

COVER SHEET

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S.E.C. Registration Number

T R A N S - A S I A O I L A N D E N E R G Y
D E V E L O P M E N T C O R P O R A T I O N

(Company's Full Name)

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

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

MR. RAYMUNDO A. REYES, JR.
Contact Person

8 7 0 - 0 1 0 0
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

1 7 - Q
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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**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, 2011**
2. Commission identification number **39274**
3. BIR Tax Identification No. **000-506-020-000**
4. Exact name of issuer as specified in its charter
TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
5. Province, country or other jurisdiction of incorporation or organization **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 Section 8 and 12 of the Code, or Section 4 and 8 of the RSA

Number of shares of common stock outstanding	2,829,863,527 shares
Amount of debt outstanding as of March 31, 2011	None
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 Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 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 1 – 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 11 – OTHER INFORMATION

Please refer to attached ANNEX “C”

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 11, 2011.

TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION


RAYMUNDO A. REYES, JR
Vice President – Oil & Gas


MARIEJO P. BAUTISTA
Vice President - Contoller

ANNEX A

Trans-Asia Oil and Energy Development Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2011 and December 31, 2010
and The Nine Months Ended September 30, 2011 and 2010

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

	September 30	December 31
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 29)	₱1,653,409,362	₱880,783,782
Investments held for trading (Notes 7 and 29)	1,095,067,581	872,650,955
Receivables - net (Notes 8, 26, 28 and 29)	463,110,974	219,968,350
Fuel and spare parts - at cost	50,357,902	27,338,562
Other current assets (Note 29)	50,674,794	79,648,298
Company's share in current assets of a joint venture (Note 13)	510,782,669	295,087,002
Total Current Assets	3,823,403,282	2,375,476,949
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	551,762,506	489,276,396
Investments in associates - net (Note 10)	121,596,895	39,820,075
Available-for-sale investments (Notes 11 and 31)	193,382,813	205,127,925
Investment properties - net (Note 12)	21,589,973	23,060,431
Deferred exploration costs - net (Note 14)	87,109,487	86,695,115
Other noncurrent assets (Note 10)	331,677	47,221,678
Company's share in noncurrent assets of a joint venture (Note 13)	117,008,471	167,236,491
Total Noncurrent Assets	1,092,781,822	1,058,438,111
TOTAL ASSETS	₱4,916,185,104	₱3,433,915,060
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 15, 26 and 29)	₱347,065,771	₱194,501,038
Due to stockholders (Notes 26 and 29)	7,947,215	7,957,355
Income and withholding taxes payable	53,110,675	4,203,153
Company's share in current liabilities of a joint venture (Note 13)	69,198,894	134,735,758
Total Current Liabilities	477,322,555	341,397,304
Noncurrent Liabilities		
Pension and other post-employment benefits	13,812,759	10,600,779
Deferred income tax liabilities - net (Note 25)	28,020,400	23,802,310
Other noncurrent liabilities (Notes 29)	7,036,522	7,018,721
Company's share in noncurrent liabilities of a joint venture (Note 13)	4,625,985	4,625,985
Total Noncurrent Liabilities	53,495,666	46,047,795
Total Liabilities	530,818,221	387,445,099

(Forward)

	September 30	December 31
	2011	2010
Equity		
Capital stock (Note 16)	₱2,829,863,527	₱1,664,625,604
Additional paid-in capital (Note 16)	74,526,658	54,693,308
Unrealized fair value gains on available-for-sale investments (Note 11)	62,163,415	71,834,093
Company's share in unrealized fair value gains on available-for-sale investments of a joint venture	10,381,439	13,185,776
Retained earnings (Note 16)	1,415,762,554	1,246,055,049
Parent Company shares of stock held by a joint venture (Note 13)	(7,330,710)	(3,923,869)
Total Equity	4,385,366,883	3,046,469,961
TOTAL LIABILITIES AND EQUITY	₱4,916,185,104	₱3,433,915,060

See accompanying Notes to Consolidated Financial Statements.

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

	July - Sept. 2011	July – Sept. 2010	Nine Months Ended Sept. 30 2011	2010
REVENUES				
Generation revenue (Note 1)	₱14,738,587	₱15,919,608	₱42,522,827	₱42,706,047
Trading income - net (Notes 1 and 18)	166,900,112	–	230,405,457	–
Interest and other financial income (Notes 7 and 29)	21,817,840	31,519,450	38,238,337	61,803,113
Dividend income	763,259	9,920	15,025,926	7,089,638
Rental income (Note 12)	1,151,008	1,650,674	4,299,306	5,171,816
Company's share in revenue of a joint venture (Note 13):				
Sale of electricity	160,259,909	187,032,976	501,544,959	613,848,065
Other income	888,086	376,506	3,650,686	2,205,051
	366,518,801	236,509,134	835,687,498	732,823,730
COSTS AND EXPENSES				
Cost of electricity sold (Notes 19, 22, 23 and 26)	11,753,806	13,408,007	34,169,124	35,301,411
Cost of power plant on standby (Notes 1, 9, 20, 22, 23 and 24)	8,183,894	6,918,479	24,083,896	23,579,954
Trading loss - net (Notes 1 and 18)	–	29,010,954	–	135,000,322
General and administrative expenses (Notes 21, 22, 23 and 26)	112,799,613	38,341,203	216,671,381	118,232,838
Company's share in costs and expenses of a joint venture (Note 13):				
Cost of electricity sold	143,053,069	136,717,469	271,628,084	535,233,842
General and administrative expenses	17,374,867	5,725,781	29,940,089	17,371,326
Other expense	–	–	–	–
	293,165,249	230,121,893	576,492,574	864,719,693
OTHER INCOME (Note 24)	75,541,240	22,320,525	79,562,221	52,883,571
INCOME (LOSS) BEFORE INCOME TAX	148,894,792	28,707,766	338,757,145	(79,012,392)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)				
Current	58,242,861	–	100,279,870	9,794,812
Deferred	(9,389,482)	13,271,567	1,559,254	9,106,046
Company's share in income tax of a joint venture (Note 13)	98,383	272,774	625,491	830,960
	48,951,762	13,544,341	102,464,615	19,731,818
NET INCOME (LOSS)	₱99,943,030	₱15,163,425	₱236,292,530	(₱98,744,210)
Basic/Diluted Earnings (loss) Per Share (Note 27)			₱0.11	(₱0.06)

See accompanying Notes to Consolidated Financial Statements.

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	July – Sept. 2011	July – Sept. 2010	Nine Months Ended Sept. 30	
			2011	2010
NET INCOME (LOSS) FOR THE PERIOD	₱99,943,030	₱15,163,425	₱236,292,530	(₱98,744,210)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized fair value gains (loss) on available-for-sale investments - net of deferred income tax (Note 11)	(20,500,358)	23,504,093	(9,670,678)	29,973,943
Company's share in unrealized fair value gains on available-for-sale investments of a joint venture - net of deferred income tax	(5,781,120)	7,023,344	(2,804,337)	7,220,789
Other comprehensive income	(26,281,478)	30,527,437	(12,475,015)	37,194,732
TOTAL COMPREHENSIVE INCOME (LOSS)	₱73,661,552	₱45,690,862	₱223,817,515	(₱61,549,478)

See accompanying Notes to Consolidated Financial Statements.

