct**	**Indirect**		**Citizenship**	**Ownership**
Common	Alfredo C. Ramos (D/CEO)	11,025	10,698,210		Filipino	0.006%
Common	Presentacion S. Ramos (D)	125,000	77,000,000		Filipino	0.040%
Common	Augusto B. Sunico (D)	4,917	447,185		Filipino	< 0.000%
Common	Christopher M. Gotanco (D)	4,860,025	115,463,375		Filipino	0.06%
Common	Adrian S. Ramos (D)	1,250,000	33,323,125		Filipino	0.018%
Common	Francisco A. Navarro (D/O)	100,000	61,000,000		Filipino	0.03%
Common	Nicasio I. Alcantara (D)	363,200,000	0		Filipino	0.189%
Common	Honorio A. Poblador III (D)	29,900,000	0		Filipino	0.016%
Common	Maureen Alexandra R. Padilla (D)	10,000	80,000		Filipino	<0.00%
Common	Reynaldo E. Nazarea (O)	0	55,656,250		Filipino	0.029%
Common	Alessandro O. Sales (O)	0	0		Filipino	0
Common	Isabelita L. Matela (O)	273,105	605,802		Filipino	<0.000%

As of Record Date, the aggregate number of shares owned by the Company's directors, Chief Executive Officer, four (4) most highly compensated officers and nominees is 759,008,019 shares or approximately 0.395% of the Company's outstanding capital stock. Except for shares appearing on record in the names of the directors and officers above, the Company is not aware of any other shares which said persons may have the right to acquire beneficial ownership.

NO change in the control of the Company has occurred since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

(a) The names, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become such are as follows:

Name	Age	Citizenship	Position	Period of Service	Committee Membership	Period of Service
Alfredo C. Ramos	70	Filipino	Chairman of the Board	Dec 2, 1992 - Present	Nominations	2004 - Present
			President	Apr 24,1989 – Mar 31, 2014		
Augusto B. Sunico	85	Filipino	Director	May 18, 1984 - Present	Compensation	2005 - Present
Christopher M. Gotanco	64	Filipino	Director	Aug 17, 2005 - Present	Nominations/Audit	2008 - Present
Adrian S. Ramos	35	Filipino	Director	Jan 18, 2006 - Present	Compensation/Audit	2006 - Present
Honorio A. Poblador III	68	Filipino	Independent Director	Feb 26, 2003 - Present	Compensation/Audit	2004 - Present
Nicasio I. Alcantara	71	Filipino	Independent Director	Feb 26, 2003 - Present	Nominations/Audit	2005 - Present
Presentacion S. Ramos	72	Filipino	Director	May 28, 1997 - Present	None	None
Francisco A. Navarro	71	Filipino	Director	Mar 22, 2006 - Present	None	None
			Exec. Vice President	May 1, 2005 – Mar 31, 2014		
			President	April 1, 2014 - Present		
Maureen Alexandra Ramos-Padilla	41	Filipino	Director	Jun 19, 2013 - Present	None	None
Reynaldo E. Nazarea	62	Filipino	VP-Administration	May 1, 1992 - Present	Nominations (non-voting)	2004 - Present
			Treasurer	May 1, 2005 - Present		
Alessandro O. Sales	55	Filipino	VP-Exploration & Prod.	Mar 11, 2008 - Present	None	None
Adrian S. Arias	51	Filipino	Corporate Secretary	Dec 2, 1992 - Present	None	None

(1) Directors elected in the Annual Stockholders' Meeting have a term of office of one (1) year and serve as such until their successors are elected in the next succeeding annual stockholders' meeting; *provided*, that a director elected to fill a vacancy in the Board shall serve only the unexpired term of his predecessor.

(2) All directors of the Company were elected in the 2013 Annual Stockholders' Meeting held on 19 June 2013 and have since served in such capacity.

(3) The names of the members and chairpersons of the Company's corporate governance committees are as follows:

Nominations Committee

Nicasio I. Alcantara	–	Independent Director, Chairman
Alfredo C. Ramos	–	Director, Member
Christopher M. Gotanco	–	Director, Member
Reynaldo E. Nazarea	–	Treasurer and Vice-President for Administration, Non-voting Member

Compensation & Remuneration Committee

Honorio A Poblador III	–	Independent Director, Chairman
Augusto B. Sunico	–	Director, Member
Adrian S. Ramos	–	Director, Member

Audit Committee

Honorio A. Poblador III	–	Independent Director, Chairman
Nicasio I. Alcantara	–	Independent Director, Member
Christopher M. Gotanco	–	Director, Member
Adrian S. Ramos	–	Director, Member

There are **NO** arrangements that may result in a change in control of the Company.

(4) Independent Directors. Pursuant to Securities Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Messrs. Honorio A. Poblador III and Nicasio I. Alcantara.

In line with the guidelines set by the Nominations Committee and approved by the Board of Directors, the Nominations Committee receives the names of nominees and screens them based on the policies and parameters for screening nominees for independent directorship. The final list of candidates, with the information required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, is herewith attached. Mr. Noel T. Del Castillo nominated Mr. Nicasio I. Alcantara, while Ms. Iluminada P. Rodriguez nominated Mr. Honorio A. Poblador III, for re-election as independent directors of the Company for the ensuing fiscal year 2014. Mr. Castillo and Ms. Rodriguez are not related to either or both Messrs. Alcantara and Poblador.

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

(5) Business Experience of Executive Officers, Directors and Persons Nominated for Director

Mr. Alfredo C. Ramos has been the the Chairman of the Board since 2 December 1992 until the present. He served as President/Chief Executive Officer of the Company from 24 April 1989 until 31 March 2014. He serves as a director and/or executive officer, and maintains business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media (1962-present), mining (1988-present), oil and gas exploration (1989-present), property development (1991-present), shopping center (1992-present), department store (1993-present), and transportation (1996-present), among others.

Ms. Presentacion S. Ramos is a Director of the Company. She serves as a director and/or executive officer, and maintains business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media (1975-present), oil and gas exploration (1984-present), department store (1993-present), mining (1993-present) and stock brokerage (1996-present), among others.

Mr. Augusto B. Sunico is a Director of the Company. He serves as a director and/or executive officer in companies involved in oil and gas exploration (1984-present), property development (1991-present), and financial services (1992-present), among others.

Mr. Christopher M. Gotanco is a Director of the Company. He serves as a director and/or executive officer in companies involved in oil and gas exploration (1982-present), mining (1993-present), investment holdings (1995-present), transportation (1996-present), property development (1996-present) and financial services (2007-present), among others.

Mr. Francisco A. Navarro is a Director and the Company's incumbent President. He has headed the exploration and development groups of, and served as a director in, various companies involved in oil and gas exploration (1982-present) and mining (1993-present).

Mr. Adrian S. Ramos is a Director of the Company. He serves as a director and/or executive officer in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), investment holdings (2005-present), securities (2005-present), property development and infrastructure (2006-present), mining (2006-present) and bulk water supply (2006-present), among others.

Mr. Nicasio I. Alcantara is an Independent Director of the Company. He has served as a director and/or executive officer, and maintained business interests in companies such as Seafront Resources Corp., Alsons Insurance Brokers Corp., Alsons Aquaculture Corp., Alsons Corporation, Alsons Dev't. & Investment Corp., Alsons Land Corporation, Lima Land Corporation, C. Alcantara & Sons, Inc., BDO Private Bank, Site Group International Ltd., Indophil Resources NL, Alsing Power Holdings, Inc., Southern Philippines Power Corp, Western Mindanao Power Corporation, and Conal Holdings Corporation, among others.

Mr. Honorio A. Poblador III is an Independent Director of the Company. He has served as a director and/or executive officer, and maintained business interests in companies such as Elnor Investment Corp., Asuncion Agro-Realty, Asmaco, Inc., Myriad Resources, among others.

Ms. Maureen Alexandra Ramos-Padilla is nominated as Director of the Company. She has served as a director and/or executive officer, and maintained business interests in companies such as Shang Properties, Inc., Alakor Securities Corporation, and Music One Corporation, among others.

Mr. Reynaldo E. Nazarea is the Company's Treasurer and Vice President for Administration. He serves as a director of companies involved in financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.) and property development (Penta Capital Holdings, Inc.).

Mr. Alessandro O. Sales is the Company's Vice President for Exploration. He has implemented the Company's oil exploration and development programs for the past ten (10) years.

Ms. Isabelita L. Matela is the Company's Assistant Vice President for Finance. She has been working for the Company for the past twenty-seven (27) years.

Atty. Adrian S. Arias is the Company's Corporate Secretary. He has been in active corporate law practice for more than twenty (20) years and serves as a director of companies involved in financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.), retail (Vulcan Industrial & Mining Corp.), merchandising (Active Multi-Marketing & Merchandising, Inc.) and distribution support services (QFI-Central Integrated Services, Inc.).

(6) Directors and nominee for director with other directorship(s) held in reporting companies

Alfredo C. Ramos	Anglo Philippine Holdings Corporation	Alakor Corporation
	Atlas Consolidated Mining & Dev't. Corp.	MRT Development Corporation
	Shang Properties, Inc.	MRT Holdings, Inc.
	United Paragon Mining Corporation	Crossings Dept. Store Corp.
	Vulcan Industrial & Mining Corporation	North Triangle Depot Commercial Corp.
	National Book Store, Inc.	Carmen Copper Corporation
Augusto B. Sunico	Anglo Philippine Holdings Corporation	
	Penta Capital Finance Corporation	
	Penta Capital Investment Corporation	
Presentacion S. Ramos	Anglo Philippine Holdings Corporation	Alakor Corporation
	Vulcan Industrial & Mining Corporation	Alakor Securities
	National Book Store, Inc.	Crossings Dept. Store Corporation
Christopher M. Gotanco	Anglo Philippine Holdings Corporation	MRT Development Corporation
	Boulevard Holdings, Inc.	MRT Holdings, Inc.
	United Paragon Mining Corporation	North Triangle Depot Commercial Corp.
	Vulcan Industrial & Mining Corporation	Penta Capital Finance Corporation
		Penta Capital Investment Corporation
Franciso A. Navarro	Anglo Philippine Holdings Corporation	Vulcan Industrial & Mining Corp.
Adrian S. Ramos	Anglo Philippine Holdings Corporation	Alakor Corporation
	Atlas Consolidated Mining & Dev't. Corp.	Alakor Securities Corporation
	United Paragon Mining Corporation	Aquatlas, Inc.
	Vulcan Industrial & Mining Corp.	Carmen Copper Corporation
Nicasio I. Alcantara	Conal Corporation	Alsons Power Holdings, Inc.
	Conal Holdings Corporation	Alsons Insurance Brokers Corp.
	Western Mindanao Power Corp.	Alsons Aquaculture Corp.
	Southern Philippines Power Corp.	Alsons Corporation
	Seafront Resources Corp.	Alsons Dev't. & Investment Corp.
	San Ramon Power, Inc.	Alsons Land Corporation
	Site Group International Ltd.	Alsons Prime Investments Corp.
	Sarangani Energy Corp.	Alsing Power Holdings, Inc.
	C. Alcantara & Sons, Inc.	Lima Land, Inc.
	BDO Private Bank	Indophil Resources NL
Honorio A. Poblador III	Elnor Investment Corp.	Asmaco, Inc.
	Asuncion Agro-Realty	Myriad Resources
Maureen Alexandra Ramos-Padilla	Shang Properties, Inc.	Alakor Securities Corporation

(7) Significant Employees. Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The Company is not dependent on the services of certain key personnel and there are no arrangements to ensure that these persons will remain with the Company and not compete upon termination.

(8) Family Relationships. Mr. Alfredo C. Ramos, Chairman of the Board, is the husband of Ms. Presentacion S. Ramos, Director, and the brother-in-law of Atty. Augusto B. Sunico. Mr. Adrian S. Ramos, Director, and Ms. Maureen Alexandra Ramos-Padilla, Director, are the son and daughter, respectively of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

(9) Involvement in Certain Legal Proceedings. For the past five (5) years up to the date this Information Statement is sent to stockholders, the Company is **NOT** aware:

(i) Of any bankruptcy petition filed by or against any business of which any director, executive officer, underwriter or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

(ii) Of any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses involving any director, executive officer, underwriter or control person of the Company;

(iii) Of any director, executive officer, underwriter or control person of the Company being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,

(iv) Of any director, executive officer, underwriter or control person of the Company being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(10) Related Party Transactions. There had been **NO** transaction during the last two (2) years to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as director, or owner of more than 10% of the Company's voting stock, or voting trust holder of 10% or more of the Company's shares, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of these persons, had or is to have a direct or indirect material interest.

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances TO related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's 2013 Audited Consolidated Financial Statements, a copy of which is attached hereto.

(i) The business purpose of related party transactions is to address immediate working capital requirements of related parties (in case of advances TO related parties).

(ii) Note 15 to the Company's 2013 Audited Consolidated Financial Statements identifies the related parties' transaction business with the registrant and nature of relationship.

(iii) All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction.

(iv) There are **NO** disclosures representing that the transactions with related parties have been evaluated for fairness inasmuch as the bases of all transactions with related parties were the prevailing market/commercial rates at the time of the transaction, or a valuation study conducted by a third party consultant over which neither the Company nor the related parties have any control or influence whatsoever.

(v) There are **NO** on-going contractual or other commitments as a result of related parties' transactions other than the repayment of money lent or advanced.

(vi) There were **NO** transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24. Neither were there any transactions with persons with whom the Company or its related parties have a relationship that enabled the parties to negotiate terms of material transaction that may not be available from other, more clearly independent parties on an arms' length basis.

(11) Parent of the Company. **NO** person holds more than 50% of the Company's voting stock, and the Company has **NO** parent company.

(i) **NO** director has advised the Company of his/her resignation from, or declination to stand for re-election to, the Board of Directors.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Chief Executive Officer and four (4) most highly compensated executive officers named below as a group are:

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Alfredo C. Ramos Francisco A. Navarro Reynaldo E. Nazarea Alessandro O. Sales Isabelita L. Matela	Chairman/President President Treasurer & VP-Admin VP-Explo & Production AVP Finance				
		2012	11,742,005	-0-	18,591,811
		2013	14,580,017	-0-	4,053,307
		2014 (est)	16,038,019	-0-	4,458,638
All Officers and directors					

as a group unnamed					
		2012	17,393,252	-0-	36,376,789
		2013	21,190,866	-0-	8,790,604
		2014 (est)	23,309,952	-0-	9,669,665

For the years 2012 and 2013 and the first quarter of 2014, 13th month pay and other compensation were paid to directors and executive officers, which are already included in the amounts above.

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive a per diem of ₱5,000.00 per month to defray their expenses in attending board meetings. There are no other arrangements for compensation of directors, as such, during the last year and for the ensuing year.

Except for the entitlement to receive bonuses as determined by the management and to receive additional remuneration under the provisions of the Company's Stock Appreciation Rights Plan, there are no other arrangements for compensation of directors, as such, during the last year and ensuing year.

The Company maintains standard employment contracts with Messrs. Alfredo C. Ramos, Francisco A. Navarro, Reynaldo E. Nazarea, Alessandro O. Sales, and Ms. Isabelita L. Matela which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and Company car plan.

Other than what is provided under applicable labor laws and existing retirement plan, there are **NO** compensatory plans or arrangements with executive officers entitling them to receive more than ₱2,500,000.00 as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Company.

The Company maintains a retirement plan pursuant to which an eligible employee will receive an amount equal to a percentage of his final monthly salary for every year of credited service. Based on the policy, the retirement pay of some officers of the Company may exceed ₱2,500,000.00.

Certain employees, including directors of the Company, receive remuneration in the form of Stock Appreciation Right, further details of which are given in Note 12 to the Company's Audited Consolidated Financial Statements.

There are **NO** warrants or options outstanding in favor of directors and officers.

Item 7. Independent Public Accountants

(a) The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed external auditor of the Company in the 2011, 2012 and 2013 Annual Stockholders' Meetings.

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For the year 2014, SGV will be recommended for appointment as independent public accountant for fiscal year 2014.

The fees of the external auditor in the past three (3) years are as follows:

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2013	P890,000.00	-0-	-0-
2012	P845.000.00	-0-	-0-
2011	P800,000.00	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regular filings for years 2013, 2012 and 2011. The amounts under the caption *"Audit & Audit Related Fees"* for the years 2013, 2011 and 2011 pertain to these services.

The Audit Committee has an existing policy prohibiting the Company from engaging the external auditor to provide services that may adversely impact its independence, including those expressly prohibited by SEC regulations.

(b) Not applicable.

(c) SGV representatives are expected to be present at the Meeting and they will have the opportunity to make a statement and respond to appropriate questions.

(d) SGV has been the Company's independent external auditor for the past ten (10) years. Mr. Jose Carlitos Cruz was the partner-in-charge for five (5) years until 2003 and was succeeded by Mr. Jaime Del Rosario for 2004-2005 in compliance with SEC Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors). For 2006, Mr. Jose Carlitos Cruz was again the partner-in-charge of the Company's audit and was succeeded in 2007 by Mr. Alvin Cerrado. For 2008, Mr. Martin C. Guantes was the partner-in-charge of the Company's audit. For 2009 and 2010, Mr. Alvin M. Pinpin was the partner-in-charge of the Company's audit. For 2011, 2012, and 2013, Ms. Eleanore A. Layug was the partner-in-charge of the Company's audit.

The Company **NEVER** had any disagreement with SGV or with the partners-in-charge of audit on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company did **NOT** engage any new independent external auditor, either as principal accountant to audit the Company's consolidated financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, during the two (2) most recent fiscal years or any subsequent interim period.

NO independent accountant engaged by the Company as principal accountant, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned, or has declined to stand for re-election after completion of the current audit, or was dismissed.

Item 8. Compensation Plans N.A.

C. <u>Issuance and Exchange of Securities</u>

Item 9. Authorization of Issuance of Securities Other than for Exchange N.A.

Item 10. Modification or Exchange of Securities N.A.

Item 11. Financial and Other Information

See the Company's 2013 Audited Consolidated Financial Statements accompanying this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

NO action involving any of the following shall be presented for approval:

(a) The merger or consolidation of the Company into or with any other person or of any other person into or with the Company;

(b) The acquisition by the Company or any of its security holders of securities of another person;

(c) The acquisition by the Company of any other going business or of the assets thereof;

(d) The sale or other transfer of all or any substantial part of the assets of the Company; or

(e) The liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property N.A.

Item 14. Restatement of Accounts

NO restatement of any account has been made from the time the Company's financial statements were last audited (31 December 2013) up to the date of this Information Statement.

NO action will be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. <u>Other Matters</u>

Item 15. Action with Respect to Reports

The following matters shall be submitted to the stockholders for approval at the Meeting:

(a) Minutes of the 19 June 2013 Annual Meeting of Stockholders

Approval of the Minutes of the 19 June 2013 Annual Stockholders' Meeting constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the said meeting. This does not constitute a second approval of the same matters taken up thereat which have already been approved.

(b) Annual Report for the year ended 31 December 2013 (a copy containing the information required by SRC Rule 20A is enclosed).

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year as contained therein.

(c) Acts and Resolutions of the Board of Directors and Management from date following the last Annual Stockholders' Meeting (19 June 2013) to the present (18 June 2014) including, but not limited to, the following:

(1) Authority to open accounts with Philippine Bank of Communications (24 July 2013);

(2) Approval of 5% Cash Dividend Declaration with Record Date of November 8, 2013 (23 October 2013);

(3) Authority to donate to the victims of the Bohol earthquake through the Habitat for Humanity Philippines Foundation, Inc. (23 October 2013);

(4) Authorized Representative for the Application with the Interim Customs Accreditation Unit for the Importation Operations in SC Nos. 14 and 6 (23 October 2013);

(5) Approval of the Extension of Subscription Call (18 December 2013);

(6) Approval of the change of Stock Transfer Agent (18 December 2013);

(7) Setting of Date and Venue of Annual Stockholders' Meeting (19 February 2014);

(8) Approval of 5% Cash Dividend Declaration with Record Date of March 5, 2014 (19 February 2014);

(9) Appointment of Proxy for PentaCapital Investment Corporation's Annual Stockholders' Meeting (26 March 2014);

Item 16. Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting but will not be submitted for approval by the stockholders.

Item 17. Amendment of Charter, Bylaws or Other Documents

Further to the approval by the Board of Directors on 26 March 2014, the proposal to amend the Company's Charter to reflect the change in the Principal Office Address of the Company from "Metro Manila, Philippines" to "8th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Philippines" shall be submitted to the stockholders for approval at the Meeting. The proposal to amend the Company's Charter shall be submitted to the stockholders for approval at the Meeting. The proposal to amend the Company's Charter is made pursuant to SEC Memorandum Circular No. 6, series of 2014.

Item 18. Other Proposed Action

NO ACTION on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

Item 19. Voting Procedures

For corporate matters that will be submitted for approval and for such other matters as may properly come at the Meeting, a vote of the majority of the shares present or represented by proxy at the Meeting is necessary for their approval. Voting shall be done *viva voce* or by the raising of hands and the votes for or against the matter submitted shall be tallied by the Secretary.

PART II

INFORMATION REQUIRED IN A PROXY FORM

Item 1. **Solicitor**. The enclosed proxy is solicited in behalf of THE PHILODRILL CORPORATION (the "Company") for use in voting at the 2014 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

Item 2. **Instructions**. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before 13 June 2014. Validation of proxies will be held at the Company's principal office on 16 June 2014 at 10:00 a.m. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the Meeting in accordance with the authority and/or instructions of the stockholder expressed therein. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the Meeting.

Subject to a stockholder's right to revoke his own proxy as stated in Item 3 below, a proxy given by a stockholder shall be voted by the Chairman of the Board, Mr. Alfredo C. Ramos, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

If no specific authority and/or instruction is made in the Proxy Form, the shares of the stockholder will be voted FOR ALL the nominee directors named in the Proxy Form and FOR THE APPROVAL of the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the Meeting and at any postponements or adjournments thereof.

Item 3. **Revocability of Proxy**. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before 13 June 2014; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Item 4. **Persons Making the Solicitation**. The enclosed proxy is solicited in behalf of the Company for use in voting at the 2014 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Information Statement, and at any postponements or adjournments thereof.

As of the date the Information Statement and this Proxy Form are sent to stockholders of record, NO director has informed the Company in writing that he opposes any action intended to be taken by the Company at the Meeting.

There are NO other participants in the solicitation of proxies through this Information Statement, other than the Company.

Solicitation of proxies will be made mainly through the mail. Incidental solicitation in person or through telephone reminding stockholders to attend the Meeting may be made by the directors, officers and employees of the Company, for which no arrangement are or will be made and no compensation will be paid for such incidental solicitation.

The Company will bear the cost of preparing, collating and delivering to stockholders the Information Statement, the Proxy Form and the accompanying materials. The Company estimates proxy solicitation expenditures to amount to about P150,000.00.

Item 5. **Interest of Certain Persons in Matters to be Acted Upon**. At any time since the beginning of the last fiscal year, NO director, executive officer, nominee for election as director, or associate of such director, executive officer or nominee for election as director has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement are true, complete and correct. This report is signed in the City of Mandaluyong on 12 May 2014.

The Company undertakes to provide, without charge, upon the written request of a stockholder, a copy of its Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary, The Philodrill Corporation, 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

ADRIAN S. ARIAS
Corporate Secretary

Materials accompanying this Information Statement

1. Notice of the Annual Stockholders' Meeting with Agenda
2. Proxy Form
3. Final List of Candidates for Independent Directors
4. Management Report 2013 and for the quarter ended 31 March 2014
5. Audited Consolidated Financial Statements for 2013
6. First Quarter Report ended 31 March 2014 (SEC Form 17-Q)

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 631-1801 TO 05 ; 631-8151/52 ; FAX: (632) 631-8080 , (632) 631-5310

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be advised that the 2014 Annual Stockholders' Meeting of The Philodrill Corporation will be as follows:

18 JUNE 2014, 2:30 P.M.
GARDEN BALLROOM, EDSA SHANGRI-LA MANILA
1 Garden Way, Ortigas Center, Mandaluyong City 1650, Philippines

The Agenda for the Meeting shall be as follows:

1. Call to Order and Proof of Notice of the Meeting
2. Determination of Quorum
3. Approval of the Minutes of the 19 June 2013 Annual Stockholders' Meeting
4. Report of the Board of Directors
5. Approval of the Company's Annual Report
6. Approval of Acts and Resolutions of the Board of Directors and Management
7. New Business
   a. Amendment of the Articles of Incorporation to Change the Principal Office Address of the Corporation
8. Appointment of Independent External Auditor
9. Election of Directors
10. Other Matters

Registration for the Meeting begins at 2:00 p.m. For purposes of the Meeting, stockholders of record as of **19 March 2014** are entitled to notice of and to vote at the Meeting.

Stockholders who cannot attend the Meeting but would like to be represented thereat may submit the enclosed proxy form, duly signed and accomplished, to the Corporate Secretary at the 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, no later than **13 June 2014**. Corporate stockholders should provide a notarized secretary's certificate attesting to the appointment of its proxy for the Meeting as well as the execution and delivery of the proxy form.

For convenience in registering your attendance, please present some form of identification such as driver's license, Company ID, TIN Card, SSS Card, etc.

05 May 2014

ADRIAN S. ARIAS
Corporate Secretary

PROXY

Solicited in Behalf of The Philodrill Corporation

The undersigned hereby appoints the Chairman, **MR. ALFREDO C. RAMOS**, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the 2014 Annual Stockholders' Meeting of The Philodrill Corporation to be held on 18 June 2014, 2:30 p.m. at the Garden Ballroom of EDSA Shangri-la Manila and at any postponements or adjournments thereof.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote **FOR THE APPROVAL** of all the corporate matters listed below, and **FOR ALL** the nominated directors named below.

Corporate Matters

	FOR	AGAINST	ABSTAIN
Approval of the 2013 Minutes of Annual Stockholders' Meeting			
Approval of 2013 Annual Report			
Ratification of Acts/Resolutions of Board of Directors & Management (6/19/13–6/18/14)			
Amendment of the Articles of incorporation to Change the Principal Office Address of the Corporation			
Appointment of SGV & Co. as Independent External Auditor			

Election of Directors:

☐ **FOR ALL THE FOLLOWING**

☐ **WITHHOLD AUTHORITY FOR THE FOLLOWING:**
(To withhold authority to vote for any individual nominee, write down the name(s) of the nominee(s) on the space provided below)

Alfredo C. Ramos
Augusto B. Sunico
Presentacion S. Ramos
Christopher M. Gotanco
Adrian S. Ramos
Francisco A. Navarro
Maureen Alexandra Ramos-Padilla
Nicasio I. Alcantara*
Honorio A. Poblador III*

Independent Director

____
Signature Over Printed Name

Date: ________________

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the appointment of the proxy and the authority of the person signing the proxy.

(Reverse for Instructions)

SOLICITATION INFORMATION

Item 1. **Solicitor**. The enclosed proxy is solicited in behalf of THE PHILODRILL CORPORATION (the "Company") for use in voting at the 2014 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

Item 2. **Instructions**. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before 13 June 2014. Validation of proxies will be held at the Company's principal office on 16 June 2014 at 10:00 a.m. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the Meeting in accordance with the authority and/or instructions of the stockholder expressed therein. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the Meeting.

Subject to a stockholder's right to revoke his own proxy as stated in Item 3 below, a proxy given by a stockholder shall be voted by the Chairman of the Board, Mr. Alfredo C. Ramos, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

If no specific authority and/or instruction is made in the Proxy Form, the shares of the stockholder will be voted FOR ALL the nominee directors named in the Proxy Form and FOR THE APPROVAL of the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the Meeting and at any postponements or adjournments thereof.

Item 3. **Revocability of Proxy**. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before 13 June 2014; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Item 4. **Persons Making the Solicitation**. The enclosed proxy is solicited in behalf of the Company for use in voting at the 2014 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Information Statement, and at any postponements or adjournments thereof.

As of the date the Information Statement and this Proxy Form are sent to stockholders of record, NO director has informed the Company in writing that he opposes any action intended to be taken by the Company at the Meeting.

