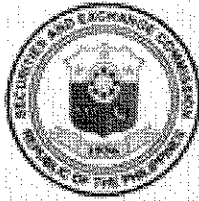




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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandatuyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. AS94008811
Company Name PHINMA PETROLEUM AND GEOTHERMAL, INC.
Industry Classification Oil & Gas Extraction Activities On Contract Basis
Company Type Stock Corporation

Document Information

Document ID 111162017004079
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
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Period Covered September 30, 2017
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Department CFD
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COVER SHEET

for
SEC FORM 17-Q

SEC Registration Number

A S O 9 4 - 8 8 1 1

Company Name

P H I N M A P E T R O L E U M A N D G E O T H E R M A
L I N C A N D A S U B S I D I A R Y (f o r m e r
I y T R A N S A S I A P E T R O L E U M C O R P O R
A T I O N)

Principal Office (No./Street/Barangay/City/Town/Province)

L E V E L 1 1 P H I N M A P L A Z A , 3 9 P L A Z A
D R I V E , R O C K W E L L C E N T E R , M A K A T I
C I T Y

Form Type

1 7 - Q

Department requiring the report

N A

Secondary License Type, If Applicable

N A

COMPANY INFORMATION

Company's Email Address

www.transasia-energy.com

Company's Telephone Number/s

8700-100

Mobile Number

No. of Stockholders

2,953

Annual Meeting
Month/Day

04/23

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mariejo P. Bautista

Email Address

mpbautista@phinma.com.ph

Telephone Number/s

8700-100

Mobile Number

Contact Person's Address

Level 11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2017**
2. Commission identification number **AS094-8811**
3. BIR Tax Identification No. **004-500-964-000**
4. Exact name of issuer as specified in its charter **PHINMA PETROLEUM AND GEOTHERMAL, INC**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1210
8. Issuer's telephone number, including area code **(632) 870-0100**
9. Former name, former address and former fiscal year, if changed since last report

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

Number of shares of common stock outstanding	250,000,000 shares
Amount of debt outstanding	NIL

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

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached ANNEX "A"

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

Please refer to attached ANNEX "B"

PART II--OTHER INFORMATION



The Company has not disclosed any reports on SEC 17-C during the third quarter of September 30, 2017.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on November 10, 2017.

PHINMA PETROLEUM AND GEOTHERMAL, INC.
(formerly Trans-Asia Petroleum Corporation)


RAYMUNDO A. REYES, JR.
Executive Vice President and COO


MARIEJO P. BAUTISTA
SVP-Finance and Controller 

ANNEX A

PHINMA Petroleum and Geothermal, Inc. and A Subsidiary
(A Subsidiary of PHINMA Energy Corporation)

Unaudited Interim Consolidated Financial Statements
September 30, 2017 (With comparative audited figures as at December 31, 2016)
and the Nine Months and Three Months Ended September 30, 2017 and 2016

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PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	September 30	December 31
	2017	2016
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,526,519	₱3,752,652
Investments held for trading (Notes 5 and 15)	79,044,115	85,677,433
Receivables (Notes 6 and 15)	74,253	203,428
Prepaid expenses	24,399	82,843
Total Current Assets	82,669,286	89,716,356
Noncurrent Assets		
Property and equipment (Note 7)	18,862	103,740
Deferred exploration costs (Note 8)	80,674,454	80,034,927
Total Noncurrent Assets	80,693,316	80,138,667
TOTAL ASSETS	₱163,362,602	₱169,855,023
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and other current liabilities (Note 9)	₱601,390	₱772,927
Noncurrent Liability		
Deferred income tax liability (Note 12)	84,345	239,376
Total Liabilities	685,735	1,012,303
Equity		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 11)	250,000,000	250,000,000
Deficit	(89,722,683)	(83,567,059)
	160,277,317	166,432,941
Non-controlling interest (Note 14)	2,399,550	2,409,779
Total Equity	162,676,867	168,842,720
TOTAL LIABILITIES AND EQUITY	₱163,362,602	₱169,855,023

See accompanying Notes to Consolidated Financial Statements.

PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
INTEREST INCOME (Note 4)	₱5,061	₱2,514	₱11,991	₱8,164
EXPENSES				
Employee costs	1,206,185	1,384,552	3,675,472	3,941,719
Management and professional fees (Note 10)	548,987	363,075	1,669,681	1,507,837
Supplies	69,490	5,206	610,581	237,154
Utilities	68,670	64,861	286,527	146,299
Filing and registration fees	1,350	824	269,307	264,668
Meetings	1,764	84,962	222,387	106,310
Transportation	9,204	37	74,797	69,580
Depreciation (Note 7)	27,050	10,939	68,546	47,109
Taxes and licenses	-	-	27,706	19,650
Insurance (Note 10)	-	-	18,813	1,122
Others	124,226	28,319	275,851	146,105
	2,056,926	1,942,775	7,199,668	6,487,553
OTHER INCOME (CHARGES)				
Gains on changes in fair value of investments held for trading - net (Note 5)	269,450	179,313	864,109	980,363
Foreign exchange gains (losses) - net	-	816	2,684	(365)
Provision for doubtful accounts	-	(20,000,000)	-	(20,000,000)
Miscellaneous income	-	187,683	-	187,683
	269,450	(19,632,188)	866,793	(18,832,319)
LOSS BEFORE INCOME TAX	1,782,415	21,572,449	6,320,884	25,311,708
PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX (Note 12)				
Deferred	30,527	615	(155,031)	4,015
	30,527	615	(155,031)	4,015
NET LOSS	₱1,812,942	₱21,573,064	₱6,165,853	₱25,315,723
Net Loss Attributable to:				
Equity holders of the Parent Company	₱1,812,427	₱21,571,330	₱6,155,624	₱25,314,118
Non-controlling interest (Note 14)	515	1,734	10,229	1,605
	₱1,812,942	₱21,573,064	₱6,165,853	₱25,315,723
Basic/Diluted Loss Per Share (Note 13)	₱0.007	₱0.086	₱0.025	₱0.101

See accompanying Notes to Consolidated Financial Statements.

PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
NET LOSS	₱1,812,942	₱21,573,064	₱6,165,853	₱25,315,723
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS	₱1,812,942	₱21,573,064	₱6,165,853	₱25,315,723
Attributable to:				
Equity holders of the Parent Company	₱1,812,427	₱21,571,330	₱6,155,624	₱25,314,118
Non-controlling interest (Note 14)	515	1,734	10,229	1,605
	₱1,812,942	₱21,573,064	₱6,165,853	₱25,315,723

See accompanying Notes to Consolidated Financial Statements.

PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>Attributable to Equity Holders of the Parent Company</u>			Non-controlling Interest (Note 14)	Total Equity
	Capital Stock (Note 11)	Deficit	Total		
BALANCES AT JANUARY 1, 2017	₱250,000,000	(₱83,567,059)	₱166,432,941	₱2,409,779	₱168,842,720
Net loss for the period	–	(6,155,624)	(6,155,624)	(10,229)	(6,165,853)
BALANCES AT SEPTEMBER 30, 2017	₱250,000,000	(₱89,722,683)	₱160,277,317	₱2,399,550	₱162,676,867
BALANCES AT JANUARY 1, 2016	₱250,000,000	(₱43,256,854)	₱206,743,146	₱2,415,557	₱209,158,703
Net loss for the period	–	(25,314,118)	(25,314,118)	(1,605)	(25,315,723)
BALANCES AT SEPTEMBER 30, 2016	₱250,000,000	(₱68,570,972)	₱181,429,028	₱2,413,952	₱183,842,981

See accompanying Notes to Consolidated Financial Statements.

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PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the nine months ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱6,320,884)	(₱25,311,708)
Adjustment for:		
Gains on changes in fair value of investments held for trading - net (Note 5)	(864,109)	(980,363)
Depreciation (Note 7)	84,878	47,109
Interest income (Note 4)	(11,991)	(8,164)
Unrealized foreign exchange (gain) loss - net	(2,872)	(1,918)
Provision for doubtful accounts	-	20,000,000
Operating loss before working capital changes	(7,114,978)	(6,255,044)
Decrease (increase) in:		
Receivables	131,143	(193,523)
Prepaid expenses	58,444	(43,951)
Increase (decrease) in accounts payable and other current liabilities	(171,537)	300,452
Interest income received	10,023	8,299
Net cash flows used in operating activities	(7,086,905)	(6,183,767)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of investments held for trading	7,497,427	47,478,267
Additions to:		
Deferred exploration costs (Note 8)	(639,527)	(2,516,616)
Investments held for trading	-	(39,615,000)
Net cash flows from (used in) investing activities	6,857,900	5,346,651
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(229,005)	(837,116)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,872	1,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	3,752,652	4,456,177
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,526,519	₱3,620,979

See accompanying Notes to Consolidated Financial Statements.