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

	Capital Stock (Notes 16 and 17)	Additional Paid-in Capital (Note 16)	Unrealized Fair Value Gains on Sale Investments (Note 11)	Company's Share in Unrealized Fair Value Gains on Available-for-Sale Investments of a Joint Venture (Note 13)	Retained Earnings (Note 16)	Parent Company Shares of Stock Held by a Joint Venture (Note 13)	Total
BALANCES AT DECEMBER 31, 2010	₱1,664,625,604	₱54,693,308	₱71,834,093	₱13,185,776	₱1,246,055,049	(₱3,923,869)	₱3,046,469,961
Net income for the period	-	-	-	-	236,292,530	-	236,292,530
Other comprehensive income	-	-	(9,670,678)	(2,804,337)	-	-	(12,475,015)
Total comprehensive income for the period	-	-	(9,670,678)	(2,804,337)	236,292,530	-	223,817,515
Cash dividends - ₱0.04 per share	-	-	-	-	(66,585,025)	-	(66,585,025)
Issuance of stocks	1,165,237,923	-	-	-	-	-	1,165,237,923
Share in additional paid-in capital of a joint venture	-	30,540,000	-	-	-	-	30,540,000
Expenses related to stock rights offering	-	(10,706,650)	-	-	-	-	(10,706,650)
Additional Parent Company shares of stock held by Joint Venture	-	-	-	-	-	(3,406,841)	(3,406,841)
	1,165,237,923	19,833,350	-	-	(66,585,025)	(3,406,841)	1,115,079,407
BALANCES AT SEPTEMBER 30, 2011	2,829,863,527	74,526,658	62,163,415	10,381,439	1,415,762,554	(7,330,710)	4,385,366,883
BALANCES AT DECEMBER 31, 2009	1,662,603,069	54,693,308	52,223,943	8,966,770	1,297,895,148	(3,923,869)	3,072,458,369
Net loss for the period	-	-	-	-	(98,744,210)	-	(98,744,210)
Other comprehensive income	-	-	29,973,943	7,220,789	-	-	37,194,732
Total comprehensive income for the period	-	-	29,973,943	7,220,789	(98,744,210)	-	(61,549,478)
Cash dividends - ₱0.04 per share	-	-	-	-	(66,585,025)	-	(66,585,025)
Issuance of stocks	2,022,535	-	-	-	-	-	2,022,535
	2,022,535	-	-	-	(66,585,025)	-	(64,562,490)
BALANCES AT SEPTEMBER 30, 2010	₱1,664,625,604	₱54,693,308	₱82,197,886	₱16,187,559	₱1,132,565,913	(₱3,923,869)	₱2,946,346,401

See accompanying Notes to Consolidated Financial Statements.

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended Sept. 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱338,757,145	(₱79,012,392)
Adjustments for:		
Company's share in income before income tax of a joint venture (Note 13)	22,024,346	(10,365,885)
Interest and other financial income (Note 31)	(38,238,337)	(61,803,113)
Depreciation and amortization (Note 23)	42,431,192	38,792,161
Loss (gain) on derivatives - net (Note 29)	(6,575,764)	(38,048,830)
Dividend income	(15,025,926)	(7,089,638)
Property and equipment written-off	11,687,195	-
Unrealized foreign exchange loss	4,420,008	31,238,510
Provision for doubtful accounts (Note 8)	-	6,741,771
Loss (gain) on sale of:		
Property and equipment (Note 28)	(37,281)	123,601
Available-for-sale investments	1,892,379	(55,627)
Interest in Service Contract	(4,048,828)	-
Equity in net losses (earnings) of associates (Note 10)	5,295,215	(11,273)
Operating income (loss) before working capital changes	362,581,344	(119,490,715)
Decrease (increase) in:		
Receivables	(349,127,398)	11,486,289
Fuel and spare parts	(23,019,338)	17,450,169
Other current assets	2,644,621	(56,423,009)
Increase (decrease) in accounts payable and other current liabilities	167,491,056	27,150,874
Net cash used in operations	160,570,285	(119,826,392)
Interest received	34,346,401	37,189,659
Income taxes paid	(37,230,470)	(37,340,995)
Company's share in net cash flows provided by operating activities of a joint venture	118,281,453	65,762,920
Net cash flows provided by (used in) operating activities	275,967,669	(54,214,808)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	(2,752,718,620)	(1,468,459,811)
Investment in associates (Note 10)	(137,072,035)	(17,578,125)
Available-for-sale investments	(31,222,148)	(1,257,464)
Property and equipment (Note 9)	(137,364,419)	(12,795,490)
Deferred exploration costs – net of proceeds from sale (Note 14)	(8,378,404)	(14,705,105)

(Forward)

	Nine Months Ended Sept. 30	
	2011	2010
Proceeds from:		
Sale and redemption of investments held for trading	₱2,536,656,731	₱1,435,367,561
Sale of available-for-sale investments	31,428,903	213,912
Sale of interest in Service Contract	12,012,859	-
Settlement of currency forward contracts (Note 29)	11,745,015	6,200,180
Termination of short-term investments	-	5,000,000
Sale of property and equipment	22,267,661	954,890
Cash dividends received	37,525,926	7,571,266
Decrease in noncurrent assets	46,890,000	127,575,000
Company's share in net cash flows provided by investing activities of a joint venture	(46,172,945)	7,495,473
Net cash flows provided by (used in) investing activities	(414,401,476)	75,582,287
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock – net of direct costs	₱1,154,531,272	₱-
Payment of cash dividends	(66,596,815)	(66,658,139)
Increase in other noncurrent liabilities	2,952,413	1,150,770
Net cash flows provided by (used in) financing activities	1,090,886,870	(65,507,369)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes on cash and cash equivalents	(7,718,975)	(23,104,645)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF VENTURER AND JOINT VENTURE	944,734,088	(67,244,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	1,001,556,552	1,027,930,060
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱1,946,290,640	₱960,685,525

See accompanying Notes to Consolidated Financial Statements.

**TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Trans-Asia Oil and Energy Development Corporation (TA Oil or “Parent Company”), incorporated on September 8, 1969, and its wholly-owned subsidiaries, Trans-Asia Renewable Energy Corporation (TAREC), Trans-Asia (Karang Besar) Petroleum Corporation, CIP II Power Corporation (CIPP) and Trans-Asia Gold and Minerals Development Corporation (TA Gold) (collectively referred to as “the Company”) are incorporated and registered with the Philippine Securities and Exchange Commission (SEC). The direct and ultimate parent company of TA Oil is Philippine Investment-Management (PHINMA), Inc., also incorporated in the Philippines. TA Oil is managed by PHINMA under an existing management agreement.

The Parent Company is involved in power generation and trading, oil and mineral exploration, exploitation and production. The Parent Company has an Electricity Supply Agreement (ESA) with Guimaras Electric Cooperative, Inc. (Guimelco), the lone electricity distributor in the province of Guimaras using its 3.4 megawatt (MW) bunker C-fired diesel generator power station in the island. The Energy Regulatory Commission (ERC) granted the Parent Company a certificate of registration as a Wholesale Aggregator in November 2006 renewable every five (5) years, and a Retail Electricity Supplier’s (RES) license in December 2006. The license authorizes the Parent Company to consolidate electricity power demand of distribution utilities, pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA). As a RES, the Parent Company is allowed to supply electricity to the contestable market, pursuant to EPIRA. The other activities of the Company are investments in various operating companies and financial instruments.

The Parent Company has a 50% interest in Trans-Asia Power Generation Corporation (TA Power), a company engaged in power generation. In October 2006, the Philippine Electricity Market Corporation (PEMC) approved TA Power’s application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and TA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM.

The Parent Company also has a 50% interest in South Luzon Thermal Energy Corporation (SLTEC), which was incorporated on July 29, 2011 to engage in power generation.