There are NO other participants in the solicitation of proxies through this Information Statement, other than the Company.

Solicitation of proxies will be made mainly through the mail. Incidental solicitation in person or through telephone reminding stockholders to attend the Meeting may be made by the directors, officers and employees of the Company, for which no arrangement are or will be made and no compensation will be paid for such incidental solicitation.

The Company will bear the cost of preparing, collating and delivering to stockholders the Information Statement, the Proxy Form and the accompanying materials. The Company estimates proxy solicitation expenditures to amount to about P150,000.00.

Item 5. **Interest of Certain Persons in Matters to be Acted Upon**. At any time since the beginning of the last fiscal year, NO director, executive officer, nominee for election as director, or associate of such director, executive officer or nominee for election as director has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office.

FINAL LIST OF CANDIDATES
FOR ELECTION AS INDEPENDENT DIRECTOR

(A) **Candidates for Election as Independent Director**

(1) **Identity, names and ages of candidates for election as Independent Director**

Name	Age	Current Position	Period of service	
			From	To
Honorio A. Poblador III	68	Independent Director	2003	Present
Nicasio I. Alcantara	71	Independent Director	2003	Present

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

Directors elected in the Annual Meeting of Stockholders have a term of office of one (1) year and serve as such until their successors are elected and qualified in the next succeeding Annual Meeting of Stockholders; *provided*, that a director who was elected to fill in a vacancy arising in the Board shall only serve the unexpired term of his predecessor.

Business Experience During the Past Five (5) Years of Candidates for Independent Directors

Mr. Nicasio I. Alcantara is an Independent Director of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests in companies such as Seafront Resources Corp., Alsons Insurance Brokers Corp., Alsons Aquaculture Corp., Alsons Corporation, Alsons Dev't. & Investment Corp., Alsons Land Corporation, Lima Land Corporation, and C. Alcantara & Sons, Inc., among others.

Mr. Honorio A. Poblador III is an Independent Director of the Company. For the past five (5) years, he has served as a director and/or executive officer, and maintained business interests in companies such as Elnor Investment Corp., Asuncion Agro-Realty, Asmaco, Inc., Myriad Resources, among others.

Candidates for Independent Director with directorship(s) in reporting companies

Honorio A. Poblador III	Elnor Investment Corp.	Asmaco, Inc.
	Asuncion Agro-Realty	Myriad Resources
Nicasio I. Alcantara	Seafront Resources Corp.	Conal Corporation
	Conal Holdings Corporation	Alsons Insurance Brokers Corp.
	Western Mindanao Power Corp.	Alsons Aquaculture Corp.
	Southern Philippines Power Corp.	Alsons Corporation
	Alsing Power Holdings, Inc.	Alsons Dev't. & Investment Corp.
	Indophil Resources NL	Alsons Land Corporation
	Site Group International Ltd.	Sarangani Energy Corp.
	BDO Private Bank	Lima Land, Inc.
	Alsons Power Holdings Corp.	C. Alcantara & Sons, Inc.
	Alsons Prime Investments Corp.	San Ramon Power, Inc.

(2) **Family Relationships**

The candidates for election as independent directors of the Company are **NOT** related by consanguinity or affinity, either with each other or with any other member of the Company's Board of Directors.

(3) **Involvement in Certain Legal Proceedings**

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which an independent director, person nominated to become an independent director of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any independent director, person nominated to become an independent director; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities an independent director, person nominated to become an independent director of the Company; and, (4) judgment against an independent director, person nominated to become an independent director of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

There had been **NO** transaction during the last two (2) years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any independent director of the Company, or nominee for election as an independent director, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

(B) **Security Ownership of Candidates for Independent Directors**

The candidates for independent directors own the following number of voting shares as of the Record Date (19 March 2014):

Class	Beneficial Owner	Amount/Nature of Beneficial Ownership				Citizenship	Percent Ownership
		Issued		Subscribed			
		Direct	Indirect	Direct	Indirect		
Common	Nicasio I. Alcantara	363,200,000	0	0	0	Filipino	0.189%
Common	Honorio A. Poblador III	29,900,000	0	0	0	Filipino	0.016%

As of the Record Date, the aggregate number of shares owned by the candidates for election as independent director is 393,100,000 shares, or approximately 0.20% of the Company's outstanding capital stock.

Voting Trust Holders of 5% or More

The candidates for election as independent director do not hold more than 5% of any class of the Company's securities under a voting trust or similar agreement.

Changes in Control

The election of independent directors will **NOT** result in a change in control of the Company.

All the Company's independent directors were elected in the 2013 Annual Stockholders' Meeting held on 19 June 2013 and have since served in such capacity.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **NICASIO I. ALCANTARA**, Filipino, of legal age and a resident of #1 Tamarind Road, Forbes Park, Makati City, having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of The Philodrill Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Conal Corporation	Chairman	July 6, 1984 to present
Alsons Insurance Brokers Corp.	Director	March 1973 to present
Alsons Aquaculture Corp.	Director	May 27, 1988 to present
Alsons Corporation	Director	April 1995 to present
Alsons Dev. & Investment Corp.	Director	Dec. 14, 1962 to present
Alsons Land Corporation	Director	Nov. 25,1994 to present
C. Alcantara & Sons, Inc.	Director	Dec. 18, 1962 to present
Seafront Resources Corp.	Director	Dec. 1991 to present
BDO Private Bank	Director	Sept. 2009 to present
Site Group International Ltd.	Director	Sept. 2010 to present
Indophil Resources NL	Director	Dec. 2011 to present
Alsing Power Holdings, Inc.	Director	May 2011 to present
Southern Philippines Power Corp.	Director	May 2011 to present
Western Mindanao Power Corp.	Director	May 2011 to present
Conal Holdings Corporation	Director	May 2011 to present
Alsons Power Holdings Corp.	Director	Dec. 12, 2011 to present
Alsons Prime Investments Corp.	Chairman	Dec. 12, 2011 to present
San Ramon Power, Inc.	Director	July 2012 to present
Sarangani Energy Corp.	Director	July 2012 to present
Lima Land, Inc.	Director	Oct. 12,1995 to Oct 4, 2013

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this APR 01 2014 at Makati City.

NICASIO I. ALCANTARA
Affiant

SUBSCRIBED AND SWORN to before me this APR 01 2014 at Mandaluyong City, affiant exhibiting to me his Community Tax Cert. 0177[illegible] at Davao City on January 20, 2014.

Doc. No. 17;
Page No. 6;
Book No. 59;
Series of 2014.

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
COMMISSION EXPIRES DEC. 31, 2015
PTR NO. 9042371, 1/02/2014, Q.C.
ROLL OF ATTORNEY NO. 25103

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **HONORIO A. POBLADOR III**, Filipino, of legal age and a resident of #8 Wack-Wack Condominium, Mandaluyong City, having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of The Philodrill Corporation.

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

Company/Organization	Position/Relationship	Period of Service
Elnor Investment Corp.	Chairman	
Asuncion Agro-Realty	President	
Asmaco, Inc.	President	
Myriad Resources	President	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this ______________ at Mandaluyong City.

HONORIO A. POBLADOR III
Affiant

SUBSCRIBED AND SWORN to before me this APR 23 2014 at ~~Mandaluyong~~ PASIG CITY City, affiant exhibiting to me his Community Tax Cert. _________ at Mandaluyong City on ______________.
Passport No. AB7774142 issued on 4/2/13-Manila

Doc. No. 455;
Page No. 91;
Book No. CUCX;
Series of 2014.

ATTY. RAMON L. CARPIO
NOTARY PUBLIC FOR PASIG CITY
NO. 2A WEST CAPITOL DRIVE
KAPITOLYO, PASIG CITY
[illegible]
[illegible]
PTR NO. [illegible] PASIG CITY
IBP LIFE [illegible] PASIG CITY
ROLL OF ATTORNEYS NO. [illegible]72
MCLE NO: IV-0006[illegible] PASIG CITY

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum

125 Pioneer Street, Mandaluyong City, Philippines

Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20 (4)

I. Audited Financial Statements

The Audited Consolidated Financial Statements of the Company for the fiscal year ended 31 December 2013 are attached hereto.

II. Disagreement with Accountants on Accounting and Financial Disclosure. NONE

III. Management's Discussion and Analysis or Plan of Operations

(a) Full fiscal years

(1) Financial Condition, Changes in Financial Condition and Results of Operations

Financial highlights for the years 2013, 2012 and 2011 are presented below:

(in thousands of Pesos)	2013	2012 (as restated)	2011 (as restated)
Petroleum Revenues	725,541	714,242	1,497,153
Investment Income	12,520	16,664	12,669
Interest Income	39,736	46,619	33,691
Net Income	315,179	303,575	1,067,720
Total Assets	3,296,524	3,311,025	3,208,100
Net Worth	3,210,762	3,226,401	3,110,287
Issued & Subscribed Capital	1,918,688	1,918,688	1,918,688

PETROLEUM PROJECTS
Operations Review

1.0 SERVICE CONTRACT NO. 14 (Nido, Matinloc and North Matinloc)

The combined production from the Nido, Matinloc and North Matinloc Fields totalled 160,384 barrels in 2013, an increase of 3% from the fields' combined output of 155,642 barrels in 2012. In terms of their individual performance, the drop in the Matinloc and North Matinloc fields output, which is attributed to normal field depletion, was compensated by the 15% increase in production from Nido than in 2012, owing to more frequent lifting activities on the Nido field. A summary of the 2013 production from the three (3) fields is shown below:

2013 Crude Oil Production Summary
(in barrels)

	Nido	Matinloc	North Matinloc	2013 Total	2012 Total
January	10,574	5,773	1,007	**17,354**	11,048
February	5,003	5,822	609	**11,434**	13,358
March	10,049	8,785	758	**19,592**	13,803
April	6,808	6,604	751	**14,163**	12,967
May	6,755	4,013	423	**11,191**	14,991
June	6,699	5,117	499	**12,315**	11,618
July	6,897	5,501	849	**13,247**	7,946
August	6,542	3,156	879	**10,577**	10,814
September	6,594	2,879	744	**10,217**	20,613
October	6,661	5,978	1,628	**14,267**	14,683
November	5,801	6,375	824	**13,000**	16,229
December	6,080	6,216	731	**13,027**	7,572
Total	**84,463**	**66,219**	**9,702**	**160,384**	**155,642**

The consortium completed a total of twelve (12) shipments, or one (1) lifting each month from the three (3) fields in 2013, all with Pilipinas Shell Petroleum Corporation (Pilipinas Shell).

Under a new one-year crude oil sales agreement with Pilipinas Shell, the consortium is committed to deliver up to a maximum 200,000 barrels to the buyer for a period of one (1) year. Service for crude shipment to Pilipinas Shell is provided by Global Gas & Oil Carriers, Inc. with whom the consortium signed a contract of carriage in May 2013.

Safety of offshore personnel, facilities and the environment remain in the center of the Company's operational awareness. Year-round offshore facilities enhancement activities and personnel training continue to be implemented to ensure safety of workers and the environment that they worked in. In early 2013, the Company held a "simulated oil spill incident" exercise to test the its Tier 1/Tier 2 Oil Spill Contingency Plan. The simulation exercise, which was conducted under the supervision of Oil Spill Response Limited, attained its objectives by demonstrating the Company's readiness in responding to potential oil spill incidents.

1st Quarter 2014 Crude Oil Production Summary (in barrels)

	Nido	Matinloc	North Matinloc	Total
January	6,608	4,215	537	11,360

February	6,602	6,390	618	13,610
March	6,576	6,967	902	14,445
Total	**19,786**	**17,572**	**2,057**	**39,415**

The consortium completed two (2) shipments during the first quarter of 2014, involving 27,110 barrels of combined Nido-Matinloc-North Matinloc crudes. As of end of March 2014, about 14,615 barrels of crude mix were onboard the storage vessels.

Nido 1X-1 Re-Evaluation and Development Studies

In 2012, the Company completed its in-house review and evaluation of the Nido 1X-1 discovery and the potential of the nearby Nido A Field Attic, and the results were presented to the consortium partners which gave approval for the conduct of further technical and engineering studies leading to the drilling of new development wells on these structures. Early last year, the Company undertook a formal tender process which aimed to solicit consolidated proposals for various engineering activities associated with the drilling of appraisal/development wells on the mentioned Nido carbonate reef structures, as well as a review of the existing production facilities at the Nido AP platform. In June 2013, the Malaysia-based AWT International (AWT) was selected over five (5) other companies that submitted tender bids.

The contractor AWT and its partner IntecSea commenced work on the Nido 1X-1 project in July 2013 with an ocular investigation of the Nido AP, AW and BW platforms, as well as the Pandan and Libro facilities to assess usability of such facilities in case the Nido 1X-1 development pushes through. From the gathered field data and information provided by the Company, the contractors developed well designs and drilling programs for a development well on the Nido 1X-1 and another well that will test the attic volume on the nearby producing Nido A structure. Overall, the AWT studies indicate the viability of the project by employing the simplest development strategy for the fields.

In moving forward with the Nido 1X-1 project, the Company engaged the services of the third party consultant RISC of Australia for an independent reserves certification and economics evaluation of the Nido 1X-1 and Nido A attic resources. By and large, the RISC assessment results diverge significantly from the results of the Company's in-house assessment works. The divergence appears to have come from some of the critical parameters employed in the RISC studies vis-à-vis the the Company's in-house assessment work, which has much bearing on the computed resources and impact on the development plans for the Nido 1X-1 field and the Nido A field attic. By end of December 2013, the Company was preparing for the conduct of petrophysical review study to verify the discrepancies between the results obtained from the RISC work and its in-house resources evaluation of both Nido carbonate features.

In early January 2014, the Company engaged the services of Mr. Frank Witteman, a petrophysicist consultant, for a petrophysical review of the Nido 1X-1 and the Nido A-1 attic structures, mainly to verify the discrepancies between the results obtained from RISC's independent reserves certification study and the Company's in-house resource assessment of both Nido carbonate structures. The results of Mr. Witteman's work indicated that both structures are full to spill as inferred from the apparent absence of neither a free water table nor a water transition zone within the reservoirs. This observation can be further validated by a review of the drillstem tests performed on Nido 1X-1. A third party consultant has been contracted to perform this task.

2.0 SERVICE CONTRACT NO. 14 C-1 (Galoc)

Production from the Galoc Field in 2013 totalled 1,723,063 barrels which was about 16% higher than the total output of 1,482,263 barrels in 2012. Production from the new wells Galoc-5 and Galoc-6, which were put on stream in early December last year, contributed to the increase.

A total of four (4) offtakes were carried out in 2013. The product buyers included SK Energy of South Korea, GS Caltex of Singapore and PTT of Thailand.

Phase II Development

In mid-2012, block operator Galoc Production Company (GPC), on behalf of the Service Contract (SC) 14 C-1 consortium, firmed up its readiness to proceed with the Galoc Phase 2 development as it implemented its front-end engineering and design (FEED) work activities which included, among others, detailed subsurface reservoir modelling, drilling and completion design, subsea facilities engineering design, and tie-back design for two (2) new wells to be drilled. A Final Investment Decision (FID) was made in September 2012, paving the way for major equipment, infrastructure and services contracting for the drilling of two (2) new development wells. While these activities progressed as planned, other consortium partners manifested their preference to have a third well, the Galoc-Mid, be drilled to take advantage of the opportunity that existed at that time for the drilling of an exploration well. However, GPC prevailed over the non-operator members citing the limitations of the contracted drilling rig.

Actual drilling was delayed by a few months according to original schedule as the consortium waited for the release of the semi-submersible rig "Ocean Patriot" which had an extended run in Vietnam. Upon rig arrival at the site, GPC spudded Galoc-6 well on 4 June 2013, and the Galoc-5 well six (6) days later. Both wells were drilled using the efficient batch drilling method wherein similar hole sections in the two (2) wells were completed before proceeding to subsequent hole section(s). Galoc-6 well reached a final measured depth of 3,958.5 meters (2,211 meters true vertical depth). Galoc-5 had a final depth of 4,497 meters MD [2,211.7 meters True Vertical Depth (TVD)]. Both wells drilled a combined total of 3,177 meters through horizontal reservoir sections within which about 1,650 meters of net oil pay has been encountered. The rig remained at the site until the third week of October 2013 for well clean-up and was off-hired on 2 November 2013 upon arrival in Singapore.

The construction vessel "Skandi Skansen" arrived at the Galoc site on 31 October 2013 for the subsea facilities installation/offshore construction and hook-up of Phase 1 and

Phase 2 wells to the re-furbished floating production storage and offloading unit (FPSO). The two (2) Phase 2 Development wells, the Galoc-5 and Galoc-6, commenced production in early December 2013 and both attained initial rates of about 7,500 bopd, consistent with the overall field forecast production of 12,000 bopd. GPC needed to control production rates from the four (4) wells in order to minimize gas production owing to the gas handling limitations of the FPSO Rubicon Intrepid. By the end of March 2014, steady production from the Phase 1 and Phase 2 wells averaged 9,150 bopd. The Galoc Field produced 825,162 barrels during the first quarter of the year 2014, with a cumulative production of 12,477,896 barrels since it started production in October 2008.

The estimated remaining reserves for the combined Phase 1 and Phase 2, based on the latest 2P estimates provided by third party consultant RISC, is placed at about 13.4 million barrels with end-of-field life projected to extend beyond year 2020.

The first crude shipment involving both Phase 1 and Phase 2 production was completed in early January 2014, plus two (2) other shipments were completed during the first quarter period. These were sold to repeat buyers from Southeast Asia at competitive crude prices. As at end of March 2014, about 297,560 barrels remain on board the storage tanker.

3.0 SERVICE CONTRACT NO. 14 C-2 (West Linapacan)

For the most part of 2013, block operator RMA HK Limited (RMA) continued to undertake various geophysical and geological activities aimed at firming up confidence on the viability of the West Linapacan Field for re-development. Specifically, the operator conducted reservoir simulation studies that investigated the range of uncertainty for reserves within the primary reservoir Linapacan Limestone as well as the additional potential offered by the other discovered reservoirs including the Galoc Clastic Unit and the Intermediate Limestone. The studies also provided the basis for a new geomodel development, which in turn, will help to determine optimum well location and infrastructure to recover the remaining reserves.

As this developed, RMA contracted Gaffney, Cline & Associates (GCA), an independent company, for third party probabilistic assessment of in-place volumes and reserves for West Linapacan A and the nearby West Linapacan B Field. Parallel to the reserves re-certification, RMA also continued with well planning and concept screening for early production and full-field development costing. GCA's resource assessment for the West Linapacan gives a current recoverable reserves range of 9.6 million barrels oil (mmbo), 16.5 mmbo and 21.0 mmbo, respectively from 1P, 2P and 3P estimation. These forecasts were based on a two (2) multilateral well development program that RMA and its consortium partners consider as the most viable option for field development.

During the joint Technical Committee and Operating Committee Meetings held in Australia in early March 2014, RMA presented to the members of the consortium the basis for the FID for a 3-well drilling program for the West Linapacan Block. RMA has started rig pre-qualification, review and costing for the two (2) planned wells (WL A7 and WL A8) on the West Linapacan A structure, with an option for an exploration well in the West Linapacan B structure. The operator is looking at possible development drilling starting on the 4th quarter of 2014. The Company is carried up to first commercial oil.

4.0 SERVICE CONTRACT NO. 14 (Retention Block, Tara, and Libro)

EDSL Consultants, which the Company had tasked to provide a comprehensive study on the final plugging and abandonment (P&A) of selected wells within SC 14 area, have undertaken and completed an integrity test program for the Libro-1, Pandan-1 and Tara South-1 wells. They have likewise prepared and completed design concept and costing for the P&A of these wells, with the actual works now programmed to be undertaken during the summer months of 2014.

The Company reported last year the consortium's intention to turn-over the control and ownership of the now idle Pandan and Libro platforms to the Philippine Government through the Department of Energy (DOE). These facilities can still be used by the Philippine Navy as forward outposts in the West Philippine Sea area. Unfortunately, we have not received any response from the DOE regarding the consortium's offer.

No exploration or production activities are being carried out on these blocks. Meanwhile, EDSL has started preparing for the planned final P&A of the Libro and Pandan wells as well as Trans-Asia's Tara South well. Actual P&A works are set to start in April 2014.

5.0 SERVICE CONTRACT NO. 6A (Octon)

For the most part of 2013, block operator Pitkin Petroleum Ltd. (Pitkin) waited to get endorsement/approval from the Sangguniang Panlalawigan (SP) of Palawan and the Palawan Council for Sustainable Development (PCSD) for their programmed 3D seismic survey. Pitkin was supposed to complete its seismic survey commitment by the end of July 2013, prompting them to request from the rest of the Octon Block Consortium members for an extension on the deadline to complete the Phase 1 Work Program. An extension until 31 August 2014 was eventually granted. In anticipation of getting SP and PCSD clearances for the 3D seismic program, which was finally received in early September 2013, Pitkin commissioned geophysical contractor Seabird Exploration to complete bathymetric survey of the survey area in the same month.

Seabird Exploration commenced 3D seismic data acquisition over the northern portion of the SC 6A using the seismic vessel M/V Voyager Explorer on the first week of October 2013. The contractor popped the last shot on 6 November 2013 and demobilized the vessel the following day. A total of 508 sq km of full fold 3D and 48.5 line-km of 2D data were acquired without any major problems and within budget.

Four (4) companies have submitted tenders for the processing of the newly acquired 3D and 2D seismic data. Of these, the Vietnam-based Fairfield was selected being the lowest bidder. Processing commenced on 22 November 2013 at Fairfield's Ho Chi Minh Processing Center and was about 80% complete as of end of March 2014. Initial results indicate a big improvement on the quality of data as against the 1997 TQ3D data set. The processing work is anticipated to be completed in April 2014.

Preparations for the programmed petrophysical studies and biostratigraphic analysis works are ongoing. Data needed for these works have been sourced and are being investigated for usability.

The 3D seismic interpretation in the Octon Area using the old 1997 3D data has been completed. Mapping is now being continued towards the north to tie in to the previous interpretation on the northern portion of the block.

6.0 SERVICE CONTRACT NO. 6B (Bonita)

The Bonita Consortium, including farminees Peak Oil and Gas Philippines Ltd. (Peak Oil), Blade Petroleum Philippines Ltd, and VenturOil Philippines, Inc., continued to wait for approval from the DOE on the requested transfer of interest to the farminees as well as the transfer of block operatorship to Peak Oil. On several occasions, the Company wrote to the DOE to solicit advice as to what pending issues and why a decision on the requested transfer had not been made six (6) months into 2013, and eighteen (18) months after the request was formally submitted to them in December 2011.

In July 2013, the DOE formally gave its decision disapproving the request. They cited as reasons the farminees' continued failure to comply with the required financial documents proving their qualification as service contractors. With this development, the contract reverted to its original structure, with the Company as operator.

During a partners' meeting in August 2013, the original consortium members agreed on and approved a new work program and budget for the remaining months of Year 5 of the first 5-year extension of contract term. This was submitted to and approved by the DOE in September 2013. The approved work program and budget consisted of in-house resource and economic evaluation of the East Cadlao Elephant prospects and the Bonita discovery, the major structures of commercial interests within the block.

The results of the in-house block evaluation were presented during a consortium partners' meeting held in early February 2014. While the East Cadlao prospect and the Bonita discovery are currently handicapped by their computed low resource volumes, an upside is being offered by the large, albeit untested, Elephant prospect on the northern portion of the block, which is now the main focus of the various studies planned under the contract's second term extension now pending with the DOE. The study likewise provided new insights on the petroleum play concepts in the area which, together with the Elephant Prospect, can be the focus for future exploration works on the block. During the meeting, the SC 6B consortium agreed to go into the next 5-year extension of the contract, with seismic data processing as the major work program component and gravity modelling and oil seep mapping as supplementary activities for the first twenty-four (24) months of the extension.

7.0 SERVICE CONTRACT NO. 41 (Sulu Sea)

In 2012, the Company, in partnership with Philex Petroleum Corporation (Philex), submitted a joint bid for Area 15, one of the fifteen (15) areas offered by the DOE under the 4th Philippine Energy Contracting Round (PECR4). While the results for some of the areas offered under the PECR4 were already announced, the DOE has yet to release the results for Area 15. A newspaper release early last year indicated that the DOE may re-bid some of those areas on offer including Area 15 – Sulu Sea Block.

A new bidding round, PECR5, was announced by the DOE in early January 2014. The Company, Philex and Anglo Philippine Holdings Corporation, the latter having signed an earlier agreement with the Company for the transfer of a portion of its interest in the joint bid irrespective of bidding results, will most likely participate in the PECR5 bidding if Area 15 will again be offered.

8.0 SERVICE CONTRACT NO. 53 (Onshore Mindoro)

Block operator Pitkin continued with their evaluation of the Onshore Mindoro Block utilizing the new gradiometry and aeromagnetic data integrated into the seismic data interpretation. The combined results have resulted in the confirmation of the seismically-defined structures and the identification of two (2) additional structural leads. To firm up their results, Pitkin proposed to undertake a Test Mini-Sosie seismic program in 2014 which is seen to help to confirm and upgrade some of the identified structures to prospect status. Pitkin plans to shoot an initial test program of 50 line km of Mini-Sosie seismic survey whose coverage may be enlarged to a full 250 line km program if test results proved to be successful. As of end of 2013, Pitkin was finalizing the seismic program with Geocon, its selected geophysical contractor for the seismic program.

During the first quarter of 2014, Pitkin selected Geocon as the geophysical contractor for the Test Mini-Sosie seismic program. Geocon did scouting and "walk through" of the proposed lines. Due to operational constraints, it now appears that there are very few areas where the Mini-Sosie seismic survey can be run, and the program was thus suspended indefinitely.

Parallel to the seismic work, Pitkin likewise continued to prepare for the drilling of Progreso-2 well on the second half of 2014. Aside from re-issuing tenders for the various equipment and services to be required, Pitkin had prior consultation with local services providers and did ocular inspection of ports of entry and access facilities for the various equipments to be brought in. They have also initiated meetings with local and provincial government units to gain approval for the various planned geophysical and drilling activities. A community relations team has been mobilized to kick-off the information and education campaign in the areas where these activities will be conducted.

Pitkin also inspected possible maritime and land access routes for drilling rig and equipment mob/demob, communication options, fuel supply, logistics support, accommodation and hospital facilities. Drilling is set to commence in the last quarter of 2014.

9.0 SERVICE CONTRACT NO. 74 (Linapacan)

The joint bid of the Company and Pitkin on Area 5 under the PECR4 won the bid and was confirmed by the DOE in a letter dated 14 February 2013. In September 2013, the consortium finally received the new contract which was assigned the number SC 74 covering the Linapacan A and Linapacan B fields discovered by Philippines – Cities Service, Inc. in 1982.

The SC 74 consortium held its first Technical Committee/Operating Committee Meeting on 15 November 2013 where the members have agreed on the work program and budget for 2013 – 2014. A firm portion of the proposed work program consists of various G&G evaluation and engineering studies. During the meeting, the consortium also agreed on the formulation of the Joint Operating Agreement that will govern the legal, technical and financial aspects of the SC 74 partnership. Pitkin, as operator, owns 70% interest and the Company owns the remaining thirty percent (30%). Prior to the bid submission, however, the Company had initially agreed with Philippine National Oil Company – Exploration Corporation (PNOC–EC) to transfer 10% interest from its participating interests share in the contract. A Deed of Assignment effecting the conveyance of interests to PNOC-EC remains on hold following the advice that under an existing DOE circular, PNOC-EC's entitlement was limited to 5%. PNOC – EC have agreed to accept the 5% and the appropriate changes are being drafted into the Deed.

Pitkin started assessing the availability of vintage 2D and 3D seismic and field data for seismic re-processing, a component of the work program activities for the Linapacan Block. Pitkin has likewise started preparing for the conduct of petrophysical analyses on the old Linapacan wells. A petrophysicist consultant has been selected to do the work.