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PHINMA PETROLEUM AND GEOTHERMAL, INC. AND A SUBSIDIARY
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

1. Corporate Information

PHINMA Petroleum and Geothermal, Inc. (Formerly Trans-Asia Petroleum Corporation) (PHINMA Petroleum or the Parent Company) and Palawan55 Exploration & Production Corporation (Palawan55 or the Subsidiary), collectively referred to as “the Company”, were incorporated in the Philippines on September 28, 1994 and November 16, 2012, respectively, to engage in oil and gas exploration, exploitation and production. Palawan55 is 69.35% owned by the Parent Company. The Parent Company and its subsidiary are 50.74% and 30.65% directly owned, respectively, by PHINMA Energy Corporation (PHINMA Energy), formerly Trans-Asia Oil and Energy Development Corporation. The ultimate parent company is Philippine Investment Management (PHINMA), Inc. PHINMA Energy and PHINMA, Inc. are both incorporated and domiciled in the Philippines. Both PHINMA Petroleum and Palawan55 have not yet started commercial operations as at November 6, 2017.

On March 3, 2017, the Board of Directors (BOD) of the Parent Company approved the amendment of its Articles of Incorporation to change the Parent Company’s corporate name to PHINMA Petroleum and Geothermal, Inc. and to include in its Primary and Secondary Purposes the exploration and development of geothermal resources. The resolutions were approved by the stockholders on April 10, 2017. The SEC issued the Certificate of Amended Articles of Incorporation, dated May 31, 2017, while the BIR issued an amended Certificate of Registration, dated June 14, 2017 for the change in name of the Parent Company.

The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements were approved and authorized for issuance by the Parent Company’s Board of Directors meeting on November 6, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim consolidated financial statements of the Company for the semester ended September 30, 2017 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at December 31, 2016.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading that are measured at fair value. The interim consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company’s functional and presentation currency. All values are rounded off to the nearest Peso, except when otherwise indicated.

Basis of Consolidation

The interim consolidated financial statements comprise the interim financial statements of the Parent Company and its subsidiary, Palawan55, as at September 30, 2017 and December 31, 2016. The interim financial statements of Palawan55 are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Control is achieved when the 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. Specifically, the Company controls an investee if, and only if, the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary are included in the consolidated financial statements from the date the Company gains control until the date the Company 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 Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Parent Company and the Subsidiary 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 Company loses control over the Subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interest in the Subsidiary not held by the Parent Company, and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of the following amendments and improvements to the PAS which became effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments and improvements did not have significant impact on the Company's interim condensed consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

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

Application of the amendments will result in additional disclosure in the 2017 consolidated financial statements of the Company.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

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

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

The Company is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments*

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

The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity

method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Deferred effectivity

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

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

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

3. Significant Accounting Judgments and Estimates

The Company's interim consolidated financial statements prepared in accordance with PFRS require management to make a judgment and estimates that affect the amounts reported in the interim consolidated financial statements and related notes. In preparing the Company's interim consolidated financial statements, management has made its best estimate and judgment of certain amounts, giving due consideration to materiality.

The estimates and judgments used in the accompanying interim consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the interim consolidated financial statements. Actual results could differ from such estimates.

Judgment

Determining and Classifying a Joint Arrangement. Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
 - a) The legal form of the separate vehicle
 - b) The terms of the contractual arrangement
 - c) Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at September 30, 2017 and December 31, 2016, the Company's SCs are assessed as joint arrangements in the form of a joint operation.

Estimates

Impairment of Deferred Exploration Costs. The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount.

Deferred exploration costs are assessed for impairment when:

- the period for which the Company has the right to explore in the specific area has expired during the period 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 Company has decided to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Company has no provision impairment loss on its deferred exploration costs as at September 30, 2017 and 2016. The carrying value of deferred exploration costs amounted to ₱80,674,454 and ₱80,034,927 as at September 30, 2017 and December 31, 2016, respectively (see Note 8).

Realizability of Deferred Income Tax Asset. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred income tax assets to be utilized.

Unrecognized deferred income tax assets as at September 30, 2017 and December 31, 2016 amounted to ₱22,151,576 and 20,353,311, respectively (see Note 12).