CIPP was registered with the Philippine Economic Zone Authority (PEZA) as an ecozone utilities enterprise, particularly, to develop and operate a power supply and distribution system at Carmelray Industrial Park II (CIP II) Special Economic Zone, in Barangay Punta and Tulo, Calamba, Laguna. In April 2009, CIPP sold its distribution assets to Manila Electric Company (MERALCO) resulting in the cessation of CIPP’s operations (see Notes 9 and 20). Substantially all of its employees were separated effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Board of Directors and stockholders, respectively, of the Parent Company approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. As of September 30, 2011, the Company has not filed its application for merger with the SEC and has deferred its plan for merger.

TA Gold was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On

February 16, 2009, the Board of Directors approved the suspension of exploration activities of TA Gold effective March 31, 2009.

TAREC and Karang Besar have not yet started commercial operations.

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

The consolidated financial statements of the Company were authorized for issuance by the Board of Directors (BOD) on October 17, 2011.

2. **Basis of Preparation**

The consolidated financial statements of the Company have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), derivative assets and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise stated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its wholly-owned subsidiaries as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. Where the reporting date of a subsidiary or associate is different from the Parent Company, adjustments shall be made for the effects of significant transactions and events that occur between that date and the date of the Parent Company's financial statements. The difference between the end of the reporting period of the subsidiary or associate and the Parent Company shall be no more than three months.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

In addition, the Company's share of each of the assets, liabilities, income and expenses of its jointly controlled venture, TA Power, is included as a separate line item in the consolidated financial statements based on the account grouping (see Note 13).

3. **Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the annual financial year except for the adoption of the following amended and revised PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation, based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, starting January 1, 2011.

PAS 24, Related Party Disclosures (Revised)

The amended standard is effective for annual periods beginning on or after January 1, 2011. It addresses the concerns that the previous disclosure requirements and the definition of a 'related party' that were too complex and difficult to apply in practice, especially in environments where government control is pervasive. It provides partial exemption for government-related entities by providing and simplifying the definition of a related party and removing inconsistencies.

Amendment to PAS 32, Classification of Rights Issues

The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Amendment to Philippine Interpretation IFRIC-14, Prepayment of a Minimum Funding Requirement

The amendment is effective for annual periods beginning on or after January 1, 2011. This Interpretation applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

Philippine Interpretation IFRIC-19, Extinguishing Financial Liabilities with Equity Instruments

This Interpretation which is effective for annual periods beginning on or after July 1, 2010, clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements of PFRS to be adopted by the Company starting January 1, 2011

The omnibus amendments to PFRS were issued primarily with a view to remove inconsistencies and clarify wordings. The adoption of the following improvements resulted in changes in accounting policies but did not have significant impact on the consolidated financial statements of the Company.

- *PFRS 3, Business Combinations*
 - Clarifies that the amendments to PFRS 7, PAS 32, *Financial Instruments: Presentation* and PAS 39 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede application of PFRS 3 (as revised in 2008).
- *PFRS 7, Financial Instruments: Disclosures*
 - Emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.
- *PAS 1, Presentation of Financial Statements*
 - Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- *PAS 27, Consolidated and Separate Financial Statements*
 - Clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

Effective in 2012

Amendment to PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets

The amendment to PAS 12 is effective for annual periods beginning on or after 1 January 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

Amendment to PFRS 7 - Financial Instruments: Disclosures - Transfers of Financial Assets

The amendments to PFRS 7 are effective for annual periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contracts qualify as construction contract under PAS 11, *Construction Contracts*, or involve 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.

Effective in 2013

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. After consideration of its impact evaluation, the Company has decided not to early adopt PFRS 9 for its 2011 annual financial reporting. It shall conduct in early 2012 another impact evaluation using the outstanding balances of financial instruments as of December 31, 2011. The Company's decision whether to early adopt PFRS 5 for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012. If the decision of the Company will be to early adopt for its 2012 financial reporting, the interim report as of March 31, 2012 will already reflect the application of the requirements and qualitative and quantitative discussion of the results of the impact evaluation.

4. Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents

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

Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

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

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.

Financial assets and financial liabilities are classified as either financial asset or liability at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments or other financial liabilities. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at every reporting date.

Financial Assets and Liabilities at FVPL

a. Financial Assets or Financial Liabilities Designated at FVPL

Financial assets or financial liabilities classified in this category include those that are designated by management on initial recognition as at FVPL when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities designated at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in the consolidated statement of income. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded according to the terms of the contract, or when the right to receive the payment has been established.

As of September 30, 2011 and December 31, 2010, the Company has no financial asset or financial liability designated on initial recognition as at FVPL.

b. Financial assets or financial liabilities held for trading

These financial instruments are recorded in the consolidated balance sheet at fair value. A financial asset or financial liability is classified under this category when any of the following criteria is met:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Changes in fair value relating to the held-for-trading positions are recognized in the consolidated statement of income as gain on investment held for trading under the "Interest and other financial income" account. Interest earned or incurred is recorded in interest and other financial income or charges, respectively, while dividend income is recorded when the right to receive payment has been established.

As of September 30, 2011 and December 31, 2010, the Company's investments in bonds and fixed treasury notes (FXTNs) and unit investment trust funds (UITFs) are classified as financial assets held for trading (see Notes 7 and 29).

Derivatives recorded at FVPL

The Company enters into short-term forward currency contracts to hedge its currency exposure. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions

under hedge accounting. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative, if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

As of September 30, 2011 and December 31, 2010, the Company's derivative assets are classified as financial assets at FVPL (see Note 29).

Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of September 30, 2011 and December 31, 2010, the Company's cash and cash equivalents, short-term investments and receivables are classified as loans and receivables (see Notes 6 and 29).

HTM Investments

Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. HTM investments are classified as current if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of September 30, 2011 and December 31, 2010, the Company did not classify any financial asset under HTM investments.

AFS Investments

AFS investments are nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial

recognition, AFS investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income. Unlisted AFS financial assets, on the other hand, are carried at cost, net of any impairment, until the investment is derecognized.

AFS investments are classified as current if they are expected to be realized within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of September 30, 2011 and December 31, 2010, the Company's investments in listed and unlisted equity securities and golf club shares are classified as AFS investments (see Notes 11 and 29).

Other Financial Liabilities

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of September 30, 2011 and December 31, 2010, the Company's accounts payable and other current liabilities and due to stockholders are classified as other financial liabilities (see Notes 15, 26 and 29).

Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

The Company first assesses whether 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, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the creditors' capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In the case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Any such accrual is recorded as part of "Interest and other financial income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

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 or have been transferred;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company 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 the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control

of the asset, the asset is recognized to the extent of the Company'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 Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is 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 amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a currently legal right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fuel and Spare Parts

Fuel and spare parts are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost of fuel and spare parts.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depletion, depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties (where applicable), borrowing costs incurred during the construction period and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to income in the year the costs are incurred. In situation 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 an additional cost of property and equipment.

Under the component depreciation method, plant overhaul costs are segregated into two categories, that is: (a) costs that should be depreciated over the useful life of the plant; and, (b) parts that are replaced at periodic intervals. The cost of the initial overhaul that may be capitalized is depreciated over its estimated useful life, through the next overhaul, at which time the process is repeated. Under this method, repairs and maintenance are also expensed as incurred.

Depletion of wells, platforms and other facilities are provided on a field basis under the unit-of-production method based upon estimates of proven reserves. The depletion base includes the estimated future development cost of the undeveloped reserves.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings and improvements	20-25 years
Land improvements	10 years
Machinery and equipment	9-20 years
Transportation equipment	3-5 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

The useful lives and depletion, depreciation 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, plant and equipment.