A geological field work in Northwest Palawan was initiated during the first quarter of 2014. The first leg of the field program covering onshore North Palawan was completed in March 2014. The second leg will cover the neighboring Calamian Island Group and is planned to be carried out in May 2014. The field program aims to map and sample pre-Nido sequences which are important in understanding the potential of the Linapacan Block.

10.0 SWAN BLOCK (Deepwater Northwest Palawan)

PNOC – EC and the Company continued to work on the possible swap of participating interests in some of the latter's acreages in exchange for interests in PNOC-EC's SC 57 and 58 which now cover the old SWAN Block. Our efforts, however, are hampered by Executive Order 556 (EO) issued by the Office of the President which limits PNOC-EC's ability to transact through the normal means of farmin/farmout mechanisms in acquiring or disposing of interests in SCs. PNOC – EC is currently working to have the EO amended and the Company continues to wait for PNOC-EC's update on its review of the proposal to acquire participation in the Company's Nido 1X-1 project for a potential interest swap in SC 57 and 58.

INVESTMENTS IN ASSOCIATES

The Company's associates are Penta Capital Investment Corporation (PCIC) and Penta Capital Holdings, Inc. (PCHI), where the Company has 40% and 13.21% equity interest, respectively.

PCIC posted a total comprehensive income of P30.0 million in 2013, 27% lower than the 2012 comprehensive income of P41.0 million. Gross revenues amounted to P111.2 million in 2013 as compared to P134.1 million in 2012.

PCHI's net income decreased to P11.7 million in 2013 from P27.5 million in 2012. Gross revenues totaled P17.5 million in 2013 as compared to P78.7 million in 2012.

Additional information is also contained in Note 8 to the Company's 2013 Audited Consolidated Financial Statements.

The Company has **NO** direct equity interest in Penta Capital Finance Corporation and as such, **NO** disclosure on its business development was made.

NO bankruptcy, receivership or similar proceeding has been filed by or against the Company during the last three (3) years.

NO material reclassification, merger, consolidation, or purchase/sale of a significant amount of assets not in the ordinary course of business has been undertaken by the Company during the last three (3) years.

(2) Key Variable and Other Qualitative and Quantitative Factors

(a) Full Fiscal Year 2013 and First Quarter ended as of 31 March 2014

Total revenues for the first quarter ended 31 March 2014 increased by P136.0 million or 71% to P328.4 million from P192.5 million for the same period last year. Petroleum revenues increased by P132.8 million or 72% to P316.2 million from P183.4 million for the same period last year. The increase was brought mainly by the increase in combined production from the Galoc Phase 1 and Phase 2 in the first quarter of 2014 as compared to production from Phase 1 only during the same period last year. The combined gross production increased to 849,015 barrels for the first quarter ended 31 March 2104, from 471,683 barrels produced for the same period last year. The average price per barrel decreased to US$108.64 for the period ended 31 March 2014 as compared to US$110.02 for the same period last year. Equity in net earnings of associates slightly increased by P0.1 million while interest income decreased by P1.5 million or 15%.

Total costs and expenses increased by P48.8 million from P113.7 million for the first quarter of 2013 to P162.5 million for the first quarter of 2014. Operating costs increased by 53%. Foreign exchange gains/losses reflected a net gain of P1.0 million for the first quarter of 2014 as compared to net loss of P3.5 million for the same period last year. The Company's net income after tax amounted to P151.6 million for the first quarter of 2014 as compared to P67.9 million for the same period last year.

The top five (5) key performance indicators of the Company are as follows:

	Mar. 31 , 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Current Ratio	4:1	8.58:1	12.79:1	12.76:1
Current Assets	837,475,477	673,143,876	1,082,102,402	1,241,361,543
Current Liabilities	193,610,573	78,440,718	84,624,009	97,266,054
Debt to Equity Ratio	0.06:1	0.03:1	0.03:1	0.03:1
Total Liabilities	196,831,042	85,762,439	84,624,009	97,813,212
Stockholders Equity	3,259,411,014	3,210,761,972	3,226,401,399	3,110,287,211
Equity to Debt Ratio	17:1	37.44:1	38.13:1	31.80:1
Stockholders Equity	3,259,411,014	3,210,761,972	3,226,401,399	3,110,287,211
Total Liabilities	196,831,042	85,762,439	84,624,009	97,813,212
Book Value per Share	0.01790	0.01673	0.01682	0.01621
Stockholders Equity	3,434,745,954	3,210,761,972	3,226,401,399	3,110,287,211
Outstanding shares	191,868,805,358	191,868,805,358	191,868,805,358	191,868,805,358
Income per Share	0.00079*	0.0016	0.0016	0.0056
Net Income	151,631,496	315,179,222	303,574,858	1,067,719,641
Weighted Average shares outstanding	191,868,805,358	191,868,805,358	191,868,805,358	191,524,971,364

**for the period January 1 to March 31*

Current Ratios are 4:1 as of 31 March 2014; 8.58:1 as of 31 December 2013; 12.79:1 as of 31 December 2012; and 12.76:1 as of 31 December 2011. The Company's current assets exceeded its current liabilities by P643.9 million as of 31 March 2014. As of 31 December 2013, 31 December 2012 and 31 December 2011, current assets exceeded the current liabilities by P0.595 billion, P0.997 billion and P1.444 billion, respectively. However, a portion of the "Investments" account in the Statements of Financial Position (SFP) consists of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P347.4 million as of 31 March 2014, P354.5 million as of 31 December 2013, P487.1 million as of 31 December 2012 and P486.2 million as of 31 December 2011. If these shares would be considered part of Current Assets, the recomputed current ratio would be 6:1 as of 31 March 2014; 13.10:1 as of 31 December 2013; 18.54:1 as of 31 December 2012 and 17.76:1 as of 31 December 2011.

The Company has a wholly-owned subsidiary, Phoenix Gas & Oil Exploration Co., Inc. (PGO). The Company acquired 100% of PGO's capital stock in May 2007. Since PGO has **NO** operations, disclosure on performance indicators are as follows:

	March 31, 2014	December 31, 2013
Current Ratio	0	0
Current Assets	0	0
Current Liabilities	926,639	926,639
Debt to Equity Ratio	0.10:1	0.1029:1
Total Liabilities	926,639	926,639
Stockholders Equity	9,005,346	9,005,346
Equity to Debt Ratio	10:1	9.72:1
Stockholders Equity	9,005,346	9,005,346
Total Liabilities	926,639	926,639
Book Value per Share	0.007	0.0007
Stockholders Equity	93,380,346	9,005,346
Average shares outstanding	12,505,000,000	12,505,000,000
Income (Loss) per Share	0	0
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

In general, Management is not aware of any material event or uncertainty that has affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

(i) There are **NO** known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 21 to the Company's 2013 Audited Consolidated Financial Statements.

(ii) The Company's internal source of liquidity comes from revenues generated from operations. The Company's external sources of liquidity come from stock subscriptions, loans and advances. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:

a. Issuing subscriptions call on the balance of the subscriptions receivable;
b. Collecting a portion of Accounts Receivables;
c. Selling a portion of its existing investments and assets; and
d. Generating cash from loans and advances.

(iii) The Company is expected to contribute its share in the exploration and development expenditures in the SC. However, most of the funding for such expenditures is expected to be provided by operations, collection of subscriptions and other receivables, loans/financing from banks and potential farminees to these projects.

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 10 and 21 to the Company's 2013 Audited Consolidated Financial Statements.

(v) There have been **NO** material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

a) Total assets increased from P3.21 billion as of year-end 2011 to P3.31 billion as of year-end 2012. From the 31 December 2012 balance, total assets decreased by P14.5 million to its 31 December 2013 balance of P3.30 billion. Total assets increased from P3.30 billion as of 31 December 2013 to P3.46 billion as of 31 March 2014.

- Cash account decreased by P282.5 million from P895.5 million as of 31 December 2011 to P613.0 million as of 31 December 2012 mainly due to the payments of the Company's share in the operation and exploration activities in various petroleum projects; cash dividends and advances made to related companies. From its 31 December 2012 balance to 31 December 2013 balance of P94.0 million, a decrease of P519.0 million was reflected mainly due to payments of the Company's share in the Galoc Phase 2 development costs and cash dividends. Cash and cash equivalents increased by P167.7 million or 178% as of 31 March 2014 due to the collection of the Company's share in Galoc revenues.

- Receivables account increased by P97.1 million from P345.7 million as of 31 December 2011 to P443.0 million as of 31 December 2012. Receivables further increased by P17.0 million from its 31 December 2012 balance to 31 December 2013 balance of P460.0 million. The increases were mainly due to accruals booked as of year-end and advances made to related companies during the period. As of 31 March 2014, receivables increased by P5.2 million.

- There was no crude oil in storage as of 31 December 2011. As of 31 December 2012, P26.1 million was booked for the Company's share in inventory for the SC14 Galoc, Nido, Matinloc and North Matinloc crude. From its year-end 2012 balance to year-end 2013 balance of P116.9 million, an increase of P90.7 million was reflected due to higher level of crude oil in storage. Crude oil inventory decreased by P7.1 million or 6% due to lower volume of crude oil on storage as of 31 March 2014.

- Other current assets slightly increased from its 31 December 2011 balance of P0.158 million to 31 December 2012 balance of P0.164 million. From its year-end 2012 balance to year-end 2013 balance of P2.4 million, an increase of P2.2 million was due to prepayments made during the period. As of 31 March 2014, other current assets decreased by P1.4 million due to the amortization of prepaid expenses.

- Property and equipment increased from its 31 December 2011 balance of P271.2 million to 31 December 2012 balance of P418.2 million. From its year-end 2012 balance to year-end 2013 balance of P926.7 million, an increase of P508.6 million was reflected due to additional costs incurred relative to the Phase 2 costs of SC14 Galoc block booked during the period. Property and equipment reflected a net decrease of P4.3 million to P922.5 million as of 31 March 2014 mainly due to the booking of depletion costs (P44.2) net of additional development costs for the Galoc Phase 2 project (P39.9 million).

- Investments in associates increased by P11.7 million from the year-end 2011 balance of P258.8 million to year-end 2012 balance of P270.5 million. While the year-end 2012 balance further increased by P8.3 million to year-end 2013 balance of P278.8 million. These increases were mainly due to the equity share in affiliates' earnings net of cash dividend booked in 2012 and 2013.

- Available-for-sale (AFS) investments slightly increased by P1.0 million from its year-end 2011 balance of P486.2 million to year-end 2012 balance of P487.1 million. While for year-end 2012 to year-end 2013 balance, a decrease of P132.6 million was reflected mainly due to the adjustment in the valuation allowance pertaining to listed stock investments of the Company. AFS financial assets as of 31 March 2014 decreased by P7.1 million or 2% due to the adjustment in the valuation reserve of the Company's listed stock investments.

- Investment in bonds increased by P6.6 million from its year-end 2012 balance of P81.2 million to P87.8 million balance as of year-end 2013 due to revaluation adjustment made. It increased by P0.9 million due to the restatement of investment in dollar bonds as of 31 March 2014.

- Deferred tax asset (DTA) increased from its year-end 2011 balance of P17.9 million to P31.9 million balance as of year-end 2012. By year-end 2013, adjustment on recognized DTA was booked decreasing the balance to P16.5 million. It increased by P0.7 million or 4% due to adjustments in the recognition of DTA as of end of the interim period of 31 March 2014.

- Other non-current assets decreased by P1.4 million from its year-end 2011 balance of P6.5 million to year-end 2012 balance of P5.1 million due to the amortization of other deferred charges booked during the period. While for year-end 2012 to year-end 2013 balance of P13.8 million, an increase of P8.7 million was reflected due to additional other deferred charges booked. Meanwhile, other noncurrent assets decreased by P0.3 million or 2% due to the amortization of other deferred costs during the interim period.

b) Total liabilities decreased from its P97.8 million balance in 2011 to P84.6 million balance in 2012, and it further decreased by P1.1 million which brought the year-end 2013 balance to P85.8 million. From the year-end balance of P85.8 million to P196.8 million as of 31 March 2014, it reflected a net increase of 130% or P111.1 million mainly due to the cash dividends declared amounting to P96.0 million during the interim period.

    - Accounts payable and accrued liabilities decreased by P16.2 million from its year-end 2011 balance of P59.9 million to year-end 2012 balance of P43.7 million due to the payments made during the period. Accrued liabilities slightly increased its year-end 2012 balance to P47.8 million as of 31 December 2013. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2013. Accounts payable and accrued liabilities reflected a P10 million increase due to accruals booked during the interim period.

    - Income tax payable decreased by P3.9 million from its year-end 2011 balance of P27.0 million to year-end 2012 balance of P23.1 million. For year-end 2012 balance to year-end 2013 balance of P6.0 million, a decrease of P17.0 million was reflected due to lower income tax liability accrued as of end of period. Income tax payable increased by 245% or P14.8 million due to the additional income taxes accrued as of 31 March 2014.

- Dividends payable increased from its year-end 2011 balance of P10.4 million to year-end 2012 balance of P17.8 million. It further increased by P6.8 million from its year-end 2012 to year-end 2013 balance of P24.6 million, the increases was due to the unclaimed cash dividends declared in 2011, 2012 and 2013. For the interim period, dividends payable increased by P90.2 million mainly due to the declaration of 5% cash dividend payable on 31 March 2014.

- Retirement benefit liability from its year-end 2011 balance of P0.547 million was adjusted to reflect a balance of P5.6 million retirement benefit asset as of year-end 2012. While for year-end 2013, a P7.3 million retirement benefit liability was recognized. As of 31 March 2014, retirement benefit liability decreased by P4.0 million or 56% mainly due the additional contribution made to the retirement fund.

c) Stockholders' equity increased by P116.1 million from its year-end 2011 balance of P3.11 billion to year-end 2012 balance of P3.23 billion. While for year-end 2012 to year-end 2013, the stockholders' equity decreased by P15.6 million. As of 31 March 2014, it increased by P48.6 million or 1.5% from P3.21 billion as of 31 December 2013 to P3.26 billion.

- Issued capital stock increased by P1.9 million from its year-end 2011 balance of P1.564 billion to year-end 2012 balance of P1.565 billion. From year-end 2012 balance to year-end 2013, it further increased by P2.4 million due to the issuances of shares on fully paid subscriptions.

- Subscriptions receivable decreased from its year-end 2011 balance of P177.5 million to year-end 2012 balance of P176.5 million. From year-end 2012 balance to year-end 2013, a decrease of P1.2 million was reflected due to collections made on subscriptions.

- Net unrealized loss on decline in value of AFS financial assets decreased by P4.0 million from its year-end 2011 balance of P25.8 million to year-end 2012 balance of P21.8 million due to recovery/adjustment booked in the valuation allowance. From year-end 2012 balance to year-end 2013 balance of P154.5 million, the unrealized loss on the decline increased by P132.6 million due to the additional decline booked in the valuation allowance of AFS financial assets. The net unrealized loss on decline in value of AFS financial assets increased by P7.1 million to P161.6 million as of

31 March 2014 due to the adjustment in the valuation reserve of the Company's listed stock investments.

- Retained Earnings from year-end 2011 balance of P1.39 billion to year-end 2012 balance of P1.50 billion, reflected a net increase of P111.3 million due to the net income booked (P303.6 million) and cash dividends declared (P191.9 million) during the period. While for year-end 2012 to year-end 2013 balance of P1.62 billion, the net increase of P116.0 million was due to the net income booked (P315.2 million), cash dividends declared (P191.9 million) and other comprehensive income booked (P7.3 million) during the period. The Company's retained earnings amounted to P1.68 billion as of 31 March 2014 as compared to P1.62 billion as of 31 December 2013. The net increase of P55.8 million or 3% was due to the P151.6 million net income booked for the first quarter of 2014 net of P95.9 million cash dividend declared in February 2014.

d) Petroleum revenues in 2013 totaled P725.5 million as compared to P714.2 million in 2012 and P1.497 billion in 2011. For the year 2013, the slight increase in revenues was mainly brought about by the production from the Galoc Phase 2 which commenced on 4 December 2013. Production increased by 15% from its 2012 level of 1.60 million barrels to 1.85 million barrels in 2013. Average prices for 2013 and 2012 were US$108.82 and US$112.56, respectively. For 2011, total production volume was 2.29 million barrels and average price per barrel was US$113.38.

As of 31 March 2014, production revenues increased by P132.8 million or 72% to P316.2 million from P183.4 million for the same period last year due to higher production. The combined gross production increased to 849,015 barrels for the first quarter ended 31 March 2014 from 471,683 barrels produced for the same period last year. While the average price per barrel slightly decreased to $108.64 for the period ended 31 March 2014 as compared to $110.02 per barrel for the same period last year.

Equity in net earnings of associates amounted to P12.5 million in 2013, P16.7 million in 2012 and P12.7 million in 2011. The decrease of P4.1 million from year-end 2012 to year-end 2013 balance was due to lower level of income of affiliates. For the interim period, equity in net earnings of associates increased by 4% due to the higher level of income booked by PCIC.

Interest income totaled to P39.7 million in 2013, P46.6 million in 2012 and P33.7 million in 2011. Interest income decreased by P1.5 million due to lower interest income on short term placements booked for the first quarter of 2014.

e) Total costs and expenses totaled to P448.6 million in 2013, P422.1 million in 2012, and P505.5 million in 2011.

   Share in production and depletion costs amounted to P360.2 million in 2013, P312.7 million in 2012 and P377.5 million in 2011. Share in costs and operating increased by P47 million or 53% due to higher depletion expense booked for Galoc during the first quarter.

   General and administrative expenses totaled to P87.0 million in 2013, P105.8 million in 2012, and P130.1 million in 2011.

   Foreign exchange gains/losses reflected a net gain of P24.1 million for 2013 as compared to net loss of P30.1 million for 2012. For the year 2011, foreign exchange gain amounted to P20.0 million. Foreign exchange gain amounted to P1.0 million for the first quarter of 2014 as compared to P3.5 million foreign exchange loss for the same period last year. The foreign exchange gain was brought about by the P0.185 (depreciation of peso)/ adjustment on reference rates for the first quarter of 2014 and the foreign exchange loss was brought about by the P0.42 (appreciation of peso)/adjustment for the same period last year.

   Current provision for income taxes amounted to P24.4 million in 2013, P34.0 million for 2012 and P40.1 million for 2011. Recognition of deferred tax (assets)/liability resulted to (benefit from)/additional provision for income taxes. For 2013 deferred tax liability was recognized and a P18.5 million additional provision was booked as compared to benefit from income taxes recognized in 2012 amounting to P13.8 million. For 2011, deferred tax liability was recognized and a P12.7 million additional provision for deferred tax was booked.

(vi) There have been **NO** seasonal aspects that had material effect on the financial condition or results of operations of the Company.

(vii) There are **NO** events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(viii) 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 information required by this item is contained in Note 25 to the Company's 2013 Audited Consolidated Financial Statements.

Properties

The information required by Item 2 is contained in Notes 6 and 7 to the Company's 2013 Audited Consolidated Financial Statements.

As a participant in SC No.14, the Company reflects its proportionate share in the cost of the production facilities of the Nido, Matinloc, North Matinloc, Galoc and West Linapacan oilfields under the "Wells, platforms and other facilities" account. These production facilities are located in the offshore Palawan area, while the office condominium unit, furnitures, and other equipments are located at 125 Pioneer Street, Mandaluyong City. These properties are in good condition. The Company does not intend to make any substantial property acquisition in the next twelve (12) months.

The Company's exploration properties, which are presented as deferred oil exploration and development costs in the audited consolidated financial statements are presented below:

SC No.	Philodrill's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status
SC6A (Octon)	15.4950	Pitkin Petroleum Ltd. PetroEnergy Resources Corp. Anglo Phil. Holdings Trans-Asia Oil&Devt Corp. Forum Energy Phils. Corp. Philex Petroleum Alcorn Gold Resouces Corp.	Pitkin Petroleum	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC6B (Bonita)	21.8750	Phoenix Gas&Oil Explo Co. Oriental Pet.& Minerals Corp. Nido Petroleum Phils. Pty Trans-Asia Oil&Devt Corp. Forum Energy Phils. Corp. Alcorn Gold Resources Corp.	Philodrill	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC14 (Galoc)	7.21495	Galoc Production Co. Nido Petroleum Phils. Pty. Oriental Pet&Minerals Corp. Forum Energy Phils. Corp.	Galoc Prodn Co.	Aug 12, 2005	Dec 17, 2025	Northwest Palawan	Production
SC53 (Onshore Mindoro)	22.0000	Pitkin Petroleum Ltd RMA Pty. Ltd., Anglo Phil. Holdings Basic Cons. Mining Corp.	Pitkin Petroleum	July 08, 2005	July 08, 2014	Mindoro	Exploration
SC41 (Sulu Sea)	*					Sulu Sea	For bidding application
Swan Block (NW Palawan)	**					Northwest Palawan	Ongoing negotiations with

Unified							PNOC-EC

**The Company will most likely participate in the 5th Philippine Energy Contracting Round bidding if Area15 will be offered.*
***Ongoing negotiations with PNOC-EC*

Employees

As at 31 March 2014, the Company had 34 employees. The Company anticipates hiring additional personnel within the ensuing twelve (12) months.

Type of employee	Exploration/ Technical	Finance/Administration Legal/Stocks
Executive Officers - Administrative	2	3
AVP, Managers – Technical/Operations	3	4
Rank and File – Clerical	8	14
Total	13	21

The present employees are not subject to Collective Bargaining Agreement. For the past three (3) years, there had not been any strike threat. All regular officers and employees are entitled to supplemental benefits as provided under the applicable labor laws and existing Company's schedule of benefits (i.e. leaves, medical and other cash aid programs, bonuses, retirement, life/hospitalization insurances and others). The Company will continue to provide such benefits within the ensuing twelve (12) months.

IV. Brief Description of the General Nature & Scope of Business of the Company

The Company was incorporated in 1969, originally, with the primary purpose of engaging in oil, gas and mineral exploration and development. In 1989, realizing the need to balance the risk associated with its petroleum activities, the Company changed its primary purpose to that of a diversified holding company while retaining petroleum and mineral exploration and development as one of its secondary purposes. Thereafter, the Company has maintained investments in petroleum exploration and production, financial services, property development, mining and infrastructure development. On 16 January 2008, stockholders representing at least two-thirds of the Company's outstanding capital stock approved to change the Company's primary purpose back to petroleum exploration and development and to relegate and include as a secondary purpose the Company's holding company purpose clause, which the SEC approved on 13 April 2009.

The Company's active petroleum projects cover production and exploration areas in offshore Palawan and South Sulu Sea and onshore Mindoro under various SCs with the Philippine government through the DOE.

In the financial services sector, the Company is a 40% shareholder of PCIC, an investment house. PCIC holds equity interest in several companies such as, Penta Capital Finance Corporation, a finance company (98.75% owned), PCHI, an investment holding company (29.54% owned), Penta Capital Realty Corporation (100% owned) and Intra-Invest Securities, Inc. (68.47% owned). The Company also holds a 13.21% direct equity investment in PCHI.

In the mining sector, the Company holds minor equity interests in the following companies: Atlas Consolidated Mining & Development Corporation; Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

V. Market Price and Dividends

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two (2) years 2013 and 2012 and the first quarter of the current year 2014, expressed in Philippine Pesos, are as follows:

Stock Prices:		High	Low
2014	First Quarter	0.037	0.035
2013	First Quarter	0.048	0.041
	Second Quarter	0.045	0.034
	Third Quarter	0.042	0.036
	Fourth Quarter	0.039	0.034
2012	First Quarter	0.055	0.022
	Second Quarter	0.060	0.039
	Third Quarter	0.055	0.046
	Fourth Quarter	0.048	0.038

(2) Holders

There were 8,822 shareholders of record as of 31 March 2014 and 8,828 shareholders of record as of 31 December 2013. Common shares outstanding as of 31 December 2013 totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of 16 October 2008. In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on 24 September 2008. On 26 May 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on 18 September 2008. Additional information required is also contained in Note 13 to the Company's 2013 Audited Consolidated Financial Statements.

Top 20 stockholders as of 31 March 2014:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION	173,901,803,180	90.6357
2. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.2953
3. MARGARET S. CHUA CHIACO	530,000,000	0.2762
4. NICASIO ALCANTARA	363,200,000	0.1892
5. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	0.1881
6. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	0.1656
7. CHRISTINE C. CHUA	254,097,005	0.1324
8. TERA INVESTMENTS, INC.	220,000,000	0.1146
9. RCBC TA# 32-314-4	190,900,000	0.0994
10. PHIL. REMNANTS CO., INC.	188,247,468	0.0981
11. AYALA CORPORATION	188,068,125	0.0980
12. CARMENCITA O. REYES	176,415,750	0.0919
13. YVONNE AWAD, ANITA AWAD DETERT AND CHRISTINE AWAD HAKIM	175,781,026	0.0916
14. YVONNE AWAD	175,780,965	0.0916
15. INDEPENDENT REALTY CORPORATION	165,807,000	0.0864
16. ANSELMO C. ROQUE	150,000,000	0.0781
17. PAULINO G. PE	135,490,200	0.0706
18. ANSALDO GODINEZ & CO., INC.	112,338,084	0.0585
19. J.A. GONZALEZ	110,400,000	0.0575
20. ANGLO PHIL. OIL & MINING DEV CORP.	108,936,264	0.0567

As of 31 December 2013, the top 20 stockholders are as follows:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION	174,098,725,101	90.7384
2. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.2953
3. MARGARET S. CHUA CHIACO	530,000,000	0.2762
4. NICASIO ALCANTARA	363,200,000	0.1892
5. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	0.1881
6. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	0.1656
7. CHRISTINE C. CHUA	254,097,005	0.1324
8. RCBC TA# 32-314-4	190,900,000	0.0994
9. PHIL. REMNANTS CO., INC.	188,247,468	0.0981
10. AYALA CORPORATION	188,068,125	0.0980
11. CARMENCITA O. REYES	176,415,750	0.0919
12. YVONNE AWAD, ANITA AWAD DETERT AND CHRISTINE AWAD HAKIM	175,781,026	0.0916
13. YVONNE AWAD	175,780,965	0.0916
14. INDEPENDENT REALTY CORPORATION	165,807,000	0.0864
15. ANSELMO C. ROQUE	150,000,000	0.0781
16. PAULINO G. PE	135,490,200	0.0706

17. ANSALDO GODINEZ & CO., INC.	112,338,084	0.0585
18. J.A. GONZALEZ	110,400,000	0.0575
19. ANGLO PHIL. OIL & MINING DEV CORP.	108,936,264	0.0567
20. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	0.0562

(3) Dividends

For the first quarter of 2014 and the years 2013, 2012 and 2011, the Board of Directors approved the declaration of the following cash dividends:

Cash Dividend	Amount	Declared on	Record Date	Payment Date
2014-CD027	P0.0005/share	Feb 19, 2014	Mar 5, 2014	Mar 31, 2014
2013-CD026	P0.0005/share	Oct 23, 2013	Nov 8, 2013	Dec 4, 2013
2013-CD025	P0.0005/share	May 22, 2013	Jun 5, 2013	Jul 2, 2013
2012-CD024	P0.0003/share	Oct 24, 2012	Nov 12, 2012	Dec 7, 2012
2012-CD023	P0.0002/share	Jun 20, 2012	Jul 4, 2012	Jul 30, 2012
2012-CD022	P0.0005/share	Feb 22, 2012	Mar 7, 2012	Mar 30, 2012
2011-CD021	P0.0005/share	Aug 24, 2011	Sep 9, 2011	Sep 30, 2011
2011-CD020	P0.0004/share	Mar 16, 2011	Mar 30, 2011	Apr 15, 2011

The Company's ability to declare and pay dividends is subject to the availability of funds and balance of the Retained Earnings.

VI. Corporate Governance

(a) The Company uses the evaluation system established by the SEC in its Memorandum Circular No. 5 series of 2003, including the accompanying Corporate Governance Self Rating Form (CG-SRF) to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual.

(b) The Company undertakes a self-evaluation process every semester and any deviation from the Company's corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.

(c) Except as indicated below, the Company is currently in full compliance with the leading practices on good corporate governance embodied in the CG-SRF.