Estimating Allowance for Doubtful Accounts for the Receivable from a Third Party. The Company maintains allowance for doubtful accounts based on the results of the individual assessment under PAS 39. Under the individual assessment, the Company considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. The methodology and assumptions used for the impairment assessment are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. In 2016, the Company assessed that the receivable from third party amounting to ₱20.0 million are doubtful of collection and allowance for impairment is necessary. As at September 30, 2017, no such provision was recognized. The carrying value of receivables amounted to ₱74,253 and ₱203,428 as at September 30, 2017 and December 31, 2016, respectively (see Note 6).

4. Cash and Cash Equivalents

	September 30, 2017	December 31, 2016
Cash on hand and in banks	₱1,963,505	₱2,197,319
Short-term deposits	1,563,014	1,555,333
	₱3,526,519	₱3,752,652

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income on cash and short-term deposits amounted to ₱11,991 and ₱8,164 as at September 30, 2017 and 2016, respectively.

5. Investments Held for Trading

Investments held for trading consist of investments in UITFs amounting to ₱79,044,115 and ₱85,677,433 as at September 30, 2017 and December 31, 2016, respectively. The changes in fair value on investments held for trading amounted to a net gain of ₱864,109 and ₱980,363 as at September 30, 2017 and 2016, respectively.

6. Receivables

This account consists of the following:

	September 30, 2017	December 31, 2016
Current:		
Trade receivables	₱30,109	₱30,109
Receivable from a third party (see Note 8)	20,000,000	20,000,000
Due from related parties (see Note 10)	–	141,143
Others	44,144	32,176
	20,074,253	20,203,428
Less: Allowance for a doubtful account	20,000,000	20,000,000
	₱74,253	₱203,428

The aging analysis of receivables is as follows:

September 30, 2017								
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Over 90 Days	Past Due and Impaired
			<30 Days	30–60 Days	61–90 Days	–		
Trade receivables	₱30,109	₱–	₱–	₱–	₱–	₱–	₱30,109	₱–
Receivable from a third party	20,000,000	–	–	–	–	–	–	20,000,000
Others	44,144	–	2,192	12,830	–	–	29,122	–
	₱20,074,253	₱–	₱2,192	₱12,830	₱–	₱–	₱59,231	₱20,000,000

December 31, 2016

	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Over 90 Days	Past Due and Impaired
			<30 Days	30–60 Days	61–90 Days	Days		
Trade receivables	₱30,109	₱–	₱–	₱–	₱–	₱30,109	₱–	
Receivable from a third party	20,000,000	–	–	–	–	–	20,000,000	
Due from related Parties	141,143	141,143	–	–	–	–	–	
Others	32,176	15,176	–	–	–	17,000	–	
	₱20,203,428	₱156,319	₱–	₱–	₱–	₱47,109	₱20,000,000	

Trade receivables mainly represent return of cash call from the service contract operator. The Company's receivables are noninterest-bearing and are due and demandable.

In 2016, the Company recognized a provision for a doubtful account amounting to ₱20,000,000 on its receivable from a third party (see Note 8). As at September 30, 2017, there was no movement in the allowance for doubtful account.

7. Property and Equipment

Details and movement of this account follow:

	September 30, 2017		
	Equipment	Miscellaneous Assets	Total
Cost -			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Less accumulated depreciation:			
Balance at beginning of year	170,145	65,630	235,775
Depreciation expense	49,465	19,081	68,546
Depreciation capitalized (see Note 8)	11,785	4,547	16,332
Balance at end of period	231,395	89,258	320,653
Net book value	₱13,605	₱5,257	₱18,862

	December 31, 2016		
	Equipment	Miscellaneous Assets	Total
Cost -			
Balance at beginning and end of year	₱245,000	₱94,515	₱339,515
Less accumulated depreciation:			
Balance at beginning of year	88,478	34,125	122,603
Depreciation expense	25,521	24,416	49,937
Depreciation capitalized (see Note 8)	56,146	7,089	63,235
Balance at end of year	170,145	65,630	235,775
Net book value	₱74,855	₱28,885	₱103,740

8. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	September 30, 2017	December 31, 2016
PHINMA Petroleum:		
SC 51/Geophysical Survey and Exploration Contract (GSEC) 93 (East Visayas)	₱32,665,864	₱32,665,864
SC 69 (Camotes Sea)	15,583,301	15,473,702
SC 6 (Northwest Palawan):		
Block A	21,588,063	21,289,973
Block B	5,124,016	4,892,178
SC 50 (Northwest Palawan)	11,719,085	11,719,085
	86,680,329	86,040,802
Less: Allowance for a probable loss	11,719,085	11,719,085
	74,961,244	74,321,717
Palawan55 -		
SC 55 (Southwest Palawan)	5,713,210	5,713,210
	₱80,674,454	₱80,034,927