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

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investments in Associates

The Parent Company's investments in associates are accounted for under the equity method of accounting. These are entities in which the Parent Company has significant influence and which are neither subsidiaries nor joint ventures of the Parent Company. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Parent Company's share of net assets of the associates, less any impairment in value. The consolidated statement of income includes the Parent Company's share of the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Parent Company's interest in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

When the Parent Company's accumulated share in net losses of an associate equals or exceeds the carrying amount of the investment, including advances, the Company discontinues the recognition of its share in additional losses and the investment is reduced to zero. If the associate subsequently reports net income, the Parent Company will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

An investment in associate is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the consolidated statement of income in the year the investment is derecognized.

Interest in a Joint Venture

The Parent Company's interest in its joint venture is proportionately consolidated to the accounts of the Parent Company. This method involves presenting the Parent Company's share in the joint venture's assets, liabilities, income and expenses as separate line items in the consolidated financial statements.

The Parent Company's investment in the joint venture's shares of stock is accounted for as "Parent Company shares of stock held by a joint venture" included and shown as a reduction in the equity section of the consolidated balance sheet.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 years.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Deferred Exploration Costs

The Company follows the full cost method of accounting for exploration costs determined on the basis of each service contract (SC) or geophysical survey and exploration contract (GSEC) area. Under this method, all exploration costs relating to each SC or GSEC are tentatively deferred to the extent that the capitalized costs do not exceed the value of those reserves, pending determination of whether the contract area contains oil and gas reserves in commercial quantities, net of an allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided for with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

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.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36.

Business Combinations

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Company reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognizes immediately in the consolidated statement of income any excess remaining after that reassessment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit'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 pretax discount rate that reflects current market assessment 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 income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date 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 depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depletion, depreciation and amortization 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.

Provisions

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

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Equity Transaction Costs

The Company incurs various costs in issuing or acquiring its own equity instruments, such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit), but only to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

The costs of 'issuing or acquiring' equity are the only costs recognized in equity. Accordingly, the costs of listing shares already in issue should not be set off against equity, but recognized as an expense.

Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration.

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Trading revenue

Revenue from the sale of electricity is recognized during the period when electricity is purchased from the spot market and sold to the end consumer. Revenue is measured at the fair value of the consideration received or receivable. Trading revenue is presented gross of trading costs where the Company acts as principal and:

- has primary responsibility for providing the goods and services;
- has discretion in establishing prices; and
- bears the credit and inventory risks.

Trading revenue is presented net of trading costs where the Company acts as agent.

Generation Revenue

Revenue from the sale of electricity is recognized during the period when electricity is generated. Revenue from take-or-pay arrangement is recognized in accordance with the terms of the ESA in relation to the electricity generated.

Dividend

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

Interest

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

Rental

Income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized when incurred.

Pensions and Other Post-Employment Benefits

The Company has a defined benefit pension plan. The costs of providing benefits under the defined benefit plan are determined using the projected unit credit actuarial valuation method. The method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and

past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of the past service cost of the current period exceeding any increase in the present value of the economic benefits stated in the foregoing are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Stock Option

The Company had a stock option plan offered to qualified employees, officers and directors of the Company. As allowed under PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*, the Company availed of the exemption from applying PFRS 2, "Share-based Payment," to stock options granted after November 7, 2002 but were fully vested as of January 1, 2005. There were no stock options granted after November 7, 2002 which remained unvested as of January 1, 2005.

Stock option grants subsequent to January 1, 2005 are accounted for in accordance with PFRS 2, that is, the cost of stock option awards are measured by reference to the fair value at the date on which they are granted. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if 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 substantial change to the asset.

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

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs including foreign exchange differences arising from foreign currency-denominated borrowings, to the extent they are regarded as an adjustment to interest costs, are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding financial assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to current operations. Nonfinancial items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Nonfinancial items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Income Tax

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the consolidated balance sheet date.

Deferred income tax

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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 taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share (EPS)

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted EPS is computed as if the stock options were exercised as of the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but 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.

Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The Company's consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements. In preparing the Company's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments and estimates and related impact and associated risks in its consolidated financial statements.

Judgments

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale and cost of producing electricity.

Determination of whether an arrangement contains a lease and proper classification of the lease

Under TA Oil's ESA with Guimelco and TA Power's ESA with Holcim Philippines, Inc. (Holcim), TA Oil sells all of its output to Guimelco and TA Power sells all or substantially all of its output to Holcim (see Note 28). The Company also has various lease agreements for the lease of its investment property. The Company has evaluated the arrangements and the terms of the agreements and determined that the risks and rewards of ownership of the underlying properties are retained by the Company. Accordingly, the related assets have been recognized in the books of the Company and the fees billed to Guimelco, Holcim and the other lessees are recorded as operating revenues.

Under the Power Administration and Management Agreement between TA Oil and One Subic Power Generation Corporation (One Subic Power), TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic (see Note 28). The Company has evaluated that the arrangements and the terms of the agreement contain a lease and determined that the risks and rewards of ownership of the power plant are retained by the ultimate lessor.

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either 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 balance sheet. The classification of the Company's financial assets and financial liabilities are presented in Note 29.

Estimates

Fair value of financial assets and financial liabilities

The fair value for financial instruments traded in an active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. Any change in value of these financial assets and financial

liabilities (including derivatives) would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity. The fair values of the Company's financial assets amounted to ₱3.40 billion and ₱2.18 billion as of September 30, 2011 and December 31, 2010, respectively, while fair values of the Company's financial liabilities amounted to ₱317.95 million and ₱203.92 million as of September 30, 2011 and December 31, 2010, respectively (see Note 29).

Estimated allowance for doubtful accounts

The Company maintains allowance for doubtful accounts based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, which considers the significant financial difficulties of the customer, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, past-due status and terms) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of receivables amounted to ₱463.11 million and ₱219.97 million as of September 30, 2011 and December 31, 2010, respectively (see Notes 8 and 10).

Realizability of deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred 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 tax assets to be utilized.

As of September 30, 2011, the Company did not recognize any deferred income tax asset. As of December 31, 2010, deferred income tax assets recognized by the Company amounted to ₱10.31 million. The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized in the consolidated balance sheets as of September 30, 2011 and December 31, 2010 amounted to ₱190.90 million and ₱164.33 million, respectively (see Note 25).

Estimated useful lives of property, plant and equipment and investment properties

The Company estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties 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, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, 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 factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property, plant and equipment as of September 30, 2011 and December 31, 2010 amounted to ₱551.76 million and ₱489.28 million, respectively (see Note 9). The carrying value of investment properties as of

September 30, 2011 and December 31, 2010 amounted to ₱21.59 million and ₱23.06 million, respectively (see Note 12).

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. Among the factors considered by management in the write-off of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic.

As of September 30, 2011 and December 31, 2010, the carrying value of deferred exploration costs amounted to ₱87.11 million and ₱86.70 million, respectively (see Note 14).

Impairment of property, plant and equipment and investment properties

The Company performs annual impairment testing of assets which are not used in operations and those with indications of impairment. The impairment testing of assets not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The impairment testing of property, plant and equipment with indications of impairment requires an estimation of the value-in-use of the cash-generating units. In 2009, total impairment loss recognized in the consolidated statement of income on the property, plant and equipment of CIPP amounted to ₱106.89 million. In 2010, the Company reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.32 million based on their fair value less costs to sell (as presented as part of "Other income (expenses)" in the consolidated statement of income). Write-off of property and equipment of CIPP amounted to ₱11.69 million in September 2011. The carrying value of property, plant and equipment as of September 30, 2011 and December 31, 2010 amounted to ₱551.76 million and ₱489.28 million, respectively (see Note 9). The carrying value of investment properties amounted to ₱21.59 million and ₱23.06 million as of September 30, 2011 and December 31, 2010, respectively (see Note 12).