1. The Company has prepared a draft Code of Conduct for the Board, CEO and staff, which is still undergoing changes to cope with the dynamics of the business. In the meantime, however, the Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

2. Employees and officers undergo professional development programs subject to meeting the criteria set by the Company. Succession plan for senior management is determined by the Board as need arises.

(d) The Company shall adopt such improvement measures on its corporate governance as the exigencies of its business will require from time to time.

The Company undertakes to provide its stockholders, without charge, a copy of its SEC Form 17-Q for the period ended 31 March 2014 during the stockholders' meeting. Copies will be sent for those who will not be able to attend the stockholders' meeting.

12 May 2014

ADRIAN S. ARIAS
Corporate Secretary

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 631-1801 TO 05 ; 631-8151/52 ; FAX: (632) 631-8080 , (632) 631-5310

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of The Philodrill Corporation and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The management is also responsible for the preparation and fair presentation of the following supplementary schedules required by SRC Rule 68, as Amended (2011):

a. Schedules required by Annex 68-E
b. Reconciliation of retained earnings available for dividend declaration
c. Map of the conglomerate or group of companies within which the reporting entity belongs
d. Tabular schedule of standards and interpretations as of reporting date

These schedules have been prepared in accordance with the requirements of SRC Rule 68, as Amended (2011) and other related issuances from the Securities and Exchange Commission.

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

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

Alfredo C. Ramos
Chairman of the Board / Chief Executive Officer

Reynaldo E. Nazarea
Chief Financial Officer

Signed this 26th day of March 2014

SUBSCRIBED AND SWORN to before me this APR 04 2014 day of April 2014 affiant(s) exhibiting to me his/her Community Tax Certificates, as follows:

NAMES	CTC NO.	DATE OF ISSUE	PLACE OF ISSUE
ALFREDO C. RAMOS	08276907	01/02/2014	Manila
REYNALDO E. NAZAREA	22827081	03/12/2014	Mandaluyong

Ronald O. Ching

ATTY. RONALD SEGUNDINO C. CHING
Notary Public - Manila
Roll No. 54899
IBP No. 928492/12-10-13
PTR No. 34267168/01-02-14

DOC. NO. 150
PAGE NO. 30
BOOK NO. VIII
SERIES NO. 2014

COVER SHEET

38683

SEC Registration Number

THE PHILODRILL CORPORATION AND SUBSIDIARY

(Company's Full Name)

8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City

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

Mr. Reynaldo E. Nazarea

(Contact Person)

(02) 631-8151

(Company Telephone Number)

12	31
Month	*Day*

(Calendar Year)

17-A

(Form Type)

06	19
Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

8,828

Total No. of Stockholders

Total Amount of Borrowings

Not Applicable	Not Applicable
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

BUREAU OF INTERNAL REVENUE

APR 22 2014

Remarks: Please use BLACK ink for scanning purposes.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
The Philodrill Corporation and Subsidiary
8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City

We have audited the accompanying consolidated financial statements of The Philodrill Corporation and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the 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, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Philodrill Corporation and Subsidiary as at December 31, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicate that The Philodrill Corporation and Subsidiary's ability to realize their deferred oil exploration costs depends on the success of their exploration and future development work in proving the viability of their oil properties to produce oil in commercial quantities, which cannot be determined at this time.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 26, 2014

APR 22 2014

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱93,984,475**	₱612,958,442	₱895,488,630
Receivables (Note 5)	**459,898,315**	442,853,158	345,714,877
Crude oil inventory (Note 6)	**116,874,750**	26,126,684	–
Other current assets	**2,386,336**	164,118	158,036
Total Current Assets	**673,143,876**	1,082,102,402	1,241,361,543
Noncurrent Assets			
Property and equipment (Note 7)	**926,721,222**	418,170,869	271,178,944
Investments in associates (Note 8)	**278,805,093**	270,481,666	258,822,115
Available-for-sale (AFS) financial assets (Note 9)	**354,522,489**	487,137,039	486,180,915
Deferred oil exploration costs (Note 10)	**895,142,259**	879,312,079	876,187,429
Advances to a related party (Note 15)	**50,000,000**	50,000,000	50,000,000
Investment in bonds (Note 11)	**87,857,705**	81,237,950	–
Retirement benefit asset (Note 18)	**–**	5,567,070	–
Deferred income tax assets - net (Note 19)	**16,519,067**	31,867,620	17,884,751
Other noncurrent assets	**13,812,700**	5,148,713	6,484,726
Total Noncurrent Assets	**2,623,380,535**	2,228,923,006	1,966,738,880
TOTAL ASSETS	**₱3,296,524,411**	₱3,311,025,408	₱3,208,100,423
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (Note 12)	**₱47,778,604**	₱43,679,191	₱59,897,418
Income tax payable	**6,040,546**	23,111,463	26,980,000
Dividends payable (Note 13)	**24,621,568**	17,833,355	10,388,636
Total Current Liabilities	**78,440,718**	84,624,009	97,266,054
Noncurrent Liability			
Retirement benefit liability (Note 18)	**7,321,721**	–	547,158
Total Liabilities	**85,762,439**	84,624,009	97,813,212

(Forward)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Equity			
Capital stock - ₱0.01 par value (held by 8,828 equity holders in 2013 and 8,906 in 2012; Note 13)			
Authorized - 200.0 billion shares in 2013 and 2012			
Issued	**₱1,568,003,703**	₱1,565,575,119	₱1,563,648,953
Subscribed	**350,684,351**	353,112,935	355,039,101
Subscriptions receivable	**(175,342,164)**	(176,556,456)	(177,515,539)
Paid-in capital from sale of treasury shares (Note 13)	**1,624,012**	1,624,012	1,624,012
Share in other comprehensive (loss) income of an associate	**(303,238)**	(106,914)	73,506
Net unrealized loss on decline in value of AFS financial assets (Note 9)	**(154,460,360)**	(21,845,809)	(25,843,194)
Retained earnings	**1,620,555,668**	1,504,598,512	1,393,260,372
Total Equity	**3,210,761,972**	3,226,401,399	3,110,287,211
TOTAL LIABILITIES AND EQUITY	**₱3,296,524,411**	₱3,311,025,408	₱3,208,100,423

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
APR 22 2014

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
PETROLEUM REVENUE (Note 6)	**₱725,540,735**	₱714,242,193	₱1,497,153,188
COSTS AND EXPENSES			
Share in costs and operating expenses (Notes 6 and 16)	**343,215,956**	308,879,442	366,940,759
General and administrative expenses (Note 17)	**87,043,253**	105,783,194	130,093,315
Depletion expense (Notes 6 and 7)	**16,955,261**	3,834,625	10,594,045
	447,214,470	418,497,261	507,628,119
OTHER INCOME (CHARGES) - Net			
Interest income (Notes 4, 11, 15 and 18)	**39,736,512**	46,619,431	33,690,849
Foreign exchange gains (losses) - net (Notes 4, 5 and 11)	**24,068,504**	(30,143,288)	20,011,790
Equity in net earnings of associates (Note 8)	**12,519,751**	16,664,190	12,669,062
Dividend income	**4,750,000**	5,450	–
Interest expense	**(412,500)**	–	–
Gain (loss) on sale of AFS financial assets (Note 9)	–	(1,535,283)	3,840,305
Gain on sale of Cadlao overriding royalty interest (ORRI; Note 10)	–	–	58,657,750
Others - net	**(934,472)**	(3,609,529)	2,097,860
	79,727,795	28,000,971	130,967,616
INCOME BEFORE INCOME TAX	**358,054,060**	323,745,903	1,120,492,685
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**24,374,887**	33,964,735	40,060,976
Deferred	**18,499,951**	(13,793,690)	12,712,068
	42,874,838	20,171,045	52,773,044
NET INCOME	**315,179,222**	303,574,858	1,067,719,641
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Item that may be recycled subsequently to profit or loss:			
Changes in fair value of AFS financial assets (Note 9)	**(132,614,551)**	3,997,385	(19,877,967)
	(132,614,551)	3,997,385	(19,877,967)
Items that will not be reclassified to profit or loss:			
Loss on remeasurement of retirement (Note 18)	**(7,353,261)**	(367,913)	(24,232,959)
Share in other comprehensive (loss) income of an associate	**(196,324)**	(180,420)	73,506
	(7,549,585)	(548,333)	(24,159,453)
TOTAL COMPREHENSIVE INCOME	**₱175,015,086**	₱307,023,910	₱1,023,682,221
EARNINGS PER SHARE (Note 14)			
Basic	**₱0.0016**	₱0.0016	₱0.0056
Diluted	**₱0.0016**	₱0.0016	₱0.0056

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 and 2011

	Capital Stock (Note 13)							
	Issued	Subscribed	Subscriptions Receivable	Paid-in Capital from Sale of Treasury Shares (Note 13)	Other Comprehensive (Loss) Income of an associate	Net Unrealized Loss on Decline in Value of AFS Financial Assets (Note 9)	Retained Earnings	Total
Balances at January 1, 2013, as previously reported	₱1,565,575,119	₱353,112,935	(₱176,556,456)	₱1,624,012	(₱106,914)	(₱21,845,809)	₱1,540,479,158	₱3,262,282,045
Effect of adoption of Revised Philippine Accounting Standards (PAS) 19 (Note 2)	–	–	–	–	–	–	(35,880,646)	(35,880,646)
Balances at January 1, 2013, as restated	1,565,575,119	353,112,935	(176,556,456)	1,624,012	(106,914)	(21,845,809)	1,504,598,512	3,226,401,399
Issuance of capital stock	2,428,584	(2,428,584)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	1,214,292	–	–	–	–	1,214,292
Cash dividends declared (Note 13)	–	–	–	–	–	–	(191,868,805)	(191,868,805)
	1,568,003,703	350,684,351	(175,342,164)	1,624,012	(106,914)	(21,845,809)	1,312,729,707	3,035,746,886
Net income	–	–	–	–	–	–	315,179,222	315,179,222
Other comprehensive loss	–	–	–	–	(196,324)	(132,614,551)	(7,353,261)	(140,164,136)
Total comprehensive income	–	–	–	–	(196,324)	(132,614,551)	307,825,961	175,015,086
Balances at December 31, 2013	₱1,568,003,703	₱350,684,351	(₱175,342,164)	₱1,624,012	(₱303,238)	(₱154,460,360)	₱1,620,555,668	₱3,210,761,972

	Issued	Subscribed	Subscriptions Receivable	Paid-in Capital from Sale of Treasury Shares (Note 13)	Other Comprehensive (Loss) Income of an associate	Net Unrealized Loss on Decline in Value of AFS Financial Assets (Note 9)	Retained Earnings	Total
Balances at January 1, 2012, as previously reported	₱1,563,648,953	₱355,039,101	(₱177,515,539)	₱1,624,012	₱73,506	(₱25,843,194)	₱1,433,218,489	₱3,150,245,328
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	–	–	(39,958,117)	(39,958,117)
Balances at January 1, 2012, as restated	1,563,648,953	355,039,101	(177,515,539)	1,624,012	73,506	(25,843,194)	1,393,260,372	3,110,287,211
Issuance of capital stock	1,926,166	(1,926,166)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	959,083	–	–	–	–	959,083
Cash dividends declared (Note 13)	–	–	–	–	–	–	(191,868,805)	(191,868,805)
	1,565,575,119	353,112,935	(176,556,456)	1,624,012	73,506	(25,843,194)	1,201,391,567	2,919,377,489
Net income	–	–	–	–	–	–	303,574,858	303,574,858
Transfer to profit or loss from sale of AFS financial assets (Note 9)	–	–	–	–	–	(254,461)	–	(254,461)
Other comprehensive income (loss)	–	–	–	–	(180,420)	4,251,846	(367,913)	3,703,513
Total comprehensive income	–	–	–	–	(180,420)	3,997,385	303,206,945	307,023,910
Balances at December 31, 2012, as restated	₱1,565,575,119	₱353,112,935	(₱176,556,456)	₱1,624,012	(₱106,914)	(₱21,845,809)	₱1,504,598,512	₱3,226,401,399

	Capital Stock (Note 13)			Paid-in Capital from Sale of Treasury Shares (Note 13)	Other Comprehensive (Loss) Income of an associate	Net Unrealized Loss on Decline in Value of AFS Financial Assets (Note 9)	Retained Earnings	Total
	Issued	Subscribed	Subscriptions Receivable					
Balances at January 1, 2011, as previously reported	₱1,555,900,804	₱362,787,250	(₱181,393,639)	₱1,624,012	₱–	(₱5,965,227)	₱540,366,124	₱2,273,319,324
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	–	–	(17,910,509)	(17,910,509)
Balances at January 1, 2011, as restated	1,555,900,804	362,787,250	(181,393,639)	1,624,012	–	(5,965,227)	522,455,615	2,255,408,815
Issuance of capital stock	7,748,149	(7,748,149)	–	–	–	–	–	–
Collection of subscriptions receivable	–	–	3,878,100	–	–	–	–	3,878,100
Cash dividends declared (Note 13)	–	–	–	–	–	–	(172,681,925)	(172,681,925)
	1,563,648,953	355,039,101	(177,515,539)	1,624,012	–	(5,965,227)	349,773,690	2,086,604,990
Net income	–	–	–	–	–	–	1,067,719,641	1,067,719,641
Transfer to profit or loss from sale of AFS financial assets	–	–	–	–	–	269,832	–	269,832
Other comprehensive income (loss)	–	–	–	–	73,506	(20,147,799)	(24,232,959)	(44,307,252)
Total comprehensive income	–	–	–	–	73,506	(19,877,967)	1,043,486,682	1,023,682,221
Balances at December 31, 2011, as restated	₱1,563,648,953	₱355,039,101	(₱177,515,539)	₱1,624,012	₱73,506	(₱25,843,194)	₱1,393,260,372	₱3,110,287,211

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated)	2011 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱358,054,060**	₱323,745,903	₱1,120,492,685
Adjustments for:			
Interest income (Notes 4, 11, 15 and 18)	**(39,736,512)**	(46,619,431)	(33,690,849)
Net unrealized foreign exchange losses (gains) - net (Notes 4 and 11)	**(22,740,772)**	35,614,421	(8,550,009)
Depletion, depreciation and amortization expense (Note 7)	**20,468,910**	7,417,271	13,630,018
Equity in net earnings of associates (Note 8)	**(12,519,751)**	(16,664,190)	(12,669,062)
Retirement benefits expense (Note 18)	**5,284,650**	5,675,300	3,128,685
Dividend income	**(4,750,000)**	(5,450)	–
Amortization of other deferred charges	**1,336,013**	1,336,013	254,807
Interest expense	**412,500**	–	–
Loss (gain) on sale of AFS financial assets (Note 9)	**–**	1,535,283	(3,840,305)
Gain on sale of Cadlao ORRI (Note 10)	**–**	–	(58,657,750)
Loss on retirement of property and equipment	**–**	–	85,068
Gain on sale of fully depreciated property and equipment	**–**	–	(75,000)
Loss on disposal of other noncurrent assets	**–**	–	64,500
Operating income before working capital changes	**305,809,098**	312,035,120	1,020,172,788
Decrease (increase) in:			
Receivables	**5,583,226**	(53,788,444)	(113,487,354)
Crude oil inventory	**(90,748,066)**	(26,126,684)	139,426,557
Other current assets	**(2,222,218)**	(6,082)	23,955
Increase (decrease) in accounts payable and accrued liabilities	**4,099,413**	(16,218,227)	25,445,979
Net cash generated from operations	**222,521,453**	215,895,683	1,071,581,925
Income taxes paid, including creditable taxes applied	**(41,445,804)**	(37,833,272)	(21,840,206)
Interest received	**23,432,663**	38,637,655	33,632,922
Dividend received	**8,750,000**	4,798,166	5,321,197
Interest paid	**(412,500)**	–	–
Contributions to retirement fund (Note 18)	**–**	(10,000,000)	(32,000,000)
Net cash flows from operating activities	**212,845,812**	211,498,232	1,056,695,838

(Forward)

	Years Ended December 31		
	2013	2012 (As restated)	2011 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Deferred oil exploration costs	**(₱15,830,180)**	(₱23,985,027)	(₱8,527,339)
Investment in bonds	**–**	(81,237,950)	–
Other noncurrent assets	**(10,000,000)**	–	(6,680,064)
Acquisitions of:			
Property and equipment (Notes 7 and 23)	**(533,244,314)**	(133,548,819)	(13,515,893)
AFS financial assets	**–**	–	(323,368,822)
Proceeds from sale of:			
AFS financial assets	**–**	610,000	12,928,163
Cadlao ORRI	**–**	–	58,657,750
Fully depreciated property and equipment	**–**	–	75,000
Subscriptions paid	**–**	–	(868,842)
Net cash flows used in investing activities	**(559,074,494)**	(238,161,796)	(281,300,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends	**(185,080,592)**	(184,424,086)	(166,526,512)
Advances to related parties	**(10,000,000)**	(110,000,000)	(121,000,000)
Proceeds from:			
Collection of related party advances	**5,000,000**	73,212,800	–
Collection of subscriptions receivable	**1,214,292**	959,083	3,878,100
Net cash flows used in financing activities	**(188,866,300)**	(220,252,203)	(283,648,412)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**16,121,015**	(35,614,421)	8,550,009
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(518,973,967)**	(282,530,188)	500,297,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**612,958,442**	895,488,630	395,191,242
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱93,984,475**	₱612,958,442	₱895,488,630

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issue of Financial Statements

Corporate Information
The Philodrill Corporation (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 26, 1969. The Parent Company and Phoenix Gas and Oil Exploration Co., Inc. (PGO, a wholly owned subsidiary, incorporated in the Philippines and has not yet started commercial operations), collectively referred to as "the Group", are primarily engaged in oil exploration and/or production. The Parent Company is also an investment holding company with investments in financial services and mining.

The registered business address of the Group is 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

The Parent Company's shares are listed and are currently traded at the Philippine Stock Exchange (PSE).

Acquisition of PGO
On May 2, 2007, the Parent Company acquired 100% of the shares of PGO, an entity which has participating interests in various oil properties in the Philippines and has not yet started commercial operations as of the said date.

The fair values of the identifiable assets of PGO as at the date of acquisition are as follows:

	Fair Values	Carrying Values
Wells, platforms and other facilities	₱21,234,458	₱21,234,458
Deferred oil exploration costs (Note 10)	10,695,328	10,695,328
	₱31,929,786	₱31,929,786

As at May 2, 2007, PGO has no liabilities. Since there was no fair value available for the acquired assets, the Parent Company assumed that the carrying value was the assets' fair value and carried the same in its consolidated financial statements. The purchase price for the net asset acquired was ₱32.6 million, which resulted to a goodwill of ₱0.7 million. The Parent Company immediately impaired this goodwill at the acquisition date. As at December 31, 2013 and up until March 26, 2014, PGO has not yet started commercial operations.

The Parent Company, which is operating in only one business segment, has two associates engaged in financial services. The Parent Company and its associates have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding these associates as at and for the years ended December 31, 2013 and 2012 is presented in Note 8.

The Group has a portfolio of oil and gas exploration projects in the Philippines. The Group's ability to realize their deferred oil exploration costs (see Note 10) depends on the success of their exploration and future development work in proving the viability of their oil properties to produce oil in commercial quantities, which cannot be determined at this time.

The consolidated financial statements do not include any adjustment that might result from these uncertainties. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

Authorization for Issue of Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were authorized for issue by the Board of Directors (BOD) on March 26, 2014.

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

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for crude oil inventory which is valued at net realizable value (NRV) and quoted AFS financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company and its subsidiary's functional and presentation currency, rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies as discussed below in changes in accounting policies and disclosures.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group 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
- The Group's voting rights and potential voting rights

The Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date that such control ceases.

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective on January 1, 2013.

The nature and the impact of each new standard and amendment are described below:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments:Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no significant impact on the Group's financial position or performance. The Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangement, the amendment does not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements*
The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standard Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of PFRS 10 has no impact to the Group since the Parent Company's subsidiary is wholly owned.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The amendment does not have an impact on the Group since the Group has no related joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The new standard has no impact to the Group's financial position or performance since the Parent Company's subsidiary is wholly owned and the adoption of PFRS 12 will affect disclosures only.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 20.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time will be presented separately from items that will never be recycled. The amendments were applied retrospectively and resulted to modification of presentation of items in OCI in the consolidated statements of comprehensive income.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	As at December 31, 2013		
	Under previous PAS 19	Increase (decrease)	Under revised PAS 19
Statements of financial position:			
Retirement benefit liability (asset)	(₱54,351,931)	₱61,673,652	₱7,321,721
Deferred income tax assets	1,983,029	(18,502,096)	(16,519,067)
Retained earnings	1,663,727,224	(11,217,423)	1,652,509,801
Loss on remeasurement of Retirement	–	(31,954,133)	(31,954,133)

	As at December 31, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefit liability (asset)	(₱56,825,136)	₱51,258,066	(₱5,567,070)
Deferred income tax assets	(16,490,200)	(15,377,420)	(31,867,620)
Retained earnings	1,540,479,158	(11,279,774)	1,529,199,384
Loss on remeasurement of Retirement	–	(24,600,872)	(24,600,872)

	As at January 1, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefit liability (asset)	(₱56,535,866)	₱57,083,024	₱547,158
Deferred income tax assets	(759,884)	(17,124,867)	(17,884,751)
Retained earnings	1,433,218,489	(15,725,158)	1,417,493,331
Loss on remeasurement of Retirement	–	(24,232,959)	(24,232,959)

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Statements of comprehensive income:			
Retirement benefit expense (income)	(₱89,073)	(₱6,350,548)	₱22,464,511
Provision for income tax	26,722	1,905,164	(6,739,353)
Net income	62,351	4,445,384	15,725,158
Loss on remeasurement of retirement	10,504,659	525,590	34,618,513
Tax effect on remeasurement of retirement	(3,151,398)	(157,677)	(10,385,554)
Retained earnings	7,353,261	367,913	24,232,959

The Revised PAS 19 has been applied retrospectively from January 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at January 1, 2012 as adjustment to opening balances.

The adoption did not have a material effect on the statement of cash flows and earnings per share (EPS).

Change of Presentation
Upon adoption of the Revised PAS 19, the presentation of the consolidated statement of comprehensive income was updated to reflect these changes. Net interest is now shown under "Interest income" line item (previously in "Personnel costs" under general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of long-term net defined retirement benefit liability (net defined retirement benefit asset).

In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have significant impact on the separate financial statements of the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  This amendment only affects the disclosures of the Group and has no impact on its financial position or performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part or this interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new standard has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for Comparative Information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Standards and Interpretations Issued but not yet Effective
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective in 2014:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendment is not relevant to the Group.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

  The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The annual improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

  A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Except for the effect of PAS 19 (Revised), the Group does not expect any significant impact in the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

Summary of Significant Accounting Policies

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements 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 the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in the case of a financial asset) or received (in the case of a financial liability). Except for those designated at FVPL, the initial measurement of financial instruments includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables and derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2013 and 2012, the Group has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as FVPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense 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 as at December 31, 2013 and 2012 are of the nature of loans and borrowings. The Group has no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Determination of Fair Value
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each financial reporting date.

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 non-financial 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, maximising the use of relevant observable inputs and minimising 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as "Net unrealized loss on decline in value of AFS financial assets".

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of comprehensive income. Interest earned on the investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned on investments are recognized in the consolidated statement of comprehensive income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2013 and 2012, the Group classifies its investments in shares of stocks as AFS financial assets (see Note 20).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR. Gains and losses 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 their maturity falls within twelve months from reporting date or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, the Group's loans and receivables consist of cash and cash equivalents, receivables, investment in bonds and advances to a related party (see Note 20).

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

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVPL upon the inception of the liability.

After initial recognition, these liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2013 and 2012, the Group classifies its accounts payable and accrued liabilities and dividends payable as loans and borrowings (see Note 20).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position 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.

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether 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 contracted parties or a group of contracted parties 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 where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

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

AFS financial assets
For AFS financial assets, the Group assesses at end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of comprehensive income, is removed from equity and recognized in consolidated statement of comprehensive income.

Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in consolidated statement of comprehensive income.

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement 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. When 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 are discharged, cancelled or has expired.

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

Interest in Jointly Controlled Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Crude Oil Inventory
Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory based on Platt's Dubai monthly average of the midday crude oil prices for the reporting month and is adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.).

Investments in Associates
Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income and its share of post-acquisition movements in OCI is recognized in consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property and Equipment

Property and equipment are stated at cost less accumulated depletion, depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.

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

Wells, platforms and other facilities are depleted on a field basis under the unit-of-production (UOP) method based upon estimates of proved developed reserves except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

Depreciation of property and equipment, other than wells, platforms and other facilities, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Office condominium units and improvements	20
Transportation equipment	5
Office furniture, fixtures and equipment	3-5

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

Depreciation, depletion or amortization ceases when an item of property and equipment is fully depreciated, depleted or amortized or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and related accumulated depletion, depreciation and amortization, and any allowance for impairment are removed from the accounts and any gain or loss resulting from their disposals is recognized in consolidated statement of comprehensive income.

The asset's reserves, useful lives and depreciation, depletion and amortization methods are reviewed periodically to ensure that the periods and methods of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Deferred Oil Exploration Costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred oil exploration costs" account. The Group's deferred oil exploration costs are specifically identified of each Service Contract (SC)/Geophysical Survey and Exploration Contract (GSEC) area. All oil exploration costs relating to each SC/GSEC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of comprehensive income when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil and gas exploration asset is written off through the consolidated statement of comprehensive income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil and gas exploration costs relating to the SC/GSEC, where oil and gas in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to "Wells, platforms and other facilities" account shown under the "Property and equipment" account in the consolidated statement of financial position.

Deferred oil exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred oil exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Farm-ins and Farm-outs
The Group does not record any expenditure made by the farminee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any cost previously capitalized in relation to the whole interest. Any cash consideration received directly from the farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Impairment of Nonfinancial Assets
The Group assesses at each end of the reporting period whether there is an indication that noncurrent nonfinancial assets, which include nonfinancial other current assets, property and equipment, investments in associates, deferred oil exploration costs and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's 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 asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. 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 end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the 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 a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in paid-in capital from sale of treasury shares.

<u>Retained Earnings</u>
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

<u>Dividends on Capital Stock</u>
Dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the reporting period.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Petroleum Revenue
Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest. Revenue is measured at the fair value of consideration received, excluding discounts, and other sales tax or duty based on the Group's participating interest.

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

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

<u>Costs and Expenses</u>
Costs and expenses are recognized in consolidated statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of comprehensive income in the year in which they are incurred.

Share in Costs and Operating Expenses
Share in costs and operating expenses include production costs of SC-14 and Galoc and transportation costs per lifting and ending inventory which is recognized upon the allocation of the amounts mentioned by the SC. Allocation is done by the use of the Group's participating interest in the SC.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

<u>Other Comprehensive Income (Loss)</u>
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of comprehensive income for the year in accordance with PFRS).

<u>Share-Based Payment</u>
Certain employees (including directors) of the Parent Company receive remuneration in the form of share appreciation right. This entitles the employees to receive cash which is equal to the excess of the market value of the Company's shares over the award price as of a given date.

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of comprehensive income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 12.

<u>Retirement Benefits</u>
The Group has a funded, non-contributory defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefits expense" under personnel costs in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements are recognized in "Retained earnings" after the initial adoption of the Revised PAS 19.

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

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

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

<u>Leases</u>

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 at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or 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 the 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) and at the date of renewal or extension period for scenario (b).

Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight line basis over the lease term.

<u>Basic/Diluted EPS</u>

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred Income Tax

Deferred income tax is provided using the liability method all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 the taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

In respect of deductible temporary differences associated with investment in associates, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

Contingencies

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

Foreign Currency Transactions and Translations

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable closing functional currency exchange rate at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Segment Reporting

Currently, the Group has only one business segment. The Group is primarily involved in oil exploration and production. Revenue generated consists mainly of revenue from petroleum operations. Other income is derived from equity in net earnings of associates, gain on sale of AFS investments and gain on sale of Cadlao ORRI. The Group has no geographical segments.