Below is the rollforward analysis of the deferred exploration costs:

	September 30, 2017	December 31, 2016
Cost:		
Balances at beginning of year	₱91,754,012	₱89,129,867
Additions:		
Cash calls	529,928	2,235,703
Others	109,599	388,442
Balance at end of year	92,393,539	91,754,012
Allowance for a probable loss:		
Balances at beginning of year	11,719,085	-
Provisions	-	11,719,085
Balance at end of year	11,719,085	11,719,085
Net book value	₱80,674,454	₱80,034,927

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

In 2016, the Company capitalized its share in various expenses to deferred exploration costs due to its operatorship in SC 69. Expenses capitalized were salaries and wages amounting to ₱82,747 and ₱262,343, depreciation expense amounting to ₱16,332 and ₱63,235 and other expenses with a total amount of ₱10,520 and ₱62,864 as at September 30, 2017 and December 31, 2016, respectively. Total costs capitalized amounted to ₱109,599 and ₱388,442 as at September 30, 2017 and December 31, 2016. Costs capitalized are included in the current work program for SC 69.

In 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 50 amounting to ₱11,719,085 due to the expiration of its term and subsequent denial of the DOE of the request for Force Majeure. No impairment was recognized for the other SCs as management believes that extensions and moratoriums requested that are pending approval by the Philippine Department of Energy (DOE) as of November 6, 2017 will be eventually approved based on prior years' experience.

Refer to Annex B-1 for the status of the Company's projects.

9. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2017	December 31, 2016
Accounts payable	₱29,264	₱38,800
Accrued expenses	480,811	391,383
Withholding taxes	85,484	336,913
Others	5,831	5,831
	₱601,390	₱772,927

Accounts payable and other current liabilities are noninterest-bearing and are settled on 30 to 60-day terms.

Accrued expenses include accrual for professional fees and incentive pay.

10. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables.

The transactions and balances of accounts as at September 30, 2017 and for the year ended December 31, 2016 with related parties are as follows:

Company	For the nine months ended September 30, 2017				
	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<i>Ultimate Parent Company</i>					
PHINMA, Inc.					
Accounts payable and other current liabilities	₱114,727	Share in expenses	₱9,864	30–60 day terms; noninterest-bearing	Unsecured
<i>Parent Company</i>					
PHINMA Energy					
Receivables (see Note 6)	153,643	Accommodation	–	30–60 day terms; noninterest-	Unsecured, no impairment

For the nine months ended September 30, 2017

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
				bearing	
Payables	744,060	Accommodation	–	30–60 day terms; noninterest- bearing	Unsecured
TO-Insurance					
Accounts payable and other current liabilities	₱1,014	Insurance	–	30–60 day terms; noninterest- bearing	Unsecured
Entity Under Common Control PHINMA Corporation					
Accounts payable and other current liabilities	₱45,082	Share in expenses	–	30–60 day terms; noninterest- bearing	Unsecured

For the year Ended December 31, 2016

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<i>Ultimate Parent Company</i>					
PHINMA, Inc.					
Accounts payable and other current liabilities	₱56,074	Share in expenses	₱–	30–60 day terms; noninterest- bearing	Unsecured
<i>Parent Company</i>					
PHINMA Energy					
Receivables (see Note 6)	141,143	Accommodation	141,143	30–60 day terms; noninterest- bearing	Unsecured, no impairment
Others	373,425	Purchase of dollar	–	30–60 day terms; noninterest- bearing	Unsecured
<i>Entity Under Common Control</i>					
PHINMA Corporation					
Accounts payable and other current liabilities	₱54,229	Share in expenses	–	30–60 day terms; noninterest- bearing	Unsecured

PHINMA, Inc.

The Company has a management contract with PHINMA, Inc. up to January 1, 2018, renewable thereafter upon mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, and other business activities. Under the existing agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income. On February 23, 2016, the Company's BOD approved the suspension of the management contract for 2016. PHINMA, Inc. also bills the Company for its share in expenses.

PHINMA Energy

The Company pays various expenses through the Parent Company's banking facilities and accommodation of expenses.

PHINMA Corporation

PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses.

T-O Insurance

T-O Insurance is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance.