Impairment of investments in associates

The carrying value of investments in associates is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. No impairment loss was deemed necessary in the nine months of 2011 and in calendar year 2010. Accumulated impairment loss amounted to ₱1.56 million as of September 30, 2011 and December 31, 2010. The carrying value of investments in associates as of September 30, 2011 and December 31, 2010 amounted to ₱121.60 million and ₱39.82 million, respectively (see Note 10).

Impairment of AFS investments

The Company treats 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. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged", greater than 6 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. In 2010, the Company provided for impairment loss on its investment in unlisted shares of stock amounting to ₱22.59 million. No impairment loss was deemed necessary in the nine months of 2011. The carrying value of AFS investments amounted to ₱193.38 million and ₱205.13 million as of September 30, 2011 and December 31, 2010 (see Note 11).

Pension and other post-employment benefits

The determination of the Company's obligation and cost for pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 26 to the consolidated financial statements include among others, discount rates, expected returns on plan assets and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. The carrying value of pension and other post-employment benefits as of September 30, 2011 and December 31, 2010 is ₱13.81 million and ₱10.60 million, respectively.

6. Cash and Cash Equivalents

	September 30 2011	December 31 2010
Cash on hand and in banks	₱212,172,739	₱9,138,531
Short-term deposits	1,441,236,623	871,645,251
	₱1,653,409,362	₱880,783,782

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.

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of the following:

	September 30 2011	December 31 2010
Cash and cash equivalents of venturer	₱1,653,409,362	₱880,783,782
Share in cash and cash equivalents of a joint venture (Note 13)	292,881,278	120,772,770
	₱1,946,290,640	₱1,001,556,552

7. Investments Held for Trading

	September 30 2011	December 31 2010
Investments in bonds and FXTNs	₱254,843,902	₱347,871,714
Investments in UITFs	840,223,679	524,779,241
	₱1,095,067,581	₱872,650,955

The Company's unrealized loss from changes in fair value of investments held for trading (included in net gains on investments held for trading under "Interest and other financial income" account in the consolidated statements of income) amounted to ₱12.03 million in the nine months ended September 2011 and ₱17.85 million unrealized gain from changes in fair value of investment held for trading in the nine months ended September 2010 (see Note 29).

8. Receivables

	September 30	December 31
	2011	2010
Trade (Note 28)	₱235,475,085	₱88,428,994
Due from related companies (Notes 26 and 28)	140,205,130	71,452,850
Others (Notes 10 and 14)	97,442,897	70,098,644
	473,123,112	229,980,488
Less allowance for doubtful accounts	10,012,138	10,012,138
	₱463,110,974	₱219,968,350

Trade receivables represent receivables from Guimelco, in accordance with the terms of the ESA between the Parent Company and Guimelco, and CIPP's receivables from locators in CIP II. Trade receivables are noninterest-bearing and are generally on a 30-day credit term.

Other receivables include receivable from the assignment of Camarines Norte Mineral Production Sharing Agreement (MPSA) amounting to ₱43.87 million as of September 30, 2011 and receivable from the sale of royalty interest amounting to ₱58.09 million as of December 31, 2010 (see Note 14). It also includes interest receivable of ₱8.40 million and ₱7.50 million as of September 30, 2011 and December 31, 2010, respectively.

The aging analysis of past due but not impaired receivables is as follows:

September 30, 2011							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			<30 Days	30–60 Days	61–90 Days	91–120 Days	
<i>(In Thousands)</i>							
Trade	₱235,475	₱224,422	₱568	₱583	₱614	₱2,570	₱6,718
Due from related companies	140,205	140,205	–	–	–	–	–
Others	97,443	94,149	–	–	–	–	3,294
	₱473,123	₱458,776	₱568	₱583	₱614	₱2,570	₱10,012

December 31, 2010							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			<30 Days	30–60 Days	61–90 Days	91–120 Days	
<i>(In Thousands)</i>							
Trade	₱88,429	₱77,604	₱494	₱499	₱897	₱2,217	₱6,718
Due from related companies	71,453	71,453	–	–	–	–	–
Others	70,098	66,804	–	–	–	–	3,294
	₱229,980	₱215,861	₱494	₱499	₱897	₱2,217	₱10,012

Movements in allowance for doubtful accounts are as follows:

	September 30, 2011		
	Trade	Others	Total
	<i>(In Thousands)</i>		
Balances at January 1, 2011	₱6,718	₱3,294	₱10,012
Provision for the year (Note 24)	–	–	–
Balances at September 30, 2011	₱6,718	₱3,294	₱10,012

	December 31, 2010		
	Due from related parties	Others	Total
	<i>(In Thousands)</i>		
Balances at January 1, 2010	₱–	₱3,270	₱3,270
Provision for the year (Note 24)	6,718	24	6,742
Balances at December 31, 2010	₱6,718	₱3,294	₱10,012

9. **Property, Plant and Equipment**

	Land	Buildings and Improvements	Machinery and Equipment	Wells, Platforms and Other Facilities	Transportation Equipment	Mining and Other Equipment	Office Furniture, Equipment and Others	Construction In Progress	Total
Cost									
At January 1, 2010	₱57,983,000	₱100,114,325	₱497,231,531	₱20,346,661	₱15,612,283	₱22,221,251	₱28,773,138	₱-	₱742,282,189
Additions	-	2,236,525	-	-	13,430,009	3,049,927	412,775	9,133,537	28,262,773
Disposals	-	-	-	-	(11,415,939)	-	(105,521)	-	(11,521,460)
Transfer from investment properties (Note 12)	-	71,122,500	-	-	-	-	-	-	71,122,500
At December 31, 2010	57,983,000	173,473,350	497,231,531	20,346,661	17,626,353	25,271,178	29,080,392	9,133,537	830,146,002
Additions	-	-	113,144,180	-	5,698,265	408,269	500,239	17,613,466	137,364,419
Disposals	-	-	-	-	(1,419,607)	(7,022)	(206,635)	(21,765,994)	(23,399,258)
Written-off	-	-	(25,195,447)	-	-	-	-	-	(25,195,447)
At September 30, 2011	₱57,983,000	₱173,473,350	₱585,180,264	₱20,346,661	₱21,905,011	₱25,672,425	₱29,373,996	₱4,981,009	₱918,915,716
Accumulated Depreciation, Amortization, Depletion and Impairment									
At January 1, 2010	₱-	₱39,848,091	₱219,191,215	₱20,346,661	₱8,291,334	₱5,322,124	₱22,594,345	₱-	₱315,593,770
Depreciation (Note 23)	-	12,697,139	24,538,966	-	5,220,048	5,003,866	3,789,898	-	51,249,917
Impairment	-	-	(20,320,409)	-	-	-	-	-	(20,320,409)
Disposals	-	-	-	-	(9,456,576)	-	(100,160)	-	(9,556,736)
Transfer from investment properties (Note 12)	-	3,903,064	-	-	-	-	-	-	3,903,064
At December 31, 2010	-	56,448,294	223,409,772	20,346,661	4,054,806	10,325,990	26,284,083	-	340,869,606
Depreciation (Note 23)	-	8,385,308	19,927,232	-	6,441,878	3,764,866	2,441,449	-	40,960,733
Disposals	-	-	-	-	(1,047,631)	-	(121,246)	-	(1,168,877)
Written-off	-	-	(7,949,497)	-	-	-	-	-	(7,949,497)
Reversal of impairment	-	-	(5,558,755)	-	-	-	-	-	(5,558,755)
At September 30, 2011	₱-	₱64,833,602	₱229,828,752	₱20,346,661	₱9,449,053	₱14,090,856	₱28,604,286	₱-	₱367,153,210
Net Book Value									
At January 1, 2010	₱57,983,000	₱60,266,234	₱278,040,316	₱-	₱7,320,949	₱16,899,127	₱6,178,793	₱-	₱426,688,419
At December 31, 2010	57,983,000	117,025,056	273,821,759	-	13,571,547	14,945,188	2,796,309	9,133,537	489,276,396
At September 30, 2011	57,983,000	108,639,748	355,351,512	-	12,455,958	11,581,569	769,710	4,981,009	551,762,506

In the Asset Purchase Agreement entered into by CIPP and MERALCO on April 11, 2009, MERALCO acquired CIPP's rights and interests in the existing electric distribution system on an "as is, where is" basis. Consequently, the depreciation and related maintenance cost of the power plant of CIPP are presented as part of "Cost of Power Plant on Standby" account in the consolidated statements of income for the nine months ended September 30, 2011 and 2010 (see Note 20).