Events After the End of the Reporting Period

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 consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material to the consolidated financial statements.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the year. The judgments, estimates and assumptions used in the preparation of 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 will be reflected in the consolidated financial statements as they become reasonably determined.

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 the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the parent company and its subsidiary has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

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

The Group has investment in bonds. These have been assets purchased not for the purpose of selling and repurchasing in the near term. The Group has classified these instruments under loans and receivables and does not intend to dispose the investments within twelve (12) months from the reporting date.

The Group also has various investments in equity instruments. These have been assets purchased not for the purpose of selling and repurchasing in the near term. These are held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. Accordingly, the Group has classified these instruments as AFS financial assets. The Group does not intend to dispose the investments within twelve months from the end of the reporting period.

The classification of financial assets and financial liabilities of the Group are presented in Note 20.

Determining and Classifying a Joint Arrangement
The Group determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form.

The Group is a member in various jointly controlled operations in oil drilling. These jointly controlled operations are entered into with the Philippine Government though SCs and GSECs. Significant influence in each SCs/GSECs is held by the lead operator. The determination of control of the Group in each SCs and GSECs are presented in Note 10.

Determining and Classifying Investments in Associates
The Group has investments in associates. These have been shares purchased not for the purpose of trading. The Group considers that it has a significant influence in the associates as the Group is represented in the governance of the associates.

Operating Lease - Group as Lessee
The Group has entered into leases on storage locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation as of the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed below:

Estimating Impairment of Receivables

The Group assesses on a regular basis if there is objective evidence of impairment of receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original EIR. The Group uses individual impairment assessment on its receivables. The Group did not assess its receivables for collective impairment due to the few counterparties which can be specifically identified and which can no longer be grouped according to similar credit risk characteristics.

The amount of loss is recognized in the consolidated statements of comprehensive income with a corresponding reduction in the carrying value of the receivables through an allowance account.

Total carrying value of receivables amounted to ₱459.9 million and ₱442.9 million as at December 31, 2013 and 2012, respectively. There were no allowance for impairment on these receivables as at December 31, 2013 and 2012 (see Note 5).

Estimating NRV of Crude Oil Inventory

The NRV of crude oil inventory is based on the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. Based on these estimates, an inventory write-down is recognized for any excess of CV over the NRV of the inventory. The carrying value of crude oil inventory amounted to ₱116.9 million and ₱26.1 million as at December 31, 2013 and 2012, respectively (see Note 6). No allowance for impairment of inventory is recognized in 2013, 2012 and 2011.

Estimating Impairment of AFS Financial Assets

The Group treats quoted AFS investments 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. In applying this judgment, the Group evaluates the financial health of the issuer, among others.
In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments.

For unquoted shares, management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries unquoted AFS financial assets at cost, less any impairment in value.

The fair values of quoted AFS financial assets amounted to ₱354.5 million and ₱487.1 million as at December 31, 2013 and 2012, respectively (see Note 9).

Estimating Proved Oil Reserves

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas and coal mining properties. 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. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

There has been no significant change in estimated recoverable reserves from December 31, 2003 to December 31, 2013 for Nido, Matinloc and North Matinloc. For Galoc, the latest report in the 2013 reserves audit indicate estimated gross ultimate recovery of Proved Developed (1P) reserves of 21.5 million barrels (MMbls), while Proved and Probable Developed (2P) reserves is now quoted at 25.1MMbls, as at December 31, 2013.

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment, except wells, platforms and other facilities based on the period over which assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above.

As at December 31, 2013 and 2012, the net book values of property and equipment, except wells, platforms and other facilities, amounted to ₱15.3 million and ₱18.0 million, respectively (see Note 7).

Estimating Depletion Based on UOP
Wells, platforms and other facilities are depleted using the UOP method over the total proved and probable developed reserves. This results in amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasted production based on total proved and probable reserves, or future capital expenditure estimate changes. Changes to proved and probable reserves could arise due to changes in the assumptions used in estimating the reserves. Changes are accounted for prospectively.

As at December 31, 2013 and 2012, the carrying values of well, platforms and other facilities amounted to ₱911.4 million and ₱400.2 million, respectively. In 2013, 2012 and 2011, depletion expense incurred by the Group amounted to ₱17.0 million, ₱3.8 million and ₱10.6 million, respectively (see Note 7).

Estimating Impairment of Nonfinancial Assets
Crude oil inventory, property and equipment, investments in associates and other current and noncurrent assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In 2013, 2012 and 2011, the Group has not recognized impairment losses on its crude oil inventory, property and equipment, investment in associates and other current and noncurrent assets.

The carrying amount of crude oil inventory, which is equal to its cost, amounted to ₱116.9 million and ₱26.1 million as at December 31, 2013 and 2012, respectively (see Note 6).

The aggregate net book values of property and equipment amounted to the net book values of property and equipment amounted to ₱926.7 million and ₱418.2 million as at December 31, 2013 and 2012, respectively (see Note 7).

Acquisition cost of investment in associates amounted to ₱188.6 million as at December 31, 2013 and 2012. The carrying value of these investments in associates amounted to ₱278.8 million and ₱270.5 million as at December 31, 2013 and 2012, respectively (see Note 8).

The carrying amount of other nonfinancial assets, which include advances to officers and employees, other current assets and other noncurrent assets, amounted to ₱18.7 million and ₱8.3 million as at December 31, 2013 and 2012, respectively.

Estimating Impairment and Write-Off of Deferred Oil Exploration Costs
The Group assesses impairment on deferred oil 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 oil exploration costs 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 in full from successful development or by sale.

As at December 31, 2013 and 2012, the carrying value of deferred oil exploration costs amounted to ₱895.1 million and ₱879.3 million, respectively. There was no allowance for unrecoverable deferred oil exploration costs as at December 31, 2013 and 2012. The allowance in 2010 was written-off in 2011. No impairment loss was recognized in 2013 and 2012 and 2011 (see Note 10).

Estimating Provision for Decommissioning Costs
Significant estimates and assumptions are made in determining the provision for rehabilitation and decommissioning costs. Factors affecting the ultimate amount of liability include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. Plug and abandonment costs are based on estimates made by the SC operation. As at December 31, 2013, a budget of US$2.4 million has been approved by the SC-14 Block B Consortium for the plug and abandonment (P&A) of Libro, Pandan and Tara wells scheduled in early 2014 (see Note 24).

Estimating Retirement Benefits Expense
The cost of defined benefit retirement plans and other benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, investment yield and future salary increases, among others.

While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement obligations. The Group recognized retirement benefits expense amounting to ₱2.4 million in 2013, ₱3.4 million in 2012 and ₱2.8 million in 2011 and related retirement benefits asset (liability) amounted to (₱7.3 million) and ₱5.6 million as at December 31, 2013 and 2012, respectively (see Note 18).

Estimating Realizability of Deferred Income Tax Assets
The Group reviews deferred income tax assets at each end of the reporting period and adjust 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 has recognized deferred income tax assets amounting to ₱24.4 million and ₱35.0 million as at December 31, 2013 and 2012, respectively (see Note 19).

Estimating Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events (see Note 25).

Determining Fair Value of Financial Instruments
The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate, volatility rates). However, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and financial liabilities would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity.

The carrying values of financial assets and financial liabilities as at December 31, 2013 and 2012 approximates its fair value (see Note 20).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱9,876,757**	₱23,618,658
Short-term investments	**84,107,718**	589,339,784
	₱93,984,475	₱612,958,442

Cash in banks earn interest at respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest earned from cash in banks and short-term investments in 2013, 2012 and 2011 amounted to ₱10.0 million, ₱17.2 million and ₱17.6 million, respectively.

As at December 31, 2013 and 2012, the Group has US$0.6 million and US$11.9 million, respectively, in foreign-currency denominated cash and cash equivalents.

In 2013, 2012 and 2011, foreign exchange gains (losses) attributable to foreign-currency denominated cash and cash equivalents amounted to ₱16.1 million, (₱35.6 million) and ₱8.6 million, respectively.

5. Receivables

	2013	2012
Advances to related parties (Note 15)	**₱228,941,602**	₱222,871,202
Accounts with contract operators (Note 6)	**181,310,563**	183,829,853
Accrued interest (Notes 11 and 15)	**45,439,963**	32,036,632
Advances to officers and employees	**2,545,333**	2,996,818
Others	**1,660,854**	1,118,653
	₱459,898,315	₱442,853,158

Accounts with contract operators represent the excess of proceeds from crude oil liftings over the amounts advanced by the contract operator for the Parent Company's share in exploration, development and production expenditures relating to SC-14.

Accrued interest represents interest from advances to related parties and investments in bonds.

Advances to officers and employees pertain to cash advances for the operations of the Group subject to liquidation.

The receivables are generally payable on demand. These are also non-interest bearing except for the advances to related parties (see Note 15).

As at December 31, 2013 and 2012, intercompany receivable eliminated during consolidation amounted to ₱0.9 million and ₱0.8 million, respectively (see Note 12). This pertains to non-interest bearing advances made by the Parent Company to its wholly owned subsidiary.

No impaired receivables were identified as at December 31, 2013 and 2012.

In 2013, 2012 and 2011, foreign exchange gains attributable to foreign-currency denominated receivables amounted to ₱1.3 million, ₱5.5 million and ₱11.4 million, respectively.

6. Interest in Jointly Controlled Assets

The Group's interest in the jointly controlled assets in the various SCs and GSECs, and any liabilities incurred jointly with the other venturers, as well as the related revenue and expenses of the venture, which are included in the consolidated financial statements, are as follows:

	2013	2012
Current assets:		
Receivables		
Accounts with contract operators (Note 5)	**₱181,310,563**	₱183,829,853
Crude oil inventory	**116,874,750**	26,126,684
	298,185,313	209,956,537
Noncurrent assets:		
Property and equipment (Note 7):		
Wells, platforms and other facilities	**1,271,761,659**	743,604,672
Less accumulated depletion	**(360,341,593)**	(343,386,332)
	911,420,066	400,218,340
Deferred oil exploration costs (Note 10)	**895,142,259**	879,312,079
	1,806,562,325	1,279,530,419
	₱2,104,747,638	₱1,489,486,956

	2013	2012	2011
Revenue:			
Share in petroleum revenue	**₱725,540,735**	₱714,242,193	₱1,497,153,188
Other income:			
Foreign exchange gains - net	**1,327,734**	5,471,133	11,461,781
	726,868,469	719,713,326	1,508,614,969
Cost of petroleum operations:			
Share in costs and operating expenses (Note 16)	**343,215,956**	308,879,442	366,940,759
Depletion (Note 7)	**16,955,261**	3,834,625	10,594,045
	360,171,217	312,714,067	377,534,804
	₱366,697,252	₱406,999,259	₱1,131,080,165

7. Property and Equipment

	Wells, Platforms and Other Facilities						
December 31, 2013	**SC-14 Block D, Tara, West Linapacan, Verde and Deepwater**	**SC-14 Block A, B, B - 1, C and C - 1**	**Subtotal**	**Office Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost:							
Beginning of year	₱250,323,884	₱493,280,788	₱743,604,672	₱17,270,866	₱12,217,400	₱7,032,846	₱780,125,784
Additions	3,926,703	528,455,335	532,382,038	663,758	–	198,518	533,244,314
Retirement	–	–	–	–	–	–	–
Reclassifications (Notes 10 and 23)	(4,225,051)	–	(4,225,051)	–	–	–	(4,225,051)
End of year	250,025,536	1,021,736,123	1,271,761,659	17,934,624	12,217,400	7,231,364	1,309,145,047
Accumulated depletion, depreciation and amortization:							
Beginning of year	12,285,641	331,100,691	343,386,332	9,130,095	3,650,000	5,788,488	361,954,915
Depletion, depreciation and amortization expense for the year (Notes 6 and 17)	–	16,955,261	16,955,261	481,916	2,270,160	761,573	20,468,910
Retirement	–	–	–	–	–	–	–
End of year	12,285,641	348,055,952	360,341,593	9,612,011	5,920,160	6,550,061	382,423,825
Net Book Values	₱237,739,895	₱673,680,171	₱911,420,066	₱8,322,613	₱6,297,240	₱681,303	₱926,721,222

	Wells, Platforms and Other Facilities						
December 31, 2012	SC-14 Block D, Tara, West Linapacan, Verde and Deepwater	SC-14 Block A, B, B - 1, C and C - 1	Subtotal	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:							
Beginning of year	₱250,207,875	₱339,258,194	₱589,466,069	₱17,270,866	₱12,217,400	₱6,997,253	₱625,951,588
Additions	116,009	133,162,217	133,278,226	–	–	270,593	133,548,819
Retirement	–	–	–	–	–	(235,000)	(235,000)
Reclassifications (Note 10 and 23)	–	20,860,377	20,860,377	–	–	–	20,860,377
End of year	250,323,884	493,280,788	743,604,672	17,270,866	12,217,400	7,032,846	780,125,784
Accumulated depletion, depreciation and amortization:							
Beginning of year	12,285,641	327,266,066	339,551,707	8,667,539	1,379,840	5,173,558	354,772,644
Depletion, depreciation and amortization expense for the year (Notes 6 and 17)	–	3,834,625	3,834,625	462,556	2,270,160	849,930	7,417,271
Retirement	–	–	–	–	–	(235,000)	(235,000)
End of year	12,285,641	331,100,691	343,386,332	9,130,095	3,650,000	5,788,488	361,954,915
Net Book Values	₱238,038,243	₱162,180,097	₱400,218,340	₱8,140,771	₱8,567,400	₱1,244,358	₱418,170,869

Depletion rates used in 2013 are ₱115.8 per barrel and ₱133.4 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively. Depletion rates used in 2012 are ₱115.8 per barrel and ₱32.06 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively. Depletion rates used in 2011 are ₱115.8 per barrel and ₱63.3 per barrel for SC-14 B1 North Matinloc and SC-14 C1 Galoc, respectively.

The depletion expense recognized amounted to ₱17.0 million, ₱3.8 million and ₱10.6 million in 2013, 2012 and 2011, respectively, while total depreciation and amortization expense related to general and administrative expenses amounted to ₱3.5 million, ₱3.6 million and ₱3.0 million in 2013, 2012 and 2011, respectively (see Notes 6 and 17).

As at December 31, 2013 and 2012, the Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost of ₱13.4 million and ₱12.3 million, respectively.

8. Investments in Associates

The Parent Company's associates are PentaCapital Investment Corporation (PCIC) and PentaCapital Holdings, Inc. (PCHI), companies incorporated in the Philippines, where the Parent Company holds 40.00% and 13.21% ownership interest, respectively. PCIC also has 29.54% ownership interest in PCHI, making the Parent Company's effective ownership in PCHI at 25.03%.

The details of investments in associates carried under the equity method follow:

	2013	2012
Acquisition costs	**₱188,648,939**	₱188,648,939
Accumulated equity in net earnings:		
Beginning of year	**81,832,727**	70,173,176
Movement on share in net earnings for the year	**12,519,751**	16,664,190
Share in OCI of an associate	**(196,324)**	(211,923)
Dividends	**(4,000,000)**	(4,792,716)
End of year	**90,156,154**	81,832,727
	₱278,805,093	₱270,481,666

Following are the summarized financial information of PCIC and PCHI as at and for the years ended December 31, 2013 and 2012 (in thousands):

	2013		2012	
	PCIC	PCHI	PCIC	PCHI
Total current assets	**₱458,774**	**₱81,187**	₱430,226	₱68,528
Total noncurrent assets	**259,820**	**404,485**	286,101	465,195
Total current liabilities	**87,289**	**7,266**	97,605	22,796
Total noncurrent liabilities	**14,620**	**26,782**	8,860	71,025
Revenue	**111,197**	**17,485**	134,087	78,690
Costs and expenses	**83,775**	**2,168**	80,973	41,608
Total comprehensive income	**29,938**	**11,743**	41,022	27,476

The financial statements of the associates are prepared for the same reporting year as the Parent Company.

9. AFS Financial Assets

AFS financial assets represent equity instruments on investments in quoted shares carried at fair market value as at the end of the reporting period. The quoted shares of stock are traded in the PSE while the quoted golf club shares are traded by the GG&A Club Shares Brokers, Inc.

As at December 31, 2013 and 2012, the Group holds quoted shares amounting to ₱354.5 million and ₱487.1 million, respectively.

In 2013, 2012 and 2011, the Group sold certain quoted and unquoted AFS financial assets and recognized a gain (loss) on sale of AFS financial assets amounting to nil, (₱1.5 million) and ₱3.8 million, respectively.

The following table illustrates the movement of the "Net unrealized loss on decline in value of AFS financial assets" account in the equity section of the consolidated statements of financial position:

	2013	2012
Beginning of year	**₱21,845,809**	₱25,843,194
Changes in fair value of AFS financial assets during the year, net of tax	**132,614,551**	(4,251,846)
Transfer to consolidated statement of comprehensive income from sale of AFS, net of tax	**–**	254,461
End of year	**₱154,460,360**	₱21,845,809

10. Deferred Oil Exploration Costs

The full recovery of the deferred oil exploration costs incurred in connection with the Group's participation in the acquisition and exploration of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities from the respective petroleum concessions and the success of the future development thereof.

The following table illustrates the movements in the deferred oil exploration costs account:

	2013	2012
Cost:		
Beginning of year	**₱879,312,079**	₱876,187,429
Additions	**15,830,180**	23,985,027
Reclassifications (Note 7)	**–**	(20,860,377)
	₱895,142,259	₱879,312,079

In 2013 and 2012, the Company has reclassified deferred exploration costs amounting to nil and ₱20.9 million, respectively. It pertains to SC14 West Linapacan and Galoc Phase 2 developments to wells, platform and other facilities (see Note 7).

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

However, if the Contractors fail to comply with their work obligations, they shall pay the government the amount they should have spent in direct proportion to their work obligations. The Contractors have Operating Agreements among themselves which govern their rights and obligations under these contracts.

The Contractor entered into several SCs and GSECs with the Philippine Government, through the DOE, for the exploration, development and exploitation of the contract areas situated mostly in offshore Palawan where oil discoveries were made. The Group's present petroleum revenues and production costs and related expenses are from certain areas of SC-14, particularly Nido, Matinloc, North Matinloc and Galoc.

The aforementioned SCs and GSECs provide for certain minimum work expenditure obligations and the drilling of a specified number of wells and are covered by operating agreements which set forth the participating interests, rights and obligations of the Contractor. The Group's share in the jointly controlled assets of the aforementioned SCs and GSECs is included principally under the "Receivables," "Crude oil inventory," "Property and equipment" and "Deferred oil exploration costs" accounts in the consolidated statements of financial position.

The Parent Company's participating interests (in percentage) in the different SCs as at December 31, 2013 and 2012 are as follows:

	Participating Interest (in percentage)	
Area	**2013**	2012
SC-6 (Northwest Palawan):		
Block A (Octon)	**15.49500**	15.49500
Block B (Bonita)	**21.87500**	21.87500
SC-14 (Northwest Palawan):		
Block A (Nido)	**26.10600**	26.10600
Block B (Matinloc)	**41.60800**	41.60800
Block B-1 (North Matinloc)	**33.11100**	33.11100
Block C-1 (Galoc)	**7.21495**	7.21495
Block C-2 (West Linapacan)	**7.01750**	7.01750
Block D (Retention Block)	**33.75100**	33.75100
Tara Block	**27.50000**	27.50000
SC-53 (Onshore Mindoro)	**22.00000**	22.00000
SWAN Block (Northwest Palawan)	**32.97500**[1]	32.97500[1]

[1] *Ongoing negotiations with Philippine National Oil Company Exploration Corporation (PNOC-EC)*

Assignment of PGO's participating interest to the Parent Company
On August 14, 2007, PGO assigned its participating interest, except participating interest in SC-6 Block B and SC-14 Tara Block, to the Parent Company by executing a Deed of Assignment and Assumption.

The details of the assigned participating interest (in percentage) are as follows:

Area	Participating Interest (in percentage)	Carried Interest (in percentage)
SC-6 Block A (Octon)	1.10000	2.50000
SC-14:		
Block B-1 (North Matinloc)	15.26100	–
Block C-1 (Galoc)	0.62050	–
Block C-2 (West Linapacan)	2.48200	–

The remaining participating interests not yet assigned by PGO to the Parent Company are as follows:

Area	Participating Interest (in percentage)
SC-6 Block B (Bonita)	28.12500
SC-14 (Tara Block)	22.50000

Assignment of Vulcan Industrial and Mining Corporation's (VIMC) participating interest to the Parent Company

On May 23, 2011, VIMC assigned its participating interest in SC-6 Block A and SC-14 Tara Block to the Parent Company by executing a Deed of Assignment and Assumption in exchange for the Parent Company's receivable from VIMC and cash. This was approved by the DOE on October 17, 2011.

The details of the assigned participating interest (in percentage) are as follows:

Area	Participating Interest (in percentage)
SC-6 Block A (Octon)	7.2200
SC-14 (Tara Block)	5.0000

SC-6 BLOCK A

In a June 2009 letter, the DOE approved the extension of the production term of the Octon Block. The 15-year extension shall be for a series of three five-year terms, subject to compliance with certain conditions such as yearly submission of work program and budget, and payment of technical assistance and training fund to the DOE. The term extension is reckoned from March 1, 2009.

In April 2011, the Parent Company negotiated with potential farminee Pitkin Petroleum Limited (Pitkin) which offered to do a 3-phased work involving new seismic data acquisition and block evaluation for the initial phase and drilling of well/s during the subsequent phases contingent on the results from the previous phases. The negotiations progressed and culminated with the signing of the farm-in agreement on July 11, 2011. The DOE approved on December 6, 2011 the transfer of 70% interest of the Parent Company and its partners to Pitkin which was appointed as the new operator. The DOE likewise approved the Parent Company's request to replace an earlier submitted work program with Pitkin's new 3D data acquisition.

In early 2012, Pitkin contracted RPS Energy for the parameters design and tendering of the 500 sq km 3D seismic program over the northern part of the block to further evaluate a number of prospects and leads that they have previously identified. Prominent in the interpreted data are three (3) defining fault blocks that host 3 potential horizons of interest, namely the Galoc Clastic Unit, the Nido Limestone and the underlying Malajon Conglomeratic Unit. Several prospects and leads have been identified in these zones, the resource volumes of which are yet to be firmed up with the planned additional 3D seismic data.

For the most part of 2013, block operator Pitkin waited to get endorsement/approval from the Provincial Government Board (PGB) of Palawan and the Palawan Council for Sustainable Development (PCSD) for their programmed 3D seismic survey. PGB and PCSD clearances for the 3D seismic program were finally received in early September 2013. Pitkin commissioned geophysical contractor Seabird Exploration to complete bathymetric survey of the survey area in the same month. Four companies have submitted tenders for the processing of the newly acquired 3D and 2D seismic data. Of these, the Vietnam-based Fairfield was selected being the lowest bidder. Processing commenced on November 22, 2013 at Fairfield's Ho Chi Minh Processing Center and is anticipated to be completed in April 2014.

SC-6 BLOCK B

During 2nd quarter of 2007, VenturOil Philippines, Inc. (VenturOil), in partnership with the Australia-based Blade Petroleum Philippines, Inc. (Blade), extended the coverage of their technical review of the Northwest Palawan acreages to include the Bonita Block. The Parent Company, as operator of the block, started providing them with technical data on the block under the cover of a Confidentiality Agreement.

Similar to the SC-6A Octon Block, the Parent Company had a series of negotiations with the DOE for the extension of the production term of SC-6B - Bonita Block contract which expired on February 28, 2009. In support of the request, the Parent Company submitted VenturOil's proposed work program as the Bonita Consortium's commitment. In June 2009, the DOE granted the extension of the production term of the contract on similar terms and conditions as that of the SC-6A extension and likewise reckoned from March 1, 2009.

On September 10, 2010, the Parent Company received from Peak Oil and Gas Philippines Ltd. (Peak Oil), Blade Petroleum and Venturoil (the Peak Group) a revised offer seeking sole and exclusive right to conduct a defined work program on the block in exchange for 70% assigned interest from farming-out partners who will be carried free up to first oil. The SC-6B Bonita Joint Venture had a series of meetings to agree and finalize the farm-in agreement.

The Bonita Consortium received a new offer from VenturOil in partnership with the Peak Group. The Peak Group offered to complete all outstanding work programs that VenturOil had earlier committed to the consortium. Thereafter, the parties negotiated and executed a farm-in agreement (FIA) and submitted the same to the DOE in February 2011.

In April 2011, the farming-in group submitted their evaluation study of the Bonita Block where they have identified a significant number of small limestone reefal build-ups atop the underlying regional carbonate platform, three of which are considered sufficiently large enough to hold economic reserves. On this basis, they formally exercised their option to farm-in. Negotiations were concluded and the documents effecting the transfers and assignment of interests were submitted to the DOE in December 2011, where it remains pending as at December 31, 2012.

Under the terms of the FIA between the farminees and the consortium, the parties have one (1) year to secure DOE approval. As this had already lapsed without any of the farminees qualifying as party to the contract due to their inability to comply with the DOE requirements, the Parent Company advised the farminees that they are terminating the FIA and cancelling the requested interest transfer which has been contested by Peak Oil arguing that their consent is necessary for the termination of the FIA.

In July 2013, the DOE formally gave its decision disapproving the request. It cited the farminees' continued failure to comply with the required financial documents proving their qualification as service contractors. With this development, the contract reverted to its original structure, with the Parent Company as operator.

During a partners meeting in August 2013, the original consortium members agreed on and approved a new work program and budget for the remaining months of Year 5 of the first 5-year extension of contract term. This was submitted to and approved by the DOE in September 2013. The approved work program consisted of in-house resource and economic evaluation of the East Cadlao prospect and the Bonita discovery, the major structures of commercial interests within the block.

SC-6 CADLAO BLOCK

Blade/VenturOil had bought the 44.9437% participating interest of Phoenix Energy Corporation in the Cadlao Block in 2007. Blade and VenturOil have had protracted talks with Oriental Petroleum and Minerals Corporation (OPMC) to move the reactivation of the Cadlao Field forward. On July 18, 2008, Blade became the sole contractor for the Cadlao Block when they finally bought out OPMC's interests. As the new operator, Blade requested for and was granted the final extension of the Cadlao Block in September 2008, with the reactivation of Cadlao Field as justification for the extension request. Blade had been studying the possibility of re-activating the field which last produced in 1991.

In 2008, Blade submitted to the DOE their preliminary Plan of Development (POD) for the Cadlao Field. With the POD, Blade committed to re-activate the Cadlao Field, via two (2) new production wells at a target total project cost of $100 million.

During the early part of 2009, Blade and the DOE had a series of negotiations for the finalization and acceptance of the POD. The POD was finally approved by the DOE on June 17, 2009.

While these developments were taking place, the Parent Company and Blade and later on with the Peak Group, also negotiated for the latter's purchase of the Parent Company's revenue interest share in the Cadlao Field. In September 2010, the Parent Company and Trans-Asia Oil & Energy Development Corporation (Trans-Asia) finally consummated the Sale and Purchase Agreement and the Deed of Assignment for the former's purchase of the Parent Company's 1.65% ORRI in the Cadlao Field to Peak Oil for $1.33 million, which the DOE approved in December 2010. The sale was recognized in 2011, upon receipt of payment. The Group recognized a gain of ₱58.7 million from this transaction.

SC-14

The contract areas covered by SC-14 are situated offshore northwest of Palawan Island. Until April 2004, SC-14 was under the operatorship of Alcorn Production Philippines, Inc. (APPI). Blocks A and B and B1of SC-14 are currently in the production stage.