11. Capital Stock

Following are the details of the Parent Company's capital stock as at September 30, 2017 and December 31, 2016:

	Number of Shares
Authorized - ₱1 par value	1,000,000,000
Issued and outstanding - ₱1 par value	250,000,000

12. Income Taxes

- a. The Company has no current income tax in September 30, 2017 and 2016.
- b. The reconciliation of the Company's provision for (benefit from) income tax using the statutory tax rate is as follows:

	For the nine months ended September 30,	
	2017	2016
Income tax at statutory rate	(₱1,896,265)	(₱7,593,512)
Tax effects of:		
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	1,800,892	7,894,085
Effect of difference in tax rates	33,277	-
Realized gains on changes in fair value of investments held for trading	(89,338)	(294,109)
Interest income subject to final tax	(3,597)	(2,449)
	(₱155,031)	₱4,015

- c. The Company recognized benefit from deferred income tax amounting to ₱155,031 for the period ended September 30, 2017 and provision for income tax amounting to ₱4,015 in September 30, 2016.
- d. Deferred income tax liability amounted to ₱84,345 and ₱239,376 as at September 30, 2017 and December 31, 2016, respectively, from unrealized gain on changes in fair value of investments held for trading and unrealized foreign exchange gain.

Deferred income tax assets related to the following temporary differences, NOLCO and excess of MCIT over RCIT were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow deferred income tax assets to be utilized.

	September 30, 2017	December 31, 2016
NOLCO	₱42,113,779	₱36,110,803
Provision for doubtful account (see Note 6)	20,000,000	20,000,000
Provision for probable loss (see Note 8)	11,719,085	11,719,085
MCIT	3,754	3,754

	September 30, 2017	December 31, 2016
Unrealized foreign exchange (gains) losses	1,970	1,970
	₱73,838,588	₱67,835,612

Unrecognized deferred income tax assets amounted to ₱22,151,576 and ₱20,353,311 as at September 30, 2017 and December 31, 2016.

- e. The details of the Company's MCIT and NOLCO as at September 30, 2017 follows:

Year Incurred	Year of Expiration	MCIT	NOLCO
2014	2017	–	₱14,498,595
2015	2018	–	11,936,182
2016	2019	3,754	9,676,026
2017	2020	–	6,002,976
		₱3,754	₱42,113,779

No deferred income tax asset was recognized as at September 30, 2017 and December 31, 2016, respectively.

13. Basic/Diluted Loss Per Share

Basic/diluted loss per share is computed as follows:

	For the nine months ended September 30	
	2017	2016
(a) Net loss attributable to equity holders of the Parent Company	₱6,155,624	₱25,314,118
(b) Weighted average number of common shares outstanding	250,000,000	250,000,000
Basic/diluted loss per share (a/b)	₱0.025	₱0.101

As at September 30, 2017 and 2016, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

14. Material Partly-Owned Subsidiary

Financial information of Palawan55 is provided below:

	For the nine months ended September 30	
	2017	2016
Equity interest held by NCI	30.65%	30.65%
Accumulated balances of NCI	₱2,399,550	₱2,413,952
Net loss for the year allocated to NCI	10,229	1,605

The summarized financial information of Palawan55 is provided below. There are no intercompany transactions and balances for eliminations between the Parent Company and Palawan55.

Statements of Income and Statements of Comprehensive Income

	For the nine months ended September 30	
	2017	2016
Income	₱10,348	₱6,554
Expenses	43,724	11,791
Provision for (benefit from) deferred income tax	–	–
Net loss	₱33,376	₱5,237
Total comprehensive loss	₱33,376	₱5,237
Attributable to NCI	₱10,229	₱1,605

Statements of Financial Position

	September 30, 2017	December 31, 2016
Total current assets	₱2,149,060	₱2,188,686
Total noncurrent assets	5,713,210	5,713,210
Total current liabilities	33,081	39,331
Total equity	₱7,829,189	₱7,862,565
Attributable to equity holders of the Parent Company	₱5,429,639	₱5,452,786
NCI	₱2,399,550	₱2,409,779

Cash Flow Information

	For the nine months ended September 30	
	2017	2016
Operating	(₱41,594)	(₱51,401)
Investing	–	–
Financing	–	–
Net increase (decrease) in cash and cash equivalents	(₱41,594)	(₱51,401)

There were no dividends paid to NCI in September 30, 2017 and 2016.

15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, managed by the PHINMA Group Treasury, comprise cash and cash equivalents, investments held for trading, receivables and accounts payable and other current liabilities (excluding statutory payables). The main purpose of the financial assets is to invest the Company's excess funds.