In 2010, the Company reversed a portion of the impairment provision covering the property, plant and equipment of CIPP amounting to ₱20.32 million based on their fair value less costs to sell. During the year, CIPP received offers from third parties to purchase its property, plant and equipment. In December 2010, CIPP's board of directors approved the transfer of its 21 MW Bunker C-fired power plant from Laguna to La Union. These events triggered the review of impairment and the reversal of a portion of impairment provision. The fair value less costs to sell of the assets was determined based on the quoted price from a willing third party buyer and supplier.

As of September 30, 2011, the Company substantially completed the transfer of the 21 MW generation power plant of CIPP in Calamba, Laguna to Bacnotan, La Union. In September 2011, the Company wrote-off the Laguna plant building with a net book value of ₱11.69 million.

10. Investments in Associates

The percentage of ownership and the carrying values of investments in associates are as follows:

	Percentage of Ownership	September 30 2011	December 31 2010
Maibarara Geothermal, Inc.(MGI)	25.00	₱120,965,866	₱39,189,046
Asia Coal Corporation (Asia Coal)*	28.18	631,029	631,029
Union Aggregates Corporation (UAC)**	31.25	–	–
		₱121,596,895	₱39,820,075

* Shortened corporate life to October 31, 2009

** Ceased operations

The details and movements of investments in associates accounted for under the equity method are as follows:

	September 30 2011	December 31 2010
Acquisition costs:		
Balance at beginning of year	₱69,313,038	₱26,734,913
Addition	87,072,035	42,578,125
Disposal of BIPC shares	–	–
Balance at end of year	156,385,073	69,313,038
Accumulated equity in net losses:		
Balance at beginning of year	(27,933,712)	(24,555,906)
Equity in net earnings (losses) for the year (Note 24)	(5,295,215)	(3,377,806)
Disposal	–	–
Balance at end of year	(33,228,927)	(27,933,712)
	123,156,146	41,379,326
Less accumulated impairment losses	1,559,251	1,559,251
	₱121,596,895	₱39,820,075

Maibarara Geothermal, Inc. (MGI)

The Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integration development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. The details of the net assets of MGI are shown below:

	September 30 2011	December 31 2010
Current assets	₱199,429,667	₱99,482,069
Noncurrent assets	287,606,578	57,943,885
Total Assets	487,036,245	157,425,954
Current Liabilities	4,479,573	669,770
Net Assets	₱482,556,672	₱156,756,184

The results of operations of MGI for the nine months ended September 30, 2011 are shown below:

Interest income	₱1,659,479
General and administrative expenses	(22,840,339)
Net loss	(₱21,180,860)

As of September 30, 2011, third party validation of resource assessment was completed by a New Zealand consulting company. The study indicated that there is 90% probability that the proven field reserves could support a power plant with 28 MW or higher capacity for 25 years.

The Company signed an Electricity Supply Agreement with MGI under which the Company will purchase the entire net power plant output.

MGI signed the following agreements:

1. Engineering, Procurement and Construction (EPC) contract for a 20 MW power plant, with EEI Corporation.
2. Remote Monitoring System and Technical Advisory Service Agreement for the aforementioned power plant, with Fuji Electric of Japan.
3. Omnibus Loan and Security Agreement for a ₱2.4 billion loan facility, with Rizal Commercial Banking Corporation and Bank of the Philippine Islands.

Asia Coal

On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of the Company to October 31, 2009. The Company shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As of September 30, 2011, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

The net assets of Asia Coal as of October 31, 2010 are as follows:

Current assets	₱2,358,801
Noncurrent asset	14,700
Total Assets	2,373,501
Current liability	133,701
Net Assets	₱2,239,800

Other than the approval of the directors and stockholders of Asia Coal of the shortening of its corporate life, there were no significant transactions or events that need to be adjusted in Asia Coal's financial statements.

Bacnotan Industrial Park Corporation (BIPC)

BIPC is engaged in the development of a 110-hectare industrial estate in Calaca, Batangas. On March 10, 2009, the Parent Company signed a Share Purchase Agreement with Phoenix Petroleum Philippines, Inc. (Phoenix) whereby the Parent Company sold to Phoenix all of the Parent Company's 30% equity interest in BIPC.

On January 15, 2010, TA Oil entered into a Contract for the Sale and Purchase of Industrial Lots (the Contract) with BIPC. Under the terms of the Contract, BIPC undertakes to sell the parcels of land registered under its name as well as the additional parcels of land that it will acquire from Phoenix Petroterminals and Industrial Park. Terms of payment include that upon downpayment, TA Oil shall be granted the sole and exclusive option to purchase the properties. On November 18, 2010, the Company exercised the option to purchase the properties and paid the option price of ₱31.26 million which was credited along with the initial downpayment of ₱15.63 million to the total purchase price of ₱333.83 million. This ₱46.89 million option fee is included as part of "Other noncurrent assets" account in the 2010 consolidated balance sheet and was reclassified to "Receivables" account as of September 30, 2011.

11. Available-for-Sale Investments

	September 30 2011	December 31 2010
Shares of stock:		
Listed	₱86,507,193	₱96,453,350
Unlisted	77,040,620	78,996,575
Golf club shares	29,835,000	29,678,000
	₱193,382,813	₱205,127,925

AFS investments are stated at fair value as of September 30, 2011 and December 31, 2010, except for investments in unlisted shares of stock which are stated at cost, net of any impairment. Loss from change in fair value recognized as other comprehensive income amounted to ₱9.67 million in the nine months ended September 30, 2011 and ₱29.97 million gain from change in fair value in the nine months ended September 30, 2010. In 2010, the Company recognized impairment loss of ₱22.59 million covering its investment in unlisted shares of stock (see Note 24).

12. Investment Properties

	September 30 2011	December 31 2010
Cost		
Balance at beginning of the year	P28,133,288	P99,255,788
Transfer to owner-occupied property (Note 9)	-	(71,122,500)
Balance at end of year	28,133,288	28,133,288
Less accumulated depreciation		
Balance at beginning of the year	5,072,857	7,015,311
Depreciation (Note 23)	1,470,458	1,960,610
Transfer to owner-occupied property (Note 9)	-	(3,903,064)
Balance at end of year	6,543,315	5,072,857
	P21,589,973	P23,060,431

Investment properties are stated at cost less accumulated depreciation and any impairment loss. The fair value of the investment properties based on the latest valuation by an independent firm of appraisers amounted to P28.0 million as of September 30, 2011 and December 31, 2010. The valuation undertaken considered the sales of similar or substitute properties and related market data and established estimated value by processes involving comparison.