In February 2004, VAALCO Energy, Inc., Alcorn Philippines, Inc., APPI, and Altisima Energy, Inc. (collectively, the Seller) entered into an Option Agreement (the Agreement) with Basic Petroleum and Minerals, Inc. (BPMI), OPMC, Linapacan Oil & Gas Power Corp., Nido Petroleum Philippines Pty. Ltd. (Nido Petroleum), Alcorn Gold Resources Corporation, Petro Energy Resources Corp., Phoenix Energy Corporation and Trans-Asia and the Parent Company (collectively, the Buyer). Under the Agreement, the Seller granted the Buyer the option to purchase the Seller's participating interests in SC-6 and SC-14 and, subject to approval by the DOE, all the Seller's rights, title and interests in and to all of: (a) the platforms, wells, production facilities and related assets; (b) contracts, data, information and related materials; (c) accounts payable, asserted claims, contingent liabilities and non-intercompany accounts receivables; (d) crude oil held or saved in the production facility after the effective date; and (e) the jointly contributed operating expense fund and contingency fund (collectively, the Interests) incident to its ownership and operation of the SCs.

The withdrawal and assignment of the Seller's participating interests to the remaining Consortium members were finally completed on June 30, 2004. The participating interests of the Seller were assigned on a pro-rata basis to the remaining Consortium members. APPI was the operator of SC-14 until June 30, 2004. As a result of the assignment, the Parent Company together with OPMC and BPMI became the joint operators of SC-6 and SC-14 designating the Parent Company as the lead operator starting July 1, 2004. As operator, the Parent Company oversees the production operations at the Nido, Matinloc and North Matinloc fields.

In the early part of 2011, Nido Petroleum commenced the re-processing of a wide band of 3D data over their SC-54A block extending to parts of SC-14A including the Nido 1X1 discovery. The Parent Company signed a Participation Agreement with Nido Petroleum in October 2011 on the use of their re-processed data, which was received by the Parent Company by end of 2011. Upon receipt of the data volume, the Parent Company started an in-house re-mapping and evaluation of the Nido 1X1 structure. The activity was completed in September 2012 and covered interpretation PSDM data, velocity analysis, depth conversion, and resource volumetrics. Based on the available data and the methodology employed, the Nido 1X1 structure has indicative recoverable resource potential ranging from 0.6 million barrels oil (mmbo) to a high of 6.5 mmbo. The nearby Nido A field which was also covered by the study, on the other hand, could contain as much as 1.08 mmbo remaining in its attic which can be an upside potential for future development.

The Nido 1X1 structure straddles both SC14A and the Nido Petroleum-operated SC 54A. While a diver survey of the area has confirmed that the well head of Nido 1X1 is located within SC 14A, it is imperative that any development plans for the field should also involve the SC 54A consortium. Hence, a Data Swap/Agreement was signed between the two consortia in which both agreed to exchange data and information to facilitate the technical review of the Nido 1X1 project. The Parent Company subsequently drafted a tender document which aimed to solicit a consolidated proposal for various engineering activities associated with drilling of an appraisal/development well on the structure. The proximity of Nido 1X1 field, discovered by Philippines – Cities Service, Inc. in 1979, to the existing production infrastructure on the Nido "A" field, the present competitive oil price, and the indicated resources presently identified all help to make the Nido 1X1 a viable development opportunity.

In 2012, the Parent Company, acting on behalf of the SC 14B Consortium, had notified the DOE of its intention to turn-over control and ownership of the idle Pandan and Libro platforms to the Philippine Government in accordance with provisions of SC 14. The Parent Company also submitted a Release and Waiver document to the DOE as the consortium has no further use of those offshore facilities.

In accordance with generally accepted offshore oilfield practices, the Consortium will plug and abandon the existing wells serviced by these platforms. In this regard, the Parent Company contracted EDSL Consultants (EDSL) to conduct an integrity test program for the Libro and Pandan wells, as well as for the Tara South well which is under Trans-Asia's operatorship. EDSL had prepared the design and costing for the actual P&A operations now scheduled in early 2014.

In 2013, the Parent Company undertook a formal tender process which aimed to solicit consolidated proposals for various engineering activities associated with the drilling of appraisal/development wells on the mentioned Nido carbonate reef structures, as well as a review of the existing production facilities at the Nido AP platform. In June 2013, the Malaysia-based AWT International (AWT) was selected over five other companies that submitted tender bids.

Contractor AWT and its partner IntecSea commenced work on the Nido 1X-1 project in July 2013 with an ocular investigation of the Nido AP, AW and BW platforms, as well as the Pandan and Libro facilities to assess usability of such facilities in case the Nido 1X-1 development pushes through. From the gathered field data and information provided by the Parent Company, the contractors developed well designs and drilling programs for a development well on the Nido 1X-1 and another well that will test the attic volume on the nearby producing Nido A structure. Overall, the AWT studies indicate the viability of the project by employing the simplest development strategy for the fields. In moving forward with the Nido 1X-1 project, the Parent Company engaged the services of the third party consultant RISC Operations Pty Ltd. (RISC) of Australia for an independent reserves certification and economics evaluation of the Nido 1X-1 and Nido A attic resources. By and large, the RISC assessment results diverge significantly from the results of the Parent Company's in-house assessment works. The divergence appears to have come from some of the critical parameters employed in the RISC studies vis-à-vis the Parent Company's in-house assessment work, which has much bearing on the computed resources and impact on the development plans for the Nido 1X-1 field and the Nido A field attic. By end of December 2013, the Parent Company was preparing for the conduct of petrophysical review study to verify the discrepancies between the results obtained from the RISC work and the Parent Company's in-house resources evaluation of both Nido carbonate features.

SC-14 C1 Galoc Block

In September 2004, the Parent Company, together with other SC-14 consortium members, entered into a farm-in agreement with UK-based and Australia-based companies (collectively, the Farminees) to farm-in to the Galoc Field in Block C of SC-14. The agreement provides for, among others, the designation of the farminees as the Operator and the assignment of 58.29% participating interest, with the existing Filipino partners carried free in the development of the production area in exchange for the contribution of the working capital, technical expertise and other resources to develop the Galoc Field.

In August 2005, the Galoc Production Company (GPC) was formed as the special-purpose company to accept the assigned 58.29% participating interest and assume operatorship of the Galoc Block.

In August 2006, the consortium secured an approval from the DOE regarding the Galoc POD. Additionally, the Department of Environment and Natural Resources through the Environmental Management Bureau, granted the Environmental Compliance Certificate to the Galoc Area Development, which also covers the Octon Field in SC-6A.

A new Joint Operating Agreement that will govern the SC-14 C1 Block affairs was approved and adopted by the consortium on September 12, 2006 after several months of discussions and negotiations among the consortium members. Another important document, the Block C

Agreement that defined the distribution to all parties of the revenues from the Galoc field production, was also approved and signed in 2006.

GPC entered into a Crude Agency Agreement with Vitol Asia Pte. Ltd. for the marketing of their share of the Galoc production and offered the same marketing arrangement to the other partners, including the Parent Company.

The Floating Production and Storage Offloading (FPSO) vessel "Rubicon Intrepid" arrived at the Galoc Site on May 11, 2008, but actual hook-up commenced on May 21, 2008, but had to be discontinued due to adverse weather. The Galoc Field finally commenced production on October 9, 2008, initially with the G3 well. The other well, G4, was opened on October 13, 2008 at controlled choke openings for clean-up flow.

In 2009, the 182-day extended production test (EPT) for the Galoc Field ended. The EPT was granted by the DOE in August 2006 to allow GPC to fully assess the viability of long term production from the field. The gathered data from the EPT period proved sufficient for this goal, thus the EPT was terminated on June 19, 2009 and commerciality of the field declared on June 22, 2009 with effectivity on June 19, 2009.

The Parent Company's interest in Galoc has increased from 7.01750% to 7.21495% effective June 30, 2009 following the execution of the sale by Petro Energy Resources Corp. and Alcorn Gold Resources Corporation of their respective equities in the Galoc Block.

In the 4th quarter of 2011, production in Galoc was suspended due to installation and refurbishment of the FPSO. On April 2, 2012, production from Galoc oil field has been resumed. As a result of the temporary field shut down, GPC managed to carry out only four (4) offtakes in 2012, involving about 1.40 million barrels.

Phase 2 Development

During an Operating Committee meeting (OCM)/Technical Committee meeting (TCM) in August 2011, GPC proposed to acquire 184 sq km of new 3D seismic data over the Galoc Block as part of the overall planning strategy for the Project's Phase 2 development. They believe that with new 3D data, an improved resolution within the Galoc Clastic Unit (GCU) reservoir can optimize well/s placement and potentially negate the need for pilot holes, similar to what GPC did during the Phase 1 drilling. The new seismic data may also help in the delineation and de-risking of the North Galoc prospect as an upside to the Galoc development. Although with some reservations from the other joint venture partners, GPC proceeded with the program and tapped geophysical contractor China Oilfield Services Limited (COSL) to do the seismic survey. COSL brought in its vessel Bin Hai 512 in early November, which failed to carry out the program due to persistent defects in some critical vessel equipment. As a consequence, GPC rescinded the COSL contract and tapped Western Geco to continue with the survey using the M/V Western Spirit.

In September 2011, the joint venture approved the proposed work plans and budget for Phase 2 Front End Engineering Design (FEED). The FEED work scope was intended to cover the wide range of activities necessary to enable the joint venture to make a Final Investment Decision (FID) for the Phase 2 development. These include subsurface reservoir modeling, drilling and completion design, subsea engineering and tie-back design for the new wells to be drilled, as well as project financing considerations for the joint venture.

The consortium arrived at a FID in September 2012, commencing infrastructure, equipment and services contracting. Total budget for the Galoc Phase II work is at US$ 188.0 million. The consortium has secured the services of the Diamond Offshore-owned *Ocean Patriot*, a semi-submersible drilling rig which will execute the firm two development well program. Drilling may take place in June 2013 subject to early release of the rig from its current drilling assignment. Contracts for other services and development infrastructure are likewise already in place. First oil from Phase II is expected in the 4th quarter of 2013.

In mid-2012, block operator GPC, on behalf of the SC 14 C-1 Joint Venture, firmed up its readiness to proceed with the Galoc Phase 2 development as it implemented its FEED work activities which included, among others, detailed subsurface reservoir modelling, drilling and completion design, subsea facilities engineering design, and tie-back design for 2 new wells to be drilled. A FID was made in September 2012, paving the way for major equipment, infrastructure and services contracting for the drilling of 2 new development wells. While these activities progressed as planned, other JV partners manifested their preference to have a third well, the Galoc-Mid, be drilled to take advantage of the opportunity that existed at that time for the drilling of an exploration well. However, GPC prevailed over the non-operator members citing the limitations of the contracted drilling rig.

Actual drilling was delayed by a few months according to original schedule as the JV waited for the release of the semi-submersible rig "Ocean Patriot" which had an extended run in Vietnam. Upon rig arrival at the site, GPC spudded Galoc-6 well on 4 June 2013, and the Galoc-5 well six days later. Both wells were drilled using the efficient batch drilling method wherein similar hole sections in the 2 wells were completed before proceeding to subsequent hole section(s). Galoc-6 well reached a final measured depth (MD) of 3,958.5 meters [2,211 meters true vertical depth (TVD)]. Galoc-5 had a final depth of 4,497 meters MD (2,211.7 meters TVD). Both wells drilled a combined total of 3,177 meters through horizontal reservoir sections within which about 1,650 meters of net oil pay has been encountered. The rig remained at the site until the third week of October 2013 for well clean-up and was off-hire on November 2nd upon arrival in Singapore.

The construction vessel "Skandi Skansen" arrived at the Galoc site on October 31st for the subsea facilities installation/offshore construction and hook-up of Phase 1 and Phase 2 wells to the refurbished FPSO. The Galoc-5 well finally commenced production on December 4th at an initial rate of 7,550 barrels of oil per day (bopd) while the Galoc-6 was put on stream the following day at initially the same rate level. The achieved initial rates from the clean-up flow tests were in line with the overall field forecast production rate of 12,000 bopd, with final operating rates to be set according to optimum facility and reservoir management constraints.

Up to 2013 the Galoc Field had already produced about 12.2 million barrels of oil since it was first put on stream in October 2008. The estimated remaining reserves for the combined Phase 1 and Phase 2, based on the latest 2P estimates provided by third party consultant RISC, is placed at about 13.4 million barrels with end-of-field life projected to extend beyond year 2020.

SC-14 C-2 West Linapacan Block

In January 2007, Pitkin submitted a farm-in proposal for the West Linapacan Block for them to earn 70% participating interest in exchange for carrying the farming-out parties in the drilling of one exploration well. During the negotiations, the parties agreed to amend certain provisions on the farm-in terms. The consortium earlier asked for a 50%-50% split in the historical cost account for Pitkin's pay 100% to earn 75% offer. The consortium likewise asked for a similar production bonus scheme as in the Galoc deal where the farming out parties receives bonuses at production start-up and when cumulative production reaches specific benchmark levels. The parties likewise agreed that since Pitkin would not share in the abandonment cost of the existing West Linapacan wells, the costs related to the drilling of these wells amounting to approximately $80.0 million would be excluded from the farm-in. In effect, Pitkin would only share in effectively

$12.0 million of the historical costs and this share will only be assigned to Pitkin upon completion of Phase 3 or effectively "first oil".

The Pitkin farm-in agreement was signed in May 2008 and the same were submitted to the DOE in June 2008 for evaluation and approval. The DOE approved the farm-in and the transfer of operatorship to Pitkin in September 2008. Pitkin immediately started implementing some of its farm-in commitments and by September 2009 had completed a number of these activities albeit somehow delayed.

Because of the unexpected delays in the completion of the geological and geophysical (G&G) studies, Pitkin sought for an extension in the implementation of its remaining Phase 1 commitments, which expired in August 2009 as per the farm-in agreement. The West Linapacan Consortium granted the extension with the issuance of an executed amendment to the farm-in agreement moving the completion date of the Phase 1 work on or before June 30, 2010.

Based on the integrated results from Phase 1 works, and using a wide range of evaluation techniques, Pitkin has developed a concept with which new wells will be drilled, completed and produced. The producing wellbore sections will use "smart completion" technologies enabling the isolation of sections where formation water is expected to break through. With regard to the production facilities, Pitkin proposed to put up a turret-mounted storage vessel with on-board processing facility, which they presented to the partners for consideration during a January 2010 technical meeting. The consortium had asked the operator to continue to explore other cost-effective, technologically feasible development concepts for the field.

In early 2011, Pitkin completed negotiations with Resource Management Associates Pty Limited of Australia (RMA) whose entry into the West Linapacan joint venture was formally approved by the DOE in July 2011. Pitkin transferred 50% of its participating interest on the block to RMA. Pitkin, however, remained as the block operator.

During the OCM/TCM held in November 2011, Pitkin presented the preliminary results of their ongoing G&G and engineering studies. Recognizing some ambiguity in the results attained thus far, the joint venture agreed on the need to conduct a more thorough evaluation before any drilling and developmental plans could be finalized. The consortium requested the operator to revise an earlier approved work program and budget by pushing program timelines and placing the drilling activities and budget, earlier approved as firm commitments for 2012, as contingent programs for contract year 2012. The Parent Company is carried in all of the G&G activities as well as in the drilling of a development well up to first oil.

In April 2012, operatorship transferred to RMA. For the most part of 2013, block operator RMA continued to undertake various G&G activities aimed at firming up confidence on the viability of the West Linapacan Field for re-development. Specifically, the operator conducted reservoir simulation studies that investigated the range of uncertainty for reserves within the primary reservoir Linapacan Limestone as well as the additional potential offered by the other discovered reservoirs including the Galoc Clastic Unit and the Intermediate Limestone. The studies also provided the basis for a new geomodel development, which in turn, will help to determine optimum well location and infrastructure to recover the remaining reserves.

As this developed, the operator contracted Gaffney, Cline & Associates (GCA), an independent company, for third party probabilistic assessment of in-place volumes and reserves for West Linapacan A and the nearby West Linapacan B Field. Parallel to the reserves re-certification, RMA also continued with well planning and concept screening for early production and full-field development costing. GCA's resource assessment for the West Linapacan gives a current recoverable reserves range of 9.6 million barrels oil (mmbo), 16.5 mmbo and 21.0 mmbo, respectively from 1P, 2P and 3P estimation. These forecasts were based on a two multilateral well development program that RMA and its JV partners consider as the most viable option for field development.

As at December 31, 2013 RMA has started rig pre-qualification, review and costing for the two planned wells (WL A7 and WL A8) and FPSO-based subsea development scheme, with an option for an exploration well in the West Linapacan B field. The operator is looking at possible development drilling starting on the fourth quarter 2014.

SC-41

In 2003, the SC-41 shallow and deep water areas (Block A and Block B, respectively) were unitized. The Filipino Group (as defined in the Operating Agreement) assigned to Unocal Sulu, Ltd. (Unocal), the block operator, the excess of their aggregate 15% participating interest in exchange for a free carry in the next exploratory drilling in the block.

In early 2005, Unocal withdrew from the service contract. The other partners namely, Sandakan Oil LLC, BHP Billiton Ltd. and Trans-Asia have likewise withdrawn, leaving a small all-Filipino consortium. The continuing partners negotiated for a reduction in its Year 8 work commitment. Under Basic Energy Corporation (formerly Basic Consolidated Inc.), which was designated as the lead operator, the new consortium implemented a G&G program in lieu of a well commitment. As a result of the unitization and assignment, the Parent Company, which used to have a participating equity of 9.125% in Block A, now has a 3.398% participating interest in the entire contract area.

In early 2006, Tap Oil (Phils.), Ltd. (Tap Oil) negotiated with the Joint Venture and offered to carry the costs of a full 3D seismic acquisition program and an option well. Tap Oil's entry into the SC-41 was formalized on June 23, 2006, the date their farm-in became effective.

Efforts by block operator Tap Oil to invite new partners into the Sulu Sea Block and to secure extension of the term of SC-41 from the DOE, unfortunately, were not favorably rewarded.

During a partners' meeting in July 2010, the consortium executed an Operating Committee Resolution for the surrender of the block to the DOE on August 9, 2010. The Sulu Sea block then became an open area, which the DOE included as among the areas being offered in the PECR-4 which opened in June 2011.

In early 2012, the Parent Company executed a Joint Application and Participation Agreement with Philex Petroleum Corporation to jointly participate in the bidding for Area 15, one of the fifteen areas offered by the DOE under the PECR 4. The parties agreed on a 60% - 40% participation in favor of the Parent Company. Area 15 covers the old SC 41 block previously operated by Tap Oil Limited. The Parent Company as the lead party, prepared the bid application documents which it then submitted to the DOE on May 30, 2012. While results for some of the areas offered under the PECR 4 were already announced, the DOE has yet to release the results for Area 15. A newspaper release in early December 2012 stated that the DOE may re-bid some of the areas on offer including Area 15 - Sulu Sea.

A new bidding round, PECR5, was announced by the DOE in early January 2014. The Parent Company, Philex and Anglo Philippine Holdings Corporation, the latter having signed an earlier agreement with Philodrill for the transfer of a portion of its interest in the joint bid irrespective of bidding results, will most likely participate in the PECR5 bidding if Area 15 will again be offered.

SC-53
Following the withdrawal by Laxmi Organic Industries Ltd. (Laxmi), the onshore Mindoro Joint Venture executed a FIA with Pitkin in September 2007. Pitkin offered to pay 100% of the seismic program costs of $3.0 million in exchange for Pitkin earning 70% interest and the operatorship of the block. The Pitkin farm-in agreement was submitted to DOE on September 2007 and was approved on June 11, 2008. In July 2008, Pitkin presented the programmed activities and budget for the block's First and Second Sub-Phases. The program consists of firm G&G commitments (seismic acquisition, processing and interpretation) and contingent tasks (additional onshore seismic and new offshore seismic surveys), among others.

In April 2009, Pitkin requested for the extension of Sub-Phase 1 for them to acquire its onshore seismic commitment for SC-53. In response to Pitkin's request, the DOE merged the first 2 sub-phases to form a new Sub-Phase 1 (July 2005 to March 2011) with the work commitment of minimum 200 line-km 2D seismic acquisition and drilling of one well. The new Sub-Phase 2 will be for the period March 2011 to July 2012 with a commitment to drill 2 wells. The DOE likewise increased the Onshore Mindoro Block area from 600,000 hectares to 734,000 hectares.

On July 4, 2011, the DOE approved the transfer of 50% of Pitkin's interests in the block to RMA. Amendments to existing legal documents have been introduced to formalize the recognition of RMA as a Joint Venture party. Pitkin Petroleum remains as the block operator.

During the November 2011 partners meeting, Pitkin recommended that the joint venture enter the Sub-Phase 2 of the contract, which carries a minimum work program obligation of two wells. The operator likewise proposed a work program for the joint venture for 2012 which consists of drilling the Progreso-2 well, the acquisition of an airborne gradiometry survey and other field programs and studies designed to further evaluate the block and enhance its prospectivity.

In May 2012, Pitkin completed the reprocessing by Quantum Geophysical Singapore of the 200 line-kilometers onshore seismic data acquired in 2010. Interpretation of the same data set was started in March with the higher priority lines over the Progreso structure. Initial results indicated a better resolution of the subsurface structure; however, additional geophysical data such as gradiometry can further improve subsurface imaging of the Progreso and other notable features in the area.

The gradiometry survey was carried out in April and May 2012, with about 9,700 line-kilometers of data acquired for the Consortium by contractor Bell Geospace (UK).
The same contractor acquired LIDAR (Light Detection and Ranging Survey) data which provided an accurate topographic imagery of the surface and was used in the static corrections for the gradiometry survey. The combined results have verified existing structures and helped in modifying structural styles and dimensions for the identified structures, mostly in the foreland part of the Onshore Mindoro basin where most of the prospects and structures of commercial interest are located. Data interpretation has likewise identified several anomalies or new potential leads, hitherto not seen in existing seismic data although these need additional seismic work to confirm and upgrade to prospect status.

Parallel to the geophysical activities, Pitkin started preparations for the drilling of the Progreso 2 well. A preliminary drilling program for Progreso is now being prepared, with an indicative cost of US$8.2 million with test. The operator had sent out tenders for the various services and equipment required for the drilling campaign, although re-tendering for long lead items is being contemplated.

Pitkin likewise completed a study of the Mindoro Island power situation and how any hydrocarbon discovery will impact on the overall power requirement/development in the island.

Block operator Pitkin continued with their evaluation of the Onshore Mindoro Block utilizing the new gradiometry and aeromagnetic data integrated into the seismic data interpretation. The combined results have resulted in the confirmation of the seismically-defined structures and the identification of two additional structural leads. To firm up their results, Pitkin proposed to undertake a Test Mini-Sosie seismic program in 2014 which is seen to help to confirm and upgrade some of the identified structures to prospect status. Pitkin plans to shoot an initial test program of 50 line km of Mini-Sosie seismic survey whose coverage may be enlarged to a full 250 line km program if test results proved to be successful. As of the end of 2013, Pitkin was finalizing the seismic program with Geocon, its selected geophysical contractor for the seismic program.

Parallel to the seismic work, the operator likewise continued to prepare for the drilling of Progreso-2 well on the second half of 2014. Aside from re-issuing tenders for the various equipment and services to be required, Pitkin had prior consultation with local services providers and did ocular inspection of ports of entry and access facilities for the various equipments to be brought in. They have likewise initiated meetings with local and provincial government units to gain approval for the various planned geophysical and drilling activities. A community relations team has been mobilized to kick-off the information and education campaign in the areas where these activities will be conducted.

SWAN Block
Despite the inclusion of the SWAN Block in the areas bidded out by the government under the first PECR, the consortium did not receive any notification from the DOE that they were rescinding the application. As there was no company that bid over the area, the consortium initiated the conversion of the GSEC application into a full service contract application. However, the DOE granted instead new SCs that both partially covered the area being applied for. PNOC-EC's SC-57 and SC-58 were awarded in September 2005 and January 2006, respectively.

In January 2007, the Parent Company explored the possibility of including the SWAN Consortium in both the new contracts through a letter to PNOC-EC. Under the proposed participation set-up, the Parent Company will get 15% carried interest in each of SC-57 and SC-58. In exchange, the Parent Company will assign to PNOC-EC 5% participating interest in SC-14 - West Linapacan Block.

PNOC-EC agreed in principle to the proposal and asked and have been granted ample time to conduct due diligence to evaluate the merits of the proposed interest swap. For the rest of 2007, they continued with their review of the offer. As at Decemeber 31, 2008, however, the Parent Company did not receive any firm indication of PNOC-EC's response.

In November 2009, PNOC-EC advised the Parent Company that their technical and legal groups continue to evaluate the relevant data that the Parent Company had provided PNOC-EC to assess the block's potential and the merit of the Parent Company's proposed participation in SC-57 and SC-58 blocks.

In December 2012, the Parent Company received a letter from PNOC-EC which is the operator for SC-57 expressing interest in acquiring participation in Nido 1X-1 project for a potential swap on interests. As at December 31, 2012, the Parent Company was still evaluating the merits of PNOC-EC's proposal.

In 2013, PNOC - EC and the Parent Company continues to work on the possible swap of participating interests in some of the Parent Company's acreages in exchange for interests in PNOC-EC's Service Contract Nos. 57 and 58 which cover the old SWAN Block. The Company's efforts, however, are hampered by Executive Order (EO) 556 issued by the Office of the President which limits PNOC-EC's ability to transact through the normal means of farmin/farmout mechanisms in acquiring or disposing of interests in Service Contracts. PNOC - EC is currently working to have the EO amended.

11. Investment in Bonds

During the first quarter of 2012, the Parent Company invested in a five (5) year US$1.98 million or ₱81.20 million unquoted bond issued by Carmen Copper Corporation (CCC/ the Issuer), a subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC). The bond carries with it a 6.5% coupon rate per annum payable semi-annually in arrears on March 21 and September 21 of each year which commenced on September 21, 2012.

At any time prior to March 21, 2015, the Issuer may redeem up to 35% of the bonds at a redemption price of 106.5% of the principal amount, plus accrued and unpaid interests, if any. In the event of change in control, CCC may redeem in whole but not in part, at a price equal to 100% of the principal amount of the bonds, premiums, and any accrued or unpaid interests as applicable. Further, if the Issuer or any of the subsidiary guarantors would be obligated to pay certain additional amounts as a result of certain changes in tax laws, CCC may redeem the bonds in whole but not in part at a redemption price equal to 100% of the principal amount of the bonds.

As at December 31, 2013 and 2012, the carrying value of the investment in bonds amounted to ₱87.9 million and ₱81.2 million, respectively.

Accrued interest from CCC bonds amounted to ₱1.4 million and ₱1.3 million as at December 31, 2013 and 2012 respectively, while interest income in 2013 and 2012 amounted to ₱5.3 million and ₱4.1 million, respectively.

Foreign exchange gains (losses) attributable to investment in bonds amounted to ₱6.7 million and (₱3.4 million), in 2013 and 2012, respectively.

12. Accounts Payable and Accrued Liabilities

	2013	2012
Accrued liabilities	**₱13,645,802**	₱9,371,010
Share-based liability	**24,185,037**	29,185,613
Withholding taxes	**5,507,104**	3,457,224
Others	**4,440,661**	1,665,344
	₱47,778,604	₱43,679,191

Nature, terms and conditions of the Group's financial liabilities:

- Accrued liabilities include accrual for bonus, salaries and other employee benefits.
- Share-based liability pertains to the share appreciation rights (SAR) plan.

On April 11, 2011, the Parent Company's BOD approved the initial award of 1.97 billion rights to the Parent Company's qualified employees and directors in accordance with the SAR plan. The award price is ₱0.0143, based on the average of the Parent Company's share price for the period March 14, 2011 to April 8, 2011. The SARs are redeemable only with the Parent Company in cash. The fair value of the SARs is measured at each reporting period using binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Maximum number outstanding as of any given time should not exceed 4% of the outstanding shares of Parent Company common shares. The SARs shall become vested as follows: 35% upon award, 35% on first anniversary of the award and 30% on second anniversary of award.

On May 2, 2011, the initial award under the SAR plan was implemented. The period during which the SAR may be exercised shall be specified by the compensation committee provided that no SAR shall be exercisable after the expiration of ten (10) years from the date of the award.