The main risks arising from the Company's financial instruments are credit risk. The BOD reviews and approves policies for managing credit risk, foreign currency risk and market risk.

Credit Risk

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The Company has assessed the credit quality of cash and cash equivalents as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

With respect to credit risk arising from the receivables of the Company, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rate and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Market risk is managed through:

- Constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists or strategy officers are done to get multiple perspectives on interest rate trends or forecasts;
- "Red Lines" are established then reviewed and revised as the need arises for major movements in the financial markets and are used to determine dealing parameters. Red lines are the strategic yield curves, bond prices or spreads that the PHINMA Group Treasury uses as guides whether to buy, hold or sell bonds as approved by the PHINMA Group Investment Committee or, in cases of high volatility, by the PHINMA Group Chief Financial Officer;
- In cases of high volatility, dealers constantly give updates to approving authorities regarding changes in interest rates or prices in relation to strategies; and
- Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks.

The Company's exposure to market risk is minimal. The underlying financial instruments in the Company's investments in UITFs are Peso fixed-rate bonds and low-risk fixed income securities.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company had foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. As at September 30, 2017, the Company has receivables denominated in U.S. dollar amounting to \$606 or ₱30,109.

Management has determined that the volume of foreign currency-denominated transactions is not significant to the Company and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2017 and 2016.

Capital includes all the items appearing in the equity section of the Company's consolidated statements of financial position totaling to ₱162,676,867 and ₱168,842,720 as at September 30, 2017 and December 31, 2016, respectively.

Fair Value of Financial Assets and Financial Liabilities

The following table shows the classifications, carrying values and fair values of the financial instruments, except for those whose fair values approximate its carrying values:

September 30, 2017				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVPL -				
Investments held for trading	₱79,044,115	₱79,044,115	₱-	₱-
December 31, 2016				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVPL -				
Investments held for trading	₱85,677,433	₱85,677,433	₱-	₱-

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables). Due to the short-term nature of these balances, the fair values approximate the carrying values as at reporting date.

Investments Held for Trading. Net asset value per unit has been used to determine the fair values of investments held for trading.

As at September 30, 2017 and 2016, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments

There were no offsetting of financial instruments as at September 30, 2017 and December 31, 2016.

16. Segment Information

The Company has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment. As of November 6, 2017 the Company has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱163,362,602 and ₱169,855,023, as at September 30, 2017 and December 31, 2016, respectively, are the same as that reported in the consolidated statements of financial position

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of PHINMA Petroleum and Geothermal, Inc. or "PPG" and its subsidiary should be read in conjunction with the unaudited interim consolidated financial statements as at September 30, 2017 and December 31, 2016 and for the nine months ended September 30, 2017 and 2016. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Results of Operation

	Jul-Sep		Increase (decrease)		Jan-Sep		Increase (decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Interest income	₱5,061	₱2,514	2,547	101	₱11,991	₱8,164	₱3,827	47
Cost and expenses	2,056,926	1,942,775	114,151	6	7,199,668	6,487,553	712,115	11
Other income (charges)	269,450	(19,632,188)	19,901,638	-	866,793	(18,832,319)	19,699,112	-
Loss before income tax	1,782,415	21,572,449	(19,790,034)	(92)	6,320,884	25,311,708	(18,990,824)	(75)
Provision for (benefit from) income tax	30,527	615	29,912	4864	(155,031)	4,015	(159,046)	-
Net loss	₱ 1,812,942	₱21,573,064	(₱19,760,122)	(92)	₱6,165,853	₱25,315,723	(₱ 19,149,870)	(76)

Material Changes for the Third Quarter and Nine Months of 2017

- Consolidated interest income for the nine month period of 2017 increased due to higher level of short-term deposits as compared to the same period last year.
- Consolidated cost and expenses went up due to increase in meeting expenses, supplies, taxes and fees and development of company website.
- Movement in Other income (charges) is largely attributed to the 20.0 million provision for doubtful accounts in 2016. No such provision was recognized in 2017.
- Provision for (benefit from) income tax is mainly from movement of unrealized gains from changes in fair value of investments.