Rental income in the nine months ended September 30, 2011 and 2010 amounted to P1.79 million and P3.89 million, respectively, as shown in the consolidated statements of income, while related direct costs and expenses incurred in the nine months ended September 30, 2011 and 2010 amounted to P0.20 million and P1.51 million, respectively, included as part of "General and administrative expenses" (see Note 21).

13. Interest in a Joint Venture

Trans-Asia Power Generation Corporation (TA Power)

The Company's proportionate share in assets and liabilities of TA Power as of September 30, 2011 and December 31, 2010 before elimination of intercompany transactions and balances are as follows:

	September 30 2011	December 31 2010
Current assets	P345,741,377	P344,879,079
Noncurrent assets*	117,586,106	168,860,907
	463,327,483	513,739,986
Current liabilities	(146,871,032)	(166,063,029)
Noncurrent liabilities	(4,625,985)	(4,625,985)
	(151,497,017)	(170,689,014)
Net assets	P311,830,466	P343,050,972

* Net of investment in shares of stock of the Parent Company of P7.3 million and P3.9 million as of September 30, 2011 and December 31, 2010, respectively.

The Company's proportionate share in the revenue and expenses of TA Power for the nine months ended September 30 before elimination of intercompany transactions are as follows:

	2011	2010
Revenue	₱606,321,147	₱689,609,214
Cost of electricity sold	(592,634,135)	(663,488,814)
General and administrative expenses	(18,700,135)	(18,830,742)
Other income – net	4,141,604	3,076,227
Income before income tax	(871,519)	10,365,885
Provision for income tax	(625,491)	(830,960)
Net income	(₱1,497,010)	₱9,534,925

Details of the Company's share in the current and noncurrent assets and current and noncurrent liabilities of the joint venture as of September 30, 2011 and December 31, 2010, after elimination of intercompany balances, are as follows:

	September 30 2011	December 31 2010
Current assets:		
Cash and cash equivalents	₱134,478,865	₱120,772,770
Investment in trading securities	–	4,982,176
Trade and other receivables	73,275,573	63,971,985
Fuel and spares - at cost	43,356,522	63,391,975
Prepaid expenses and other current assets	40,982,089	41,968,096
	₱292,093,049	₱295,087,002
Noncurrent assets:		
Property, plant and equipment - net	₱86,556,748	₱133,879,486
Available-for-sale investments	29,415,160	32,219,497
Other noncurrent assets	1,002,100	1,137,508
	₱116,974,008	₱167,236,491
Current liabilities:		
Trade and other payables	₱68,445,762	₱134,735,758
Due to related parties	–	–
Derivative liability	–	–
	₱68,445,762	₱134,735,758
Noncurrent liabilities:		
Deferred income tax liabilities - net (Note 25)	₱–	₱–
Provisions	2,500,000	2,500,000
Other noncurrent liabilities	2,125,985	2,125,985
	₱4,625,985	₱4,625,985

Details of the Company's share in the cost of electricity sold and general and administrative expenses of the joint venture for the nine months ended September 30, after elimination of intercompany transactions, are as follows:

	2011	2010
Cost of electricity sold:		
Fuel	₱134,497,500	₱459,657,662
Power purchased	63,110,581	900,885
Depreciation and amortization	48,013,849	47,848,719
Labor	9,262,520	8,787,672
Taxes and licenses	7,713,033	5,956,967
Repairs and maintenance	3,448,367	6,494,087
Insurance	3,187,514	2,947,395
Security, janitorial and professional fees	1,002,843	866,185
Others	1,391,877	1,774,270
	₱271,628,084	₱535,233,842
General and administrative expenses:		
Management and professional fees	₱7,233,048	₱9,196,634
Salaries and directors' fees	4,425,435	4,423,953
Taxes and licenses	1,573,426	1,003,301
Transportation and travel	300,022	138,948
Employee benefits	165,792	229,642
Depreciation and amortization	132,707	174,010
Entertainment, amusement and recreation	2,382	17,398
Others	3,486,036	2,187,440
	₱17,318,848	₱17,371,326

South Luzon Thermal Energy Corporation (SLTEC)

The Company's proportionate share in assets and liabilities of SLTEC as of September 30, 2011 before elimination of intercompany transactions and balances are as follows:

Current assets	₱218,689,620
Noncurrent assets	34,463
Total Assets	218,724,083
Current liabilities	(59,336,909)
Net assets	₱159,387,174

The Company's proportionate share in the general and administrative expenses of SLTEC is ₱21,152,827 for the nine months ended September 30, 2011 before elimination of intercompany transactions.

Details of the Company's share in the current and noncurrent assets and current and noncurrent liabilities of the joint venture as of September 30, 2011, after elimination of intercompany balances, are as follows:

Current assets:	
Cash and cash equivalents	₱158,402,413
Trade and other receivables	2,342,621
Prepaid expenses and other current assets	57,944,586
	₱218,689,620
Noncurrent assets:	
Property, plant and equipment	₱34,463
Current liabilities:	
Trade and other payables	₱533,421
Due to related parties	219,711
	₱753,132

Details of the Company's share in the general and administrative expenses of the joint venture for the nine months ended September 30, 2011, after elimination of intercompany transactions, are as follows:

General and administrative expenses:	
Management and professional fees	₱11,361,548
Salaries and directors' fees	471,372
Taxes and licenses	703,401
Transportation and travel	19,521
Others	65,399
	₱12,621,241

14. Deferred Exploration Costs

	Oil Exploration Costs	Mineral Exploration Costs	Total Deferred Exploration Costs
Cost			
At January 1, 2010	₱71,862,184	₱11,473,481	₱83,335,665
Additions	14,832,931		14,832,931
At December 31, 2010	86,695,115	11,473,481	98,168,596
Additions	8,378,403	-	8,378,403
Interest sold	(7,964,031)	-	(7,964,031)
At September 30, 2011	87,109,487	11,473,481	98,582,968
Allowance for impairment loss and amortization at September 30, 2011	-	11,473,481	11,473,481
Net book value			
At January 1, 2010	₱71,862,184	₱-	₱71,862,184
At December 31, 2010	86,695,115	-	86,695,115
At September 30, 2011	87,109,487	-	87,109,487

Deferred Oil and Mineral Exploration Costs

The balance of deferred oil exploration costs consists of expenditures incurred in the following production-sharing petroleum projects:

	September 30	December 31
	2011	2010
SC No. 51/GSEC No. 93 (East Visayas)	₱32,665,864	₱32,615,780
SC No. 69 (Camotes)	29,450,023	29,373,778
SC No. 6 (Northwest Palawan)	19,280,390	18,992,347
SC No. 55 (Offshore West Palawan)	5,713,210	5,713,210
	₱87,109,487	₱86,695,115

The foregoing deferred oil exploration costs represent the Company's share in the expenditures incurred under Petroleum SCs with the Philippine Department of Energy (DOE). The contracts provide for certain minimum work and expenditure obligations and are covered by operating agreements which set forth the participating interests, rights and obligations of the contractors.

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

15. Accounts Payable and Other Current Liabilities

	September 30	December 31
	2011	2010
Trade and nontrade accounts payable	₱215,431,768	₱168,136,103
Output tax – net	39,746,662	233,021
Due to related parties (Note 26)	56,899,190	20,494,987
Accrued directors' and annual incentives (Note 26)	29,440,065	853,314
Derivative liability	1,721,500	–
Deferred rent income	798,752	190,179
Accrued expenses	1,603,017	3,197,144
Others	1,424,817	1,396,290
	₱347,065,771	₱194,501,038

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

16. Equity

Following are the details of the Company's capital stock:

	Number of Shares	
	September 30	December 31
	2011	2010
Authorized capital stock - ₱1 par value	4,200,000,000	2,000,000,000
Issued and outstanding:		
Balance at beginning of year	1,662,625,604	1,662,603,069
Issuance during the year (Note 17)	1,165,237,923	2,022,535
Balance at end of year	2,829,863,527	1,664,625,604

The issued and outstanding shares as of September 30, 2011 and December 31, 2010 are held by 3,323 and 3,360 equity holders, respectively.