The following illustrates the movement of SARs as at December 31, 2013 and 2012:

	2013	2012
Beginning of year	**1,096,300,000**	1,837,800,000
Exercised during the year	**111,200,000**	741,500,000
End of year	**985,100,000**	1,096,300,000
Exercisable at December 31	**985,100,000**	505,900,000

The following table lists the inputs to the binomial model used for the years ended December 31, 2013 and 2012:

	2013	2012
Dividend yield	**2.86%**	2.56%
Expected volatility	**64.67%**	68.66%
Risk-free interest rate	**3.68%**	4.10%
Expected life of SARs (in years)	**7.250**	8.250
Weighted average share price (in PHP)	**0.0350**	0.0400
Spot price (in PHP)	**0.0350**	0.0390

- Withholding taxes are payable within 14 days after the close of the month.

- Others mainly consist of accrued professional fees and are normally settled within 15 to 30 days.

As at December 31, 2013 and 2012, intercompany payable eliminated during consolidation amounted to ₱0.9 million and ₱0.8 million (see Note 5).

13. Equity

The details and changes in the Parent Company's issued and subscribed shares follow (number of shares not rounded-off):

On issued shares:

	2013		2012	
	Number of Shares	Amount	Number of Shares	Amount
Beginning of year	156,557,511,853	₱1,565,575,119	156,364,895,288	₱1,563,648,953
Issuance of shares	242,858,382	2,428,584	192,616,565	1,926,166
End of year	156,800,370,235	₱1,568,003,703	156,557,511,853	₱1,565,575,119

On subscribed shares:

	2013		2012	
	Number of Shares	Amount	Number of Shares	Amount
Beginning of year	35,311,293,505	₱353,112,935	35,503,910,070	₱355,039,101
Issuance of shares	(242,858,382)	(2,428,584)	(192,616,565)	(1,926,166)
End of year	35,068,435,123	₱350,684,351	35,311,293,505	₱353,112,935

In 2006, the Parent Company sold the shares received from VIMC through a stock broker for about ₱42.3 million. The excess of the proceeds over the cost of the said shares amounting to ₱1.6 million was recognized as "paid-in capital from sale of treasury shares" in the equity section of the consolidated statement of financial position.

On May 26, 2008, the Parent Company filed a Registration Statement covering 38,373,761,071 offer shares at ₱0.01 par value per share with the SEC in accordance with the provisions of the Securities Regulation Code. The registration was approved by the SEC on September 18, 2008. On February 15, 2008, the Parent Company filed its application for listing and trading of the offer shares in the First Board of the PSE and the PSE approved the application on September 24, 2008.

On October 28, 2008, the Parent Company requested for the deferment of the original offer period set for November 3-28, 2008 to January 15, 2009 to February 11, 2009, and the amendment of the terms of the stock rights offering to change the minimum initial payment for subscription from 50% upon subscription and the balance upon call not later than December 31, 2009 to 25% upon subscription, 25% after 60 days from the end of the offer period and the balance upon call not later than December 31, 2009. The PSE approved the same on October 29, 2008. A similar application for deferment of the original offer period and amendment of the minimum initial subscription payment was filed with the SEC. On November 6, 2008, the SEC approved the deferment of the offer period.

On April 13, 2009, the SEC had approved the Parent Company's increase in authorized stock from 155,000,000,000 shares with par value of ₱0.01 each, to 200,000,00,000 shares with par value of ₱0.01 each.

On November 11, 2009, the BOD approved that the 50% balance on subscriptions to the Parent Company's 2009 stock rights offering shall be called for payment by the BOD no later than December 31, 2010, instead of December 31, 2009. On December 15, 2010, the BOD approved its further deferral to no later than December 31, 2011. Subsequently, on November 19, 2011, the BOD approved the extension of the subscription call to December 31, 2012 instead of

December 31, 2011. Further on December 17, 2012, the BOD extended the subscription call to December 31, 2013 and on another approval by BOD on December 18, 2013, the subscription call was again extended to December 31, 2014.

On March 16, 2011, the BOD approved the declaration of cash dividend equivalent to ₱0.0004 per share or an aggregate of ₱76.7 million payable April 15, 2011. Also, on August 24, 2011, the BOD approved the declaration of a 5% cash dividend equivalent to ₱0.00050 per share or an aggregate of ₱95.9 million in favor of stockholders of record as at September 9, 2011. Total dividends paid during the year amounted to ₱166.5 million.

On February 22, 2012, the BOD approved the declaration of cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable March 30, 2012. Also, on June 20, 2012, the BOD approved the declaration of a 2% cash dividend equivalent to ₱0.0002 per share or an aggregate of ₱38.4 million payable on July 30, 2012. Moreover, on October 24, 2012, the BOD approved the declaration of 2% cash dividend equivalent to ₱0.0003 per share or an aggregate amount of ₱57.6 million payable December 7, 2012.

On May 22, 2013, the BOD approved the declaration of cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on July 2, 2013. Also, on October 3, 2013, the BOD approved the declaration of another 5% cash dividend equivalent to ₱0.0005 per share or an aggregate of ₱95.9 million payable on December 4, 2013.

As at December 31, 2013 and 2012, the Company has unpaid dividends amounting to ₱24.6 million and ₱17.8 million, respectively.

14. Basic/Diluted EPS

	2013	2012	2011
Net income	**₱315,179,222**	₱307,174,858	₱1,067,719,641
Weighted average number of common shares issued and outstanding during the year (Note 13)	**191,868,805,358**	191,868,805,358	191,524,971,364
Basic EPS	**₱0.0016**	₱0.0016	₱0.0056

As at December 31, 2013 and 2012, the equivalent potential common share issued was the subscriptions of common shares.

There were no dilutive shares as at December 31, 2013, 2012 and 2011.

15. Related Party Disclosures

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

The Group, in the normal course of business, has transactions with related parties which principally consist of loans and cash advances.

a. The Parent Company's advances to related parties and the corresponding interest income from these advances are as follows:

Related party		Transactions	Outstanding balance (Note 5)	Accrued Interest Receivable (Note 5)	Terms	Condition
Stockholder						
Alakor Corporation (Alakor)	**2013**	**₱10,000,000**	**₱173,132,001**	**₱25,817,454**	Payable on demand; 8%-10% interest	Unsecured, no impairment
	2012	60,000,000	167,061,601	12,520,492	Payable on demand; 8%-10% interest	Unsecured, no impairment
Under Common Control						
Anglo Philippine Holdings Corporation (APHC)	**2013**	–	**100,000,000**	**2,044,444**	Payable in 2015 and 2014; 8% interest	Unsecured, no impairment
	2012	50,000,000	100,000,000	2,044,444	Payable in 2013 8% interest	Unsecured, no impairment
Fil-Energy Corporation	**2013**	–	**4,753,762**	**16,166,436**	Payable on demand; non-interest bearing	Unsecured, no impairment
	2012	–	4,753,762	16,166,436	Payable on demand; non-interest bearing	Unsecured, no impairment
United Paragon Mining Corporation	**2013**	–	**1,055,839**	–	Payable on demand; non-interest bearing	Unsecured, no impairment
	2012	–	1,055,839	–	Payable on demand; non-interest bearing	Unsecured, no impairment
Totals	**2013**	**₱10,000,000**	**₱278,941,602**	**₱44,028,334**		
Totals	2012	₱110,000,000	₱272,871,202	₱30,731,372		

In 2013, the Company classified the ₱50.0 million advances to APHC due on January 7, 2014 as current, and renewed ₱50.0 million due on July 1, 2015 as noncurrent.

b. The interest income from the Parent Company's advances to related parties follow:

	Interest Income		
	2013	2012	2011
Alakor	**₱13,334,675**	₱11,809,444	₱6,196,055
APHC	**8,111,111**	8,066,667	2,044,444
ACMDC	–	3,099,878	7,320,172
VIMC	–	–	110,593
	₱21,445,786	₱22,975,989	₱15,671,264

c. The compensation of key management personnel are as follows:

	2013	2012	2011
Short-term employee benefits	**₱18,633,325**	₱30,333,817	₱19,483,284
Post-employment benefits	**11,299,060**	24,781,637	13,275,640
	₱29,932,385	₱55,115,454	₱32,758,924

16. Share in Costs and Operating Expenses

	2013	2012	2011
Petroleum operations	**₱332,573,583**	₱296,679,498	₱358,448,397
Personnel costs	**10,642,373**	12,199,944	8,492,362
	₱343,215,956	₱308,879,442	₱366,940,759

17. General and Administrative Expenses

	2013	2012	2011
Personnel costs	**₱51,261,878**	₱79,803,044	₱103,790,076
Outside services	**9,214,886**	6,912,143	8,200,469
Transportation and travel	**4,682,948**	4,268,404	2,844,436
Dues and subscriptions	**3,798,602**	3,156,747	2,493,667
Software licenses and maintenance fees	**3,516,306**	–	–
Depreciation and amortization (Note 7)	**3,513,649**	3,582,646	3,035,973
Entertainment, amusement and recreation	**3,100,024**	2,706,528	2,265,482
Supplies	**1,617,872**	707,128	883,911
Utilities	**1,587,830**	1,715,764	1,484,139
Insurance	**1,445,916**	1,463,283	1,535,281
Repairs and maintenance	**502,663**	833,395	1,470,855
Rent	**322,278**	120,456	144,892
Taxes and licenses	**276,975**	248,375	375,120
Advertising	**147,852**	261,864	38,584
Others	**2,053,574**	3,417	1,530,430
	₱87,043,253	₱105,783,194	₱130,093,315

Personnel costs include salaries, allowances and employee benefits and facilities.

18. Retirement Benefits

The Parent Company has a funded noncontributory defined benefits retirement plan covering its regular permanent employees. Retirement benefits expenses are based on the employee's years of service and final covered compensation.

The following tables summarize the components of net pension cost recognized in the statements of comprehensive income and the liabilities recognized in the statements of financial position.

Changes in defined benefit liability (asset) and fair value of plan assets in 2013 are as follows:

	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability (Asset)
At January 1	**₱116,585,000**	**(₱122,152,070)**	**(₱5,567,070)**
Current service cost	**5,284,650**	**–**	**5,284,650**
Net interest	**3,207,085**	**(6,107,603)**	**(2,900,518)**
Retirement benefits expense (income) charged to profit or loss	**8,491,735**	**(6,107,603)**	**2,384,132**
Actuarial changes arising from:			
Experience adjustments	**8,328,865**	**–**	**8,328,865**
Financial assumptions	**2,551,600**	**–**	**2,551,600**
Return on plan assets (excluding amount included in net interest)	**–**	**(375,806)**	**(375,806)**
Pension cost charged to OCI	**10,880,465**	**(375,806)**	**10,504,659**
At December 31	**₱135,957,200**	**(₱128,635,479)**	**₱7,321,721**

Changes in defined benefit liability (asset) and fair value of plan assets in 2012 are as follows:

	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability (Asset)
At January 1	₱105,862,600	(₱105,315,442)	₱547,158
Current service cost	5,675,300	–	5,675,300
Net interest	4,381,962	(6,697,080)	(2,315,118)
Retirement benefits expense (income) charged to profit or loss	10,057,262	(6,697,080)	3,360,182
Actuarial changes arising from:			
Experience adjustments	27,060,038	–	27,060,038
Financial assumptions	(26,394,900)	–	(26,394,900)
Return on plan assets (excluding amount included in net interest)	–	(139,548)	(139,548)
Pension cost charged to OCI	665,138	(139,548)	525,590
Contributions	–	(10,000,000)	(10,000,000)
At December 31	₱116,585,000	(₱122,152,070)	(₱5,567,070)

Changes in defined benefit liability (asset) and fair value of plan assets in 2011 are as follows:

	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability (Asset)
At January 1	₱63,992,300	(₱68,825,051)	(₱4,832,751)
Current service cost	3,128,685	–	3,128,685
Net interest	4,863,415	(5,230,704)	(367,289)
Retirement benefits expense (income) charged to profit or loss	7,992,100	(5,230,704)	2,761,396
Benefits paid	–	–	–
Actuarial changes arising from:			
Experience adjustments	9,158,700	–	9,158,700
Financial assumptions	24,671,300	–	24,671,300
Demographic assumptions	48,200	–	48,200
Return on plan assets (excluding amount included in net interest)	–	740,313	740,313
Pension cost charged to OCI	33,878,200	740,313	34,618,513
Contributions	–	(32,000,000)	(32,000,000)
At December 31	₱105,862,600	(₱105,315,442)	₱547,158

Retirement benefits expense was composed of current service cost which is shown under "personnel costs" while net interest is shown under "interest income" in the consolidated statements of comprehensive income:

	2013	2012	2011
Current service cost	**₱5,284,650**	₱5,675,300	₱3,128,685
Net interest	**(2,900,518)**	(2,315,118)	(367,289)
	₱2,384,132	₱3,360,182	₱2,761,396

The latest actuarial valuation of the plan is as at December 31, 2013. The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2013	2012	2011
Discount rate	**4.63%**	5.00%	4.14%
Investment yield	**5.00%**	5.00%	5.00%
Salary increase	**5.00%**	5.00%	10.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	1%	₱6,003,200
	-1%	(6,886,100)
Salary increase rate	1%	6,296,600
	-1%	(5,640,100)

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

	2013	2012	2011
Fixed income securities	**80.56%**	69.70%	30.23%
Deposits in banks	**16.33%**	29.43%	69.42%
Others	**3.11%**	0.87%	0.35%
	100.00%	100.00%	100.00%

The Company expects to contribute ₱10.0 million to the defined benefit pension plan in 2014.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013
Within the next twelve (12) months	₱60,316,338
Between two (2) and five (5) years	43,686,540
Between five (5) and ten (10) years	38,784,338
Between ten (10) and twenty (20) years	70,197,752
More than twenty (20) years	80,900,911
Total expected payments	₱293,885,879

The average duration of the defined retirement benefits liability as at December 31, 2013 and 2012 is 14.1 years and 15 years, respectively.

19. Income Taxes

a. The details of provision for current income tax are as follows:

	2013	2012	2011
RCIT	**₱22,463,187**	₱30,649,483	₱36,983,314
Final taxes	**1,911,700**	3,315,252	3,077,662
	₱24,374,887	₱33,964,735	₱40,060,976

The reconciliation of provision for income tax computed using the statutory income tax rate to the provision for income tax follows:

	2013	2012	2011
Provision for income tax computed at the statutory income tax rate	**₱107,416,218**	₱97,123,771	₱336,147,806
Additions to (reductions in):			
Nontaxable income	**(169,910,947)**	(165,069,400)	(394,852,735)
Nondeductible expenses	**109,963,065**	94,491,468	113,621,154
Interest income subjected to final tax	**(4,593,498)**	(6,374,794)	(2,153,264)
Movement in unrecognized deferred tax assets	**–**	–	10,083
	₱42,874,838	₱20,171,045	₱52,773,044

b. Net deferred tax assets represents the following:

	2013	2012
Deferred tax assets:		
Retirement benefits and unamortized past service cost	₱16,900,156	₱15,370,850
SAR expense	7,255,511	8,755,684
Provision for impairment losses on deferred oil exploration costs	197,624	197,624
Unrealized foreign exchange loss	–	10,684,326
	24,353,291	35,008,484
Deferred tax liabilities:		
Unearned crude oil lifting	(5,379,893)	(1,499,524)
Unrealized foreign exchange gain	(2,454,331)	(1,641,340)
	(7,834,224)	(3,140,864)
	₱16,519,067	₱31,867,620

c. In 2013 and 2012, the Group did not recognize the deferred income tax asset related to NOLCO of PGO since the Management believes that it is not probable that PGO will have sufficient future taxable income against which these temporary differences may be utilized.

20. Financial Instruments

Classifications and Fair Values of Financial Instruments
PFRS defines fair value as a 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 carrying amounts of financial assets (except AFS financial assets, advances to a related party and investment in bonds) and financial liabilities approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Advances to a related party and investment in bonds are long-term and interest-bearing, thus, fair value is equal to the carrying value.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Quoted AFS financial assets amounting to ₱354.5 million and ₱487.1 million as at December 31, 2013 and 2012, respectively are classified as Level 1.

21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables (except advances to officers and employees), AFS financial assets, accounts payable and accrued liabilities (except withholding taxes) and dividends payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit Risk

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short-term investments, receivables, AFS financial assets, advances to related parties and investment in bonds, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business. 100% of the outstanding accounts with contract operators are from the SC-14 consortium.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2013	2012
Loans and receivables:		
Cash in banks and short-term investments	**₱93,964,475**	₱612,922,268
Receivables:		
Advances to related parties	**278,941,602**	272,871,202
Accounts with contract operators	**181,310,563**	183,829,853
Investment in bonds	**87,857,705**	81,237,950
Accrued interest	**45,439,963**	32,036,632
Others	**1,660,854**	1,118,653
AFS financial assets:		
Quoted equity instruments	**354,522,489**	487,137,039
	₱1,043,697,651	₱1,671,153,597

The tables below show the credit quality of the Group's financial assets by class based on the Group's credit evaluation process and the aging of past due but not impaired financial assets:

	Neither past due nor impaired		Past due but not impaired				
December 31, 2013	High Grade	Standard Grade	1 to 30 Days	31 to 90 Days	Over 90 Days	Impaired	Total
Loans and receivables:							
Cash in banks and cash equivalents	₱93,964,475	₱–	₱–	₱–	₱–	₱–	₱93,964,475
Accounts with contract operators	178,854,376	–	–	–	2,456,187	–	181,310,563
Advances to related parties	273,132,000	–	–	–	5,809,602	–	278,941,602
Investment in bonds	87,857,705	–	–	–	–	–	87,857,705
Accrued interest	–	–	2,260,665	4,442,063	38,737,235	–	45,439,963
Others	1,660,854	–	–	–	–	–	1,660,854
AFS financial assets:							
Quoted equity instruments	354,522,489	–	–	–	–	–	354,522,489
	₱989,991,899	₱–	₱2,260,665	₱4,442,063	₱47,003,024	₱–	1,043,697,651

	Neither past due nor impaired		Past due but not impaired				
December 31, 2012	High Grade	Standard Grade	1 to 30 Days	31 to 90 Days	Over 90 Days	Impaired	Total
Loans and receivables:							
Cash in banks and cash equivalents	₱612,922,268	₱–	₱–	₱–	₱–	₱–	₱612,922,268
Accounts with contract operators	183,829,853	–	–	–	–	–	183,829,853
Advances to related parties	267,061,601	–	–	–	5,809,601	–	272,871,202
Investment in bonds	81,237,950	–	–	–	–	–	81,237,950
Accrued interest	15,870,197	–	–	–	16,166,435	–	32,036,632
Others	1,118,653	–	–	–	–	–	1,118,653
AFS financial assets:							
Quoted equity instruments	487,137,039	–	–	–	–	–	487,137,039
	₱1,649,177,561	₱–	₱–	₱–	₱21,976,036	₱–	₱1,671,153,597

Credit quality of cash and cash equivalents, receivables and AFS financial assets are based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default. However, the Group cannot demand any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity Risk

Liquidity risk is the risk that the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilities and dividends payable based on contractual undiscounted payments.

	Less Than Three Months	Three to Twelve Months	Total
2013	₱42,183,253	₱24,621,568	₱66,804,821
2012	40,205,374	17,833,355	58,038,729

The table below summarizes the aging analyses of the Group's financial assets as at December 31, 2013 and 2012 that are used to manage the liquidity risk of the Company:

2013	**Less Than Three Months**	**Three to Twelve Months**	**Total**
Cash and cash equivalents	**₱93,984,475**	**₱–**	**₱93,984,475**
Receivables:			
Advances to related parties	**228,941,602**	**–**	**228,941,602**
Accounts with contract operators	**181,310,563**	**–**	**181,310,563**
Accrued interest	**45,439,963**	**–**	**45,439,963**
Others	**1,660,854**	**–**	**1,660,854**
AFS financial assets	**354,522,489**	**–**	**354,522,489**
	₱905,859,946	**₱–**	**₱905,859,946**

2012	Less Than Three Months	Three to Twelve Months	Total
Cash and cash equivalents	₱612,958,442	₱–	₱612,958,442
Receivables:			
Advances to related parties	222,871,202	–	222,871,202
Accounts with contract operators	183,829,853	–	183,829,853
Accrued interest	32,036,632	–	32,036,632
Others	1,118,653	–	1,118,653
AFS financial assets	487,137,039	–	487,137,039
	₱1,539,951,821	₱–	₱1,539,951,821

<u>Market Risk</u>
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates and equity price.

Foreign Currency Risk
Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and investment in bonds. The Group's foreign currency-denominated monetary assets as at December 31 follow:

	2013		2012	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Cash and cash equivalents	**$602,287**	**₱26,738,531**	$11,838,509	₱485,970,795
Receivables	**3,365,541**	**149,413,193**	2,203,990	90,473,805
Investment in bonds	**1,979,000**	**87,857,705**	1,979,000	81,237,950
Net monetary assets	**$5,946,828**	**₱264,009,429**	$16,021,499	₱657,682,550

The table below demonstrates the sensitivity of the Group's income before income tax (solely from foreign currency revaluation) to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax due to changes in the carrying value of financial assets and liabilities. The sensitivity range is based on the historical volatility of the foreign exchange rate for the past year. The analysis is based on the assumption that last year's foreign currency rate volatility will be the same in the following year.

	Percentage Change in Foreign Exchange Rate	Effect on Income Before Income Tax
2013	Depreciation of the PHP against the USD by 2%	**₱5,280,189**
	Appreciation of the PHP against the USD by 1%	**(2,640,094)**
2012	Depreciation of the PHP against the USD by 1%	6,576,826
	Appreciation of the PHP against the USD by 1%	(6,576,826)

As at December 31, 2013 and 2012, the exchange rate of the Philippine peso to the US$ is ₱44.40 and ₱41.05 to US$1.00, respectively.

Foreign currency risk has no other impact on the Group's equity other than through profit or loss.

Equity Price Risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as AFS financial assets.

The following table shows the sensitivity of the Group's equity (through other comprehensive income) from changes in the carrying value of the Group's AFS financial assets due to reasonably possible changes in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS financial assets. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through the adjusted betas of each individual stock. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be the same in the following year.

	Percentage Change in PSEi	Effect on Equity
2013	**Increase by 23%**	**₱75,364,896**
	Decrease by 23%	**(75,364,896)**
2012	Increase by 14%	70,863,716
	Decrease by 14%	(70,863,716)

The impact of equity price risk on the Group's equity excludes the impact on transactions affecting profit or loss.

22. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed, legal or contractual, capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

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

	2013	2012
Capital stock	**₱1,568,003,703**	₱1,565,575,119
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Retained earnings	**1,620,555,668**	1,504,598,512
	₱3,190,183,383	₱3,071,797,643

23. Note to Consolidated Statements of Cash Flows

In 2013, the Group transferred from property and equipment to receivables, ₱4.2 million pertaining to the share in P&A received from Trans-Asia.

In 2012, the Group's principal non-cash investing activities includes capitalization from deferred oil exploration costs to property and equipment amounting to ₱20.9 million.

24. Provision for Decommissioning Costs

The Parent Company expects to produce oil from the Nido, Matinloc and North Matinloc oil fields until they reach their maximum economic limits. The SC-14 Blocks A and B Consortium has set aside contingency funds for any future costs that may be incurred in connection with the decommissioning of these wells in accordance with good oilfield practice.

As at December 31, 2013, a budget of US$2.4 million has been approved by the SC-14 Block B Consortium for the P&A of Libro, Pandan and Tara wells scheduled in early 2014.

25. Contingent Liability

In relation to the Parent Company's acquisition of VIMC's interest in Tara and Octon blocks, the Parent Company is contingently liable for US$500,000 per contract area payable within sixty (60) days from the date of commercial discovery in the contract areas.

26. Segment Information

The Group has only one business segment which is primarily involved in oil exploration and production. The Group only operates in one geographical location, thus, no information on geographical segments is presented.

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

8th Floor, Quad Alpha Centrum
Building, 125 Pioneer Street
Mandaluyong City

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

Reynaldo E. Nazarea

Contact Person

631-8151

Company Telephone Number

0 3 | 3 1
Month | *Day*

SEC Form 17-Q (March 2014)

FORM TYPE

0 6 | 1 8
Month | *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

8812

Total No. of Stockholders

Total Amount of Borrowings

P0.00

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2014

2. SEC Identification Number: 38683

3. BIR Tax Identification No.: 000-315-612-000

4. Exact name of registrant as specified in its charter : THE PHILODRILL CORPORATION

5. Philippines 6. ______________ (SEC Use Only)
Province, Country or other Industry Classification Code
jurisdiction of incorporation or organization

7. 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of principal office Postal Code

8. (632) 631-8151/52
Registrant's telephone number, including area code

9. Not Applicable

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

Number of Common Stock Outstanding
191,868,805,358

	Amount of Debt Outstanding
Total Liabilities	P196,831,042

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

    Yes [x] No [ ]

12. Check whether the issuer

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

TABLE OF CONTENTS

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 1st quarter ended 31 March 2014 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.

2. Interim Statements of Operations for the current interim period (01 January to 31 March 2014), with comparative Statement of Operations for the comparable period (01 January to 31 March 2013) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 31 March 2014), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 31 March 2013) are attached to this report.

4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 31 March 2014), as well as the basis of computation thereof.

5. The Company's interim financial report for the 1st quarter 2014 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.

6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 31 March, 2014) as compared with the most recent annual financial statements (2013), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.

7. There were NO seasonal or cyclical aspects that had a material effect on the financial condition or results of interim operations of the Company.

8. There were NO unusual items during the interim period (01 January to 31 March 2014), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.

9. There were NO changes in the estimates of amounts reported in prior financial year (2013), which had a material effect in the current interim period (01 January to 31 March, 2014).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to March 31, 2014).

11. For the period January 1 to March 31, 2014, the Board of Directors in its meeting on February 19, 2014 approved the declaration of cash dividend to stockholders of record as of March 5, 2014, equivalent to P0.0005 per share payable on March 31, 2014.

12. The Company does not generate revenues from any particular segment and its business is not delineated into any segment, whether by business or geography. The Company is not required to disclose segment information in its financial statements.

13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to March 31, 2014) that have not been reflected in the financial statements for said interim period.

14. There were NO changes in the composition of the Company during the interim period (January 1 to March 31, 2014) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.

15. The Company has NO contingent liabilities or contingent assets as of its last annual balance sheet date (December 31, 2013) and as of end of current interim period (March 31, 2014), EXCEPT those disclosed in Note 25 to the Company's 2013 Audited Financial Statements.

16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to March 31, 2014).

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

Financial Performance

Total revenues for the first quarter ended March 31, 2014 increased by P136.0 million or 71% to P328.4 million from P192.5 million for the same period last year. Petroleum revenues increased by P132.8 million or 72% to P316.2 million from P183.4 million for the same period last year. The increase was brought mainly by the increased combined production from the Galoc Phase 1 and 2 in the first quarter of 2014 as compared to production from Phase 1 only during the same period last year. The combined gross production increased to 849,015 barrels for the first quarter ended March 31, 2014, from 471,683 barrels produced for the same period last year. The average price per barrel decreased to $108.64 for the period ended March 31, 2014 as compared to $110.02 for the same period last year. Equity in net earnings of associates slightly increased by P0.1 million while interest income decreased by P1.5 million or 15%.

Total costs and expenses increased by P48.8 million from P113.7 million for the first quarter of 2013 to P162.5 million for the first quarter of 2014. Operating costs increased by 53%. Foreign exchange gains/losses reflected a net gain of P1.0 million for the first quarter of 2014 as compared to net loss of P3.5 million for the same period last year. The company's net income after tax amounted to P151.6 million for the first quarter of 2014 as compared to P67.9 million for the same period last year.