Consolidated Statements of Financial Position

	September	December	Increase (Decrease)	
	2017	2016	Amount	%
Current Assets				
Cash and cash equivalents	₱3,526,519	₱3,752,652	(₱226,133)	(6)
Investments held for trading	79,044,115	85,677,433	(6,633,318)	(8)
Receivables	74,253	203,428	(129,175)	(63)
Prepaid expense	24,399	82,843	(58,444)	(71)
Noncurrent Assets				
Property and equipment	18,862	103,740	(84,878)	(82)
Current Liabilities				
Accounts payable and other current liabilities	₱601,390	₱772,927	(171,537)	(22)
Deferred income tax liability	84,345	239,376	(155,031)	(65)

The following are the material changes in asset accounts of the Consolidated Balance Sheets between September 30, 2017 and December 31, 2016:

- Decrease in cash and cash equivalents and investments held for trading were mainly due to expenditures related to Company's activities. The Consolidated Statements of Cash Flows detail the material changes in cash and cash equivalents.
- Receivables declined due to payment of affiliates.
- Prepaid expenses decreased with the amortization of license used in technical review.
- Property and equipment decrease was attributable to depreciation.
- The Company's deferred tax liability decreased due to movement of unrealized gains on investments held for trading.
- Decrease in current liabilities was mainly due to payment of accrued expenses.

Financial Soundness Indicators

Key Performance Indicator	Formula	Sep 2017	Dec 2016	Increase (Decrease)	
				Amount	%
Liquidity Ratios Current Ratio	Current assets	137.46	116.07	21.39	18
	Current liabilities				
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets	137.42	115.97	21.46	21
	Current liabilities				
Solvency Ratios Debt-to-equity ratio	Total liabilities	0.00	0.01	(0.00)	0.00
	Total equity				
Asset-to-equity ratio	Total assets	1.00	1.01	(0.01)	0.00
	Total equity				
Interest coverage ratio	Earnings before interest & tax (EBIT)	N/A	N/A	N/A	N/A
	Interest expense				
Net debt-to-equity ratio	Debt - cash and cash equivalents	N/A	N/A	N/A	N/A
	Total equity				

Key Performance Indicator	Formula	Sep 2017	Sep 2016	Increase (Decrease)	
				Amount	%
Profitability Ratios Return on equity	Net income after tax	(3.72)	(12.88)	9.16	(71)
	Average stockholders' equity				
Return on assets	Net income before taxes	(3.79)	(12.83)	9.04	(70)
	Average total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Total assets				

Current ratio and Acid test ratio

Current ratio and acid test ratio increased due to the decrease in current liabilities from settlement of accrued payables.

Debt-to-equity ratio

The Company has minimal liabilities and is funded mainly through equity.

Asset-to-equity ratio

As at September 30, 2017, asset-to-equity ratio slightly declined with movements in equity from the net loss posted in the first nine months of 2017.

Interest coverage ratio and Net debt-to-equity ratio

These ratios are not applicable since the Company has no borrowings.

Return on equity and Return on assets

The Company showed negative returns because it has not started commercial operations yet and posted net losses on the periods covered.

Asset turnover

This ratio is not applicable since the Company has not started commercial operations yet.

During the Nine Months Period of 2017

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no events that will trigger direct or contingent financial obligation that was material to the company, including any default or acceleration of an obligation.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.
- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- 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.
- There were no operations subject to seasonality and cyclicity.

PHINMA PETROLEUM AND GEOTHERMAL, INC.
PROGRESS REPORT
For the Quarter, July 1, 2017 to September 30, 2017

PETROLEUM

SC 6 Block A (Northwest Palawan)

Reprocessing of 2013 3D seismic data was completed.

PPG has 7.78% participating interest in SC 6 Block A.

SC 51 (East Visayas)

In a letter dated 20 September 2017, the DOE directed the consortium to submit a revised Deed of Undertaking which states that the continuing parties shall assume the outstanding training obligation of Otto Energy without condition to enable the transfer of the latter's interests.

PPG holds 6.67% participating interest in SC 51.

SC 55 (Ultra Deepwater West Palawan)

In a meeting held on 13 September 2017, the DOE directed the continuing parties to assume the outstanding training obligation of Otto Energy to enable transfer of the latter's interests.

Palawan55 Exploration & Production Corporation, a subsidiary of PPG, has 6.82% participating interest in SC 55.

GEOTHERMAL

PPG commenced due diligence on a geothermal prospect in Southern Leyte.

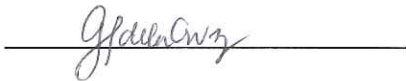
Discussions for possible participation in a geothermal service contract covering a certain area in Quezon/Laguna continued.

Certified Correct:



RAYMUNDO A. REYES, JR.
EVP and COO

Signed in the presence of:



ANNEX C

The Company has not disclosed any reports on SEC 17-C during the third quarter of September 30, 2017.