On June 20, 2007, the SEC approved the stock rights offering of 552.5 million shares of the Parent Company at the rate of one share for every two shares held as of record date of November 23, 2007, at a price of ₱1.10 per share. The offer period commenced on November 28, 2007 and ended on December 11, 2007. Total proceeds raised from the stock rights offering, net of direct costs incurred, amounted to ₱599.0 million. The proceeds were used to fund petroleum and mineral explorations and for general corporate purposes. On November 16, 2009, the shareholders approved the reallocation of the proceeds from the stock rights offering to renewable energy (RE) projects due to uncertainty in mining projects brought about by the decline in prices of metals and minerals in the world market and due to the sale of CIPP's distribution system rendering the expansion of the power plant unnecessary.

On March 30, 2011, the SEC approved the stock rights offering of 1,165.24 million shares of the Parent Company at the rate of seven shares for every ten shares held as of record date of May 18, 2011, at a price of ₱1.00 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the stock rights offering, net of direct costs incurred, amounted to ₱1,154.53 million. The proceeds will be used as equity investment in new 135MW clean coal power project and in Maibarara Geothermal, Inc. Transaction costs which are directly related to the stock rights offering, consisting of professional fees, filing fees, documentary stamp taxes and other direct costs were recorded as deduction from equity.

On June 6, 2011, the SEC approved the increase in the Company's authorized capital stock from ₱2 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares.

The Company's retained earnings balance amounted to ₱1.42 billion and ₱1.25 billion as of September 30, 2011 and December 31, 2010, respectively, while paid-up capital is ₱2.90 billion and ₱1.72 billion as of September 30, 2011 and December 31, 2010, respectively. Undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounting to ₱138.74 million and ₱286.50 million as of September 30, 2011 and December 31, 2009, respectively, are not currently available for dividend distribution.

Dividends declared and paid in 2011 and 2010 are as follows:

Date of Declaration	Type	Dividend		Record Date
		Rate	Amount	
March 16, 2010	Cash	0.04 per share	66,585,024	May 3, 2010
March 21, 2011	Cash	0.04 per share	66,585,024	April 11, 2011

17. Employee Stock Options and Executive Stock Grants

The Company had a stock option plan (the Old Plan) that covered up to 25 million shares. The Old Plan entitled qualified employees, officers and directors to purchase shares of stock during the offering years at a price of ₱1 a share.

On June 7, 2004, the Company's BOD approved the reallocation of stock options for a total of 12,518,650 shares out of the original 25 million shares, which expired in April 2003 and May 2004. Such stock options were allocated among directors and employees of the Company and the exercise of such options was subject to the following terms and conditions:

Subscription Price	At par value of ₱1 per share
Period of Exercise	Up to 100% of the allocated shares within three years from June 8, 2004
Payment of Shares	Cash payment upon exercise of option
Right to Exercise Option	Continuous employment required

On April 2, 2007, the Company's BOD and stockholders approved a total of 100 million shares to be taken from the unsubscribed portion of the Company's 2 billion authorized shares to be awarded as follows: (a) stock grants for officers and managers of the Company; and, (b) stock options for directors, officers and employees of TA Oil and its subsidiaries and affiliates (referred to herein as the "New Plan") under the terms and conditions as determined by the Executive Committee of the BOD.

The exercise of such grants and options are subject to the following terms and conditions:

Stock Grants

The executive stock grants are given to officers and managers of the Company computed at a predetermined percentage of their variable compensation pay based on certain performance criteria.

Stock Options

Following are the specific terms of the Company's New Plan:

Coverage	Directors, permanent officers and employees of TA Oil and its subsidiaries/affiliates
Exercise price	At weighted average closing price for 20 trading days prior to grant date but should not be lower than par value of ₱1.00 per share
Vesting period	<ul style="list-style-type: none"> • Up to 33% of the allocated shares on the 1st year from the date of grant; • Up to 66% of the allocated shares on the 2nd year from the date of grant; and • Up to 100% of the allocated shares on the 3rd year from the date of grant.
Right to Exercise Option	Continuous employment required. In the event of resignation, termination or retirement, the optionee shall be entitled only to the options due him/her up to the effectivity of separation. Full payment is required prior to separation date. In the event of death of optionee, his/her heirs, executors, or administrators shall have the right to exercise the balance of options granted and pay in cash.

On May 7, 2008, the Company's Stock Option Committee suspended the implementation of the Stock Option Plan. The Committee also decided to implement the Company's Stock Grant for its executives which resulted in the issuance of 2.02 million shares and 0.30 million shares in 2010 and 2009, respectively.

As of September 30, 2011 and December 31, 2010, no stock options have been granted and awarded to any of the directors, officers and employees of the Company.

18. Trading Income (Loss) - net

	For the nine months ended Sept. 30	
	2011	2010
Trading revenue	₱1,329,977,222	₱394,547,601
Cost of power purchased	1,099,571,765	529,547,923
	₱230,405,457	(₱135,000,322)

19. Cost of Electricity Sold

	For the nine months ended Sept. 30	
	2011	2010
Fuel	₱18,807,383	₱22,030,362
Depreciation and amortization (Note 23)	4,348,513	4,191,608
Labor (Note 22)	3,396,400	3,150,962
Repairs and maintenance	2,904,325	1,333,897
Taxes and licenses	1,128,054	1,169,005
Employee benefits (Note 22)	778,534	767,561
Insurance	542,789	566,536
Rental	416,842	423,158
Concession and other fees	25,027	34,748
Others	1,821,257	1,633,574
	₱34,169,124	₱35,301,411

20. Cost of Power Plant on Standby

	For the nine months ended Sept. 30	
	2011	2010
Depreciation and amortization (Note 23)	₱16,945,796	₱15,619,469
Building maintenance and repairs	2,213,899	23,710
Taxes	1,341,929	198,290
Labor (Note 22)	791,018	3,738,428
Insurance	606,497	1,148,383
Concession and other fees	234,150	234,150
Employee benefits (Note 22)	116,720	407,874
Fuel	–	51,658
Others	1,833,887	2,157,992
	₱24,083,896	₱23,579,954

21. General and Administrative Expenses

	For the nine months ended Sept. 30	
	2011	2010
Management and professional fees (Notes 26)	₱106,180,598	₱27,599,883
Salaries and directors' fees (Note 22 and 26)	43,512,332	36,617,551
Depreciation and amortization (Note 23)	21,136,883	18,981,083
Building maintenance and repairs	9,257,330	8,736,815
Taxes and licenses	8,182,357	4,411,115
Insurance, dues and subscriptions	5,870,296	4,674,621
Employee benefits (Note 22)	4,417,202	3,903,675
Pension (Notes 22)	2,827,345	1,187,513
Transportation and travel	2,593,066	2,600,110
Office supplies	1,487,501	1,599,910
Rent	296,469	1,996,618
Entertainment, amusement and recreation	278,188	271,997
Donation and contribution	206,550	2,223,254
Others	10,425,264	3,428,693
	₱216,671,381	₱118,232,838

22. Personnel Expenses

	For the nine months ended Sept. 30	
	2011	2010
Salaries and directors' fees included under:		
Cost of electricity sold	₱3,396,400	₱3,150,962
Cost of power plant on standby	791,018	3,738,428
General and administrative expenses	43,512,332	36,617,551
Pension included under:		
General and administrative