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

	Mar 31 , 2014	Dec 31, 2013
Current Ratio	*4 : 1*	*9 : 1*
Current Assets	837,475,477	673,143,876
Current Liabilities	193,610,573	78,440,718
Debt to Equity Ratio	*0.06 : 1*	*0.03 : 1*
Total Liabilities	196,831,042	85,762,439
Stockholders Equity	3,259,411,014	3,210,761,972
Equity to Debt Ratio	*17 : 1*	*37 : 1*
Stockholders Equity	3,259,411,014	3,210,761,972
Total Liabilities	196,831,042	85,762,439
Book Value per Share	*0.01790*	*0.01765*
Stockholders Equity *(gross of Subs. Receivable)*	3,434,745,954	3,386,104,136
Shares outstanding	191,868,805,358	191,868,805,358
Income per Share	*0.00079**	*0.00035**
Net Income	151,631,496	67,889,154
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to March 31*

The current ratios as of December 31, 2013 and March 31, 2014 are 9:1 and 4:1, respectively. The Company's current assets exceeded its current liabilities by P643.9 million as of March 31, 2014 and P594.7 million as of December 31, 2013. The "Available-for-sale (AFS) financial assets" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of P347.4 million as of March 31, 2014 and P354.5 million as of December 31, 2013. If these shares would be considered part of Current Assets, the recomputed current ratio would be 6:1 as of March 31, 2014 and 13:1 as of December 31, 2013.

Total assets increased from P3.30 billion as of December 31, 2013 to P3.46 billion as of March 31, 2014. Cash and cash equivalents increased by P167.7 million or 178% due to the collection of the company's share in Galoc revenues. Receivables increased by P5.2 million. Crude oil inventory decreased by P7.1 million or 6% due to lower volume of crude oil on storage as of March 31, 2014. Other current assets decreased by P1.4 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of P4.3 million to P922.5 million as of March 31, 2014 mainly due to the booking of depletion costs (P44.2) net of additional development costs for the Galoc Phase 2 project (P39.9 million). Available-for-sale (AFS) financial assets decreased by P7.1 million or 2% due to the adjustment in the valuation reserve of the company's listed stock investments. Investment in bonds increased by P0.9 million due to the restatement of investment in dollar bonds as of March 31, 2014. Deferred income tax assets increased by P0.7 million or 4% due to adjustments in the recognition of deferred tax assets as of end of the interim period. Other noncurrent assets decreased by P0.3 million or 2% due to the amortization of other deferred costs during the interim period.

Total liabilities reflected a net increase of 130% or P111.1 million from P85.8 million as of December 31, 2013 to P196.8 million as of March 31, 2014 mainly due to the cash dividends declared amounting to P96.0 million during the interim period.

Stockholders' equity increased by P48.6 million or 1.5% from P3.21 billion as of December 31, 2013 to P3.26 billion as of March 31, 2014. The net unrealized loss on decline in value of AFS financial assets increased by P7.1 million to P161.6 million as of March 31, 2014 due to the adjustment in the valuation reserve of the company's listed stock investments. The company's retained earnings amounted to P1.68 billion as of March 31, 2014 as compared to P1.62 billion as of December 31, 2013.

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

	Mar 31, 2014	Dec 31, 2013
Current Ratio	0	0
Current Assets	0	0
Current Liabilities	926,639	926,639
Debt to Equity Ratio	0.10 : 1	0.10 : 1
Total Liabilities	926,639	926,639
Stockholders' Equity	9,005,346	9,005,346
Equity to Debt Ratio	10 : 1	10 : 1
Stockholders' Equity	9,005,346	9,005,346
Total Liabilities	926,639	926,639
Book Value per Share	0.007	0.007
Stockholders Equity *(gross of Subs. Receivable)*	93,380,346	93,380,346
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	0	0
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

In general, Management is not aware of any material event or uncertainty that has affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

1. There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have material impact on the Company's liquidity. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:
   a) issuing subscriptions call on the balance of the subscriptions receivable;
   b) collecting a portion of Accounts Receivables;
   c) selling a portion of its existing investments and assets; and
   d) generating cash from loans and advances.

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

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, EXCEPT those disclosed in Note 25 to the Company's 2013 Audited Financial Statements.

4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from: operations, collection of subscriptions and other receivables, and from loans/financing, or to avoid incurring these expenditures altogether by way of farm-outs.

5. There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income of the Company from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

7. There have been NO material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

   Cash and cash equivalents increased by P167.7 million mainly due to the collection of the company's share in the Galoc revenues.

   Crude oil inventory decreased by P7.1 million or 6% due to the lower volume of crude oil on storage as of end of the interim period.

   Other current assets decreased by P1.4 million due to the amortization of prepaid expenses booked during the interim period.

   Property and equipment reflected a net decrease of P4.3 million to P922.5 million as of March 31, 2014 mainly due to the booking of depletion costs (P44.2), net of additional development costs for the Galoc Phase 2 project (P39.9 million).

Available-for-sale (AFS) financial assets decreased by P7.1 million due to the adjustment in the valuation reserve of the company's listed stock investments as of March 31, 2014.

Investment in bonds increased by P0.8 million due to restatement of investment in dollar bonds as of March 31, 2014.

Deferred income tax assets increased by P0.7 million or 4% due to adjustments in the recognition of DTA as of end of the interim period.

Other noncurrent assets decreased by P0.3 million or 2%. The decrease was due to the amortization of other deferred costs booked during the interim period.

Accounts payable and accrued liabilities reflected a P10 million increase due to accruals booked during the interim period.

Income tax payable increased by 245% or P14.8 million due to the additional income taxes accrued in the interim period.

Dividends payable increased by P90.2 million mainly due to the declaration of 5% cash dividend payable on March 31, 2014.

Retirement benefit liability decreased by P4.0 million or 56% mainly due the additional contribution made to the retirement fund.

Net unrealized loss on decline in value of AFS financial assets as of December 31, 2013 amounted to P154.5 million. For the interim period, an additional P7.1 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of March 31, 2014, net unrealized loss on decline in market value of AFS financial assets amounted to P161.6 million.

The company's retained earnings amounted to P1.68 billion as of March 31, 2014 as compared to P1.62 billion as of December 31, 2013. The net increase of P55.8 million or 3% was due to the P151.6 million net income booked for the first quarter of 2014 net of P95.9 million cash dividend declared in February 2014.

Petroleum revenues increased by P132.8 million or 72% to P316.2 million from P183.4 million for the same period last year due to higher production. Production for the current interim period included production from the Galoc Phase 2. The combined gross production increased to 849,015 barrels for the first quarter ended March 31, 2014 from 471,683 barrels produced for the same period last year. While the average price per barrel slightly decreased to $108.64 for the period ended March 31, 2014 as compared to $110.02 per barrel for the same period last year.

Equity in net earnings of associates increased by 4% due to the higher level of income booked by Penta Capital Investment Corporation.

Interest income decreased by P1.5 million due to lower interest income on short term placements booked for the first quarter of 2014.

Foreign exchange gain amounted to P1.0 million for the first quarter of 2014 as compared to P3.5 million foreign exchange loss for the same period last year. The foreign exchange gain was brought about by the P0.185 (depreciation of peso)/ adjustment on reference rates for the first quarter of 2014 and the foreign exchange loss was brought about by the P0.42 (appreciation of peso)/adjustment for the same period last year.

Share in costs and operating increased by P47 million or 53% due to higher depletion expense booked for Galoc during the first quarter of 2014.

Net income amounted to P151.6 million for the first quarter of 2014, as compared to P67.9 million for the same period last year.

8. There are NO seasonal aspects that had material effect on the financial condition or results of operations.

Item 3. Management's Assessment and Evaluation of Financial Risk Exposures

A. Financial Instruments

Since there were NO financial assets reclassified into and from each category, disclosures on the following are:

a. The financial assets reclassified into and from each category; - Not Applicable

b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods;- Not Applicable

c. For financial assets reclassified in rare circumstances, the facts that would establish such kind of circumstances; -Not Applicable

d. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods;- Not Applicable

e. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized;-Not Applicable

f. As at date of reclassification, the effective interest rates and estimated amounts of cash flows the company expects to recover. – Not Applicable

Fair Values of Financial Instruments

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Consolidated Unaudited March 2014	Consolidated Unaudited March 2014	Consolidated Audited December 2013	Consolidated Audited December 2013
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	261,671,256	261,671,256	93,984,475	93,984,475
Advances to related companies	229,076,002	229,076,002	228,941,602	228,941,602
Accounts with contract operators	182,875,244	182,875,244	181,310,563	181,310,563
Accrued interest receivables	47,902,888	47,902,888	45,439,963	45,439,963
Others	2,814,927	2,814,927	1,660,854	1,660,854
Long term investment	88,688,885	88,688,885	87,857,705	87,857,705
Advances to a related party net of current portion	50,000,000	50,000,000	50,000,000	50,000,000
	863,029,202	**863,029,202**	**689,195,162**	**689,195,162**
AFS financial assets				
Quoted equity instruments	347,404,740	347,404,740	354,522,489	354,522,489
	347,404,740	**347,404,740**	**354,522,489**	**354,522,489**
	1,210,433,942	**1,210,433,942**	**1,043,717,651**	**1,043,717,651**
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities				
Accrued liabilities	21,679,250	21,679,250	12,946,324	12,946,324
Accrued interest	0	0	0	0
Others	4,534,984	4,534,984	4,528,926	4,528,926
Dividends payable	114,850,449	114,850,449	24,621,568	24,621,568
	141,064,683	**141,064,683**	**42,096,818**	**42,096,818**

Quoted AFS investments are carried at fair value based on the quoted values of the securities.

B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables, AFS financial assets, accounts payables and accrued liabilities (except withholding taxes), dividends payable and subscriptions payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risks, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit risks

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, cash equivalents and AFS financial assets, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.

As of March 31, 2014, all of the outstanding trade receivables are from the SC14 A, B, B-1 & C-1 consortiums. At present, the SC14 A, B & B-1 consortium has a supply agreement with Pilipinas Shell Petroleum Corporation (Pilipinas Shell), assuring Pilipinas Shell with sale of the SC14 A, B & B-1 consortium's petroleum products. For SC14 C-1 consortium, the operator, Galoc Production Company has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	Unaudited balances as of March 31, 2014
Loans and receivables	
Cash and cash equivalents	261,671,256
Accounts with contract operators	182,875,244
Advances to related companies	229,076,002
Accrued interest	47,902,888
Others	2,814,927
Advances to a related party net of current portion	50,000,000
AFS investments	
Quoted	347,404,740
Long term investment	88,688,885
Gross maximum credit risk exposure	1,210,433,942

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2014 based on the Group's credit evaluation process:

			Past due but not impaired				
	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	1-30 days	31-90 days	Over 90 days	Impaired Financial Assets	Total
Loans and receivables							
Cash and cash equivalents	261,671,256						261,671,256
Accounts with contract operators	182,875,244						182,875,244
Advances to related companies	223,266,400				5,809,600		229,076,000
Accrued interest			2,408,330	3,535,820	41,958,738		47,902,888
Others					2,814,927		2,814,927
Advances to a related party net of current portion	50,000,000						50,000,000
AFS investments:							
Quoted equity instruments	347,404,740						347,404,740
Long term investment	88,688,885						88,688,885
Total	1,153,906,525	0	2,408,330	3,535,820	50,583,265	0	1,210,433,940

Credit quality of cash and cash equivalents and AFS financial assets are based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default. However, the Group cannot demand any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity risk

Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the aging analyses of the Group's financial assets as of March 31, 2014 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	261,671,256	0	261,671,256
Accounts with contract operators	182,875,244	0	182,875,244
AFS financial assets	347,404,740	0	347,404,740
	791,951,240	0	791,951,240

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilities and dividends payable based on contractual undiscounted payments.

	Less than three months	Three to twelve months	Total
March 31, 2014	141,064,683		141,064,683

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and equity price.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and investment in bonds. The Parent Company's entire share in petroleum operations revenue is denominated in United States Dollar (USD). Consequently, the Group is exposed to foreign exchange risk arising from its USD-denominated receivables, cash and cash equivalents and long term investment.

As of March 31, 2014, the exchange rate of the Philippine peso to the US$ is P44.815 to US$1.00.

Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as AFS financial assets.

PETROLEUM PROJECTS

1.0 Service Contract 6A (Octon)

Processing of the new 3D seismic data that operator Pitkin Petroleum (Pitkin) acquired last year continued at Fairfield's Ho Chi Minh City processing center and was about 80% complete as of end-March 2014. Initial results indicate a big improvement on the quality of data as against the 1997 TQ3D data set. Processing work is anticipated to be completed in April 2014.

Preparations for the programmed petrophysical studies and biostratigraphic analysis works are ongoing. Data needed for these works have been sourced and are being investigated for usability.

The 3D seismic interpretation in the Octon Area using the old 1997 3D data has been completed. Mapping is now being continued towards the north to tie in to the previous interpretation on the northern portion of the block.

2.0 Service Contract 6B (Bonita)

In September last year, the Department of Energy (DOE) approved our submitted work program and budget for the remaining months of the first 5-year extension of the contract term. This consisted of in-house resource and economic evaluation of the East Cadlao Elephant prospects and the Bonita discovery which was completed and the results presented to the consortium in early February 2014.

The study results indicated that both the East Cadlao prospect and the Bonita discovery are handicapped with low computed resource volumes, and are considered uneconomic to develop on a stand-alone basis. An upside, however, is offered by a large untested structure, the Elephant Prospect, which is now the main focus of the various studies planned under the contract's second term extension now pending with the DOE.

3.0 Service Contract No. 14 (Production Blocks)

1st Quarter 2014 Crude Oil Production Summary (in barrels)

	Nido	Matinloc	North Matinloc	Total
January	6,608	4,215	537	11,360
February	6,602	6,390	618	13,610
March	6,576	6,967	902	14,445
Total	19,786	17,572	2,057	39,415

The consortium completed 2 shipments during the first quarter, involving 27,110 barrels of combined Nido-Matinloc-North Matinloc crudes. As of end-March 2014, about 14,615 barrels of crude mix were onboard the storage vessels.

Nido 1X-1 Studies

In early January 2014, Philodrill engaged the services of Mr. Frank Witteman, a petrophysicist consultant, for a petrophysical review of the Nido 1X-1 and the Nido A-1 attic structures, mainly to verify the discrepancies between the results obtained from third party consultant RISC Australia's independent reserves certification study and Philodrill's in-house resource assessment of both Nido carbonate structures. The results of Mr. Witteman's work indicated that both structures are full to spill as inferred from the apparent absence of neither a free water table nor a water transition zone within the reservoirs. This observation can be further validated by a review of the drillstem tests performed on Nido 1X-1. A third party consultant has been contracted to perform this task.

4.0 <u>Service Contract No. 14 (Retention Block, Tara, and Libro)</u>

No exploration or production activities are being carried out on these blocks. Meanwhile, contractor Enhanced Drilling Solution Limited (EDSL) has started preparing for the planned final plugging and abandonment (P&A) of the Libro and Pandan wells as well as Trans-Asia Oil & Energy Development Corporation's Tara South well. Actual P&A works are set to start in April 2014.

5.0 <u>Service Contract No. 14 C-1 (Galoc)</u>

The two Phase 2 Development wells, the Galoc-5 and Galoc-6, commenced production in early December 2013 and both attained initial rates of about 7,500 bopd, consistent with the overall field forecast production of 12,000 bopd. Field operator Galoc Production Company needed to control production rates from the 4 wells in order to minimize gas production owing to the gas handling limitations of the FPSO Rubicon Intrepid. By end-March 2014, steady production from the Phase 1 and Phase 2 wells averaged 9,150 bopd. The Galoc Field produced 825,162 barrels during the first quarter of the year, with a cumulative production of 12,477,896 barrels since it started production in October 2008.

The first crude shipment involving both Phase 1 and Phase 2 production was completed in early January 2014, plus two other shipments were completed during the first quarter period. These were sold to repeat buyers from Southeast Asia at competitive crude prices. As at end-March 2014, about 297,560 barrels remain on board the storage tanker.

6.0 Service Contract 14 C-2 (West Linapacan)

During the joint Technical Committee and Operating Committee Meetings held in Australia in early March 2014, block operator RMA Energy Pte. Ltd. (RMA) presented to the members of the consortium the basis for the Final Investment Decision for a 3-well drilling program for the West Linapacan Block. RMA has started rig pre-qualification, review and costing for the two planned wells (WL A7 and WL A8) on the West Linapacan A structure, with an option for an exploration well in the West Linapacan B structure. The operator is looking at possible development drilling starting on the 4th quarter of 2014. Philodrill is carried up to first commercial oil.

7.0 Service Contract No. 53 (Onshore Mindoro)

During the first quarter of 2014, operator Pitkin continued to prepare for the Test Mini-Sosie seismic program. They have selected Geocon as the geophysical contractor which did scouting and "walk through" of the proposed lines. Due to operational constraints, it now appears that there are very few areas where the Mini-Sosie seismic survey can be run, the program was thus suspended indefinitely.

Pitkin likewise continued to prepare for the drilling of Progreso-2 well. They have inspected possible maritime and land access routes for drilling rig and equipment mob/demob, communication options, fuel supply, logistics support, accommodation and hospital facilities. Drilling is set to commence in the last quarter of 2014. A community relations team was mobilized to kick-off the information and educational campaign in various areas where activities related to the drilling will take place.

8.0 Service Contract No. 74 (Linapacan)

Operator Pitkin started assessing the availability of vintage 2D and 3D seismic and field data for seismic re-processing, a component of the work program activities for the Linapacan Block. Pitkin has likewise started preparing for the conduct of petrophysical analyses on the old Linapacan wells. A petrophysicist consultant has been selected to do the work.

A geological field work in Northwest Palawan was initiated during the first quarter of the year. The first leg of the field program which covered onshore North Palawan was completed in March. The second leg will cover the neighboring Calamian Island Group and is planned to be carried out in May. The field program aimed to map and sample pre-Nido sequences which are important in understanding the potential of the Linapacan Block.

9.0 SWAN Block

Philodrill continues to wait for PNOC-Exploration Corporation's update on their review of the proposal to acquire participation in Philodrill's Nido 1X-1 project for a potential interest swap in their service contracts which now cover the former SWAN Block, located offshore NW Palawan.

PART II – OTHER INFORMATION

There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 31 March 2014).

SIGNATURES

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

By:

Date:
FRANCISCO A. NAVARRO
President

Date: 5/12/14
REYNALDO E. NAZAREA
Treasurer & VP-Administration

THE PHILODRILL CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17Q

*These schedules, which are required by Part IV(e) of RSA 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.

THE PHILODRILL CORPORATION

Consolidated Statements of Financial Position

	(Unaudited) March 31 2014	(Audited) December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents	261,671,256	93,984,475
Receivables	465,060,940	459,898,315
Crude oil inventory	109,738,108	116,874,750
Other current assets	1,005,173	2,386,336
Total Current Assets	837,475,477	673,143,876
Noncurrent Assets		
Property and equipment - net	922,459,416	926,721,222
Investments in associates	281,235,692	278,805,093
Available-for-sale (AFS) financial assets	347,404,739	354,522,489
Deferred oil exploration costs	898,302,841	895,142,259
Advances to a related party - net of current portion	50,000,000	50,000,000
Investment in bonds	88,688,885	87,857,705
Deferred income tax assets	17,196,309	16,519,067
Other noncurrent assets	13,478,697	13,812,700
Total Noncurrent Assets	2,618,766,579	2,623,380,535
TOTAL ASSETS	3,456,242,056	3,296,524,411

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	57,898,615	47,778,604
Income tax payable	20,861,509	6,040,546
Dividends payable	114,850,449	24,621,568
Total Current Liabilities	193,610,573	78,440,718
Noncurrent Liability		
Retirement benefit liability	3,220,469	7,321,721
TOTAL LIABILITIES	196,831,042	85,762,439
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,018,150	1,568,003,703
Subscribed	350,669,903	350,684,351
Subscriptions receivable	(175,334,940)	(175,342,164)
Paid in capital from sale of treasury shares	1,624,012	1,624,012
Share in other comprehensive (loss) of an associate	(303,238)	(303,238)
Net unrealized loss on decline in value of AFS financial assets	(161,578,109)	(154,460,360)
Retained earnings	1,676,315,236	1,620,555,668
Total Equity	3,259,411,014	3,210,761,972
TOTAL LIABILITIES AND EQUITY	3,456,242,056	3,296,524,411

THE PHILODRILL CORPORATION
Consolidated Statements of Income
(Unaudited)

	January 1 to March 31 2014	January 1 to March 31 2013
PETROLEUM REVENUE	316,247,261	183,457,654
COSTS AND EXPENSES		
Share in costs and operating	(135,195,762)	(88,232,424)
General and administrative	(27,297,646)	(25,424,648)
	(162,493,408)	(113,657,072)
OTHER INCOME (CHARGES)		
Equity in net earnings of associates	2,430,600	2,333,400
Interest income	8,420,427	9,892,795
Foreign exchange gains (losses)	1,048,326	(3,484,872)
Others	272,382	253,818
	12,171,735	8,995,141
INCOME BEFORE INCOME TAX	165,925,588	78,795,723
PROVISION FOR INCOME TAX	14,294,092	10,906,569
NET INCOME	151,631,496	67,889,154
OTHER COMPREHENSIVE INCOME (LOSS)		
Changes in fair value of AFS financial assets	(7,117,749)	66,742,531
TOTAL COMPREHENSIVE INCOME (LOSS)	144,513,747	134,631,685

Earnings per share was computed as follows:

Net income (loss)	151,631,496	67,889,154
Weighted average number of shares	191,868,805,358	191,868,805,358
Income (loss) per share	0.00079	0.00035

THE PHILODRILL CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to March 31 2014	January 1 to March 31 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	151,631,496	67,889,154
Adjustments for:		
Depletion, depreciation and amortization	45,051,615	1,984,135
Equity in net losses (earnings) of associates - net	(2,430,600)	(2,333,400)
Operating loss before working capital changes	194,252,511	67,539,889
Decrease (increase) in:		
Receivables	(1,411,227)	5,258,579
Crude oil inventory	7,136,643	(16,782,275)
Other current assets	1,381,163	9,180
Retirement benefits assets	(4,101,252)	618,301
Increase in accounts payable and accrued expenses	24,940,974	12,508,351
Net cash from (used in) operating activities	222,198,812	69,152,026
CASH FLOWS FROM INVESTING ACTIVITIES		
Reductions in (additions to):		
Property and equipment	(40,789,809)	(1,474,123)
Deferred oil exploration costs and other inv	(3,893,442)	(4,080,322)
Advances to affiliated companies - net	(493,140)	(48,827)
Other noncurrent assets	(3,637,341)	(7,420,010)
Subscriptions payable	0	0
Net cash from (used in) investing activities	(48,813,732)	(13,023,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) of:		
Subscriptions receivable	7,224	0
Dividends payable	(5,705,523)	(1,131,791)
Net cash from (used in) financing activities	(5,698,299)	(1,131,791)
NET INCREASE (DECREASE) IN CASH	167,686,781	54,996,953
CASH, BEGINNING	93,984,475	612,958,442
CASH, ENDING	261,671,256	667,955,395

THE PHILODRILL CORPORATION

Consolidated Statements of Changes in Equity

	Unaudited March 2014	March 2013
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,003,703	1,565,575,119
Issuance during the first quarter	14,447	
Balance at end of first quarter	1,568,018,150	1,565,575,119
Subscribed		
Balance at the beginning of year	350,684,351	353,112,935
Issuance during the first quarter	(14,447)	
Balance at end of first quarter	350,669,904	353,112,935
Subscriptions receivable		
Balance at the beginning of year	(175,342,164)	(176,556,456)
Collection of subscriptions receivable	7,224	
Balance at end of first quarter	(175,334,940)	(176,556,456)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Movement during the first quarter	0	0
Balance at end of first quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(154,460,360)	(21,845,809)
Adjustment during the first quarter	(7,117,749)	66,742,531
Balance at end of first quarter	(161,578,110)	44,896,721
Share in other comprehensive income of an associate		
Balance at the beginning of year	(303,238)	(106,914)
Movement during the first quarter	0	0
Balance at the ending of year	(303,238)	(106,914)
Retained Earnings		
Balance at the beginning of year	1,620,618,143	1,544,079,156
Cash dividend declared	(95,934,403)	0
Net income (loss) for the first quarter	151,631,496	67,889,154
Balance at end of first quarter	1,676,315,236	1,611,968,310
Total Stockholders' Equity	3,259,411,014	3,400,513,727

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED MARCH 31, 2014

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	2,545,333	953,392	1,106,847		2,391,879		2,391,879
	2,545,333	953,392	1,106,847	0	2,391,879	0	2,391,879

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE QUARTER ENDED MARCH 31, 2014

Name of Issuing Entity and Description of Investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/ Accrued from Investments Not Accounted for by the Equity Method
	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	
Investments in associates:									
Penta Capital Investment Corp.	1,600,000	225,509,283	2,430,600				1,600,000	227,939,883	
Penta Capital Holdings, Inc.	300,000	53,295,809	0				300,000	53,295,809	
		278,805,092	2,430,600	0	0	0		281,235,692	0
Amount shown under the caption "Available For Sale Investments"									
Atlas Consolidated Mining and Development Corporation	19,502,293	430,148,018					19,502,293	430,148,018	
Vulcan Industrial & Mining Corp.	3,200,000	4,150,876				0	3,200,000	4,150,876	
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
Philippine Gold	325,000	10,877,340					325,000	10,877,340	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
		519,860,189	0	0	0	0		519,860,189	0
less-allowance for decline in market value		165,337,700				7,117,749		172,455,449	
		354,522,489		0		7,117,749		347,404,740	
		633,327,581	2,430,600	0	0	7,117,749	0	628,640,432	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED MARCH 31, 2014

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	173,132,001	173,266,401
Anglo Philippine Holdings Corporation	50,000,000	50,000,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,055,838	1,055,838
	228,941,601	229,076,001

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,271,761,659	40,712,429			1,312,474,0
Office condominium units and improvements	17,934,623		0		17,934,6
Office furniture, fixtures and equipment	6,958,440	77,379			7,035,8
Transportation equipment	12,217,400				12,217,4
	1,308,872,123	40,789,808	0	0	1,349,661,9

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	360,341,593	44,215,062			404,556,65
Office condominium units and improvements	9,653,322	82,624			9,735,94
Office furniture, fixtures and equipment	6,335,008	87,205			6,422,21
Transportation equipment	6,109,340	378,360			6,487,70
	382,439,263	44,763,251	0	0	427,202,51

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	895,142,259	3,160,582				898,302,84
	895,142,259	3,160,582	0	0	0	898,302,84

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE QUARTER ENDED MARCH 31, 2014

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	200,000,000,000	156,801,815,000	35,066,990,300	0	768,642,355	191,100,162,945

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & item in litigation
a) Trade receviables									
1) Account with contract operator	182,875,244	125,449,980	57,425,264						
less allowance for doubtful accounts	0								
Net Trade Receivables	182,875,244	125,449,980	57,425,264	0	0	0	0	0	
b) Non-trade receivables									
1) Accrued interest receivable	47,902,888	2,408,330	3,535,820	3,354,593	7,593,725	14,843,984		16,166,436	
less allowance for doubtful accounts	0								
2) Account with officers and employees	2,391,879	109,885		2,281,994					
3) Advances to related companies	229,076,002			5,000,000		218,266,401		5,809,601	
less allowance for doubtful accounts									
4) Others	2,814,927				2,814,927				
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	282,185,697	2,518,215	3,535,820	10,636,587	10,408,652	233,110,385	0	21,976,037	
Net Receivables	465,060,941	127,968,195	60,961,084	10,636,587	10,408,652	233,110,385	0	21,976,037	

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Accounts Receivable	Nature/Description	Collection Period
a) Trade receivables		
1) Account with contract operator	share in crude oil revenue net of share in production costs	30 days
b) Non-trade receivables		
1) Accrued interest receivable	interest receivable on advances	
2) Account with officers and employees	other advances to officers and employees	
3) Advances to related companies	loans and advances to related parties	

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
MARCH 31, 2014

Profitablity Ratios:	March 2014	December 2013
Return on assets	4.39%	9.56%
Return on equity	4.65%	9.82%
Gross profit margin	57.25%	50.36%
Net profit margin	47.95%	43.44%
Liquidity Ratios:		
Current ratio	4.33 :1	8.58 :1
Quick ratio	3.75 :1	7.06 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.06 :1	1.03 :1
Debt to equity ratio	0.06 :1	0.03 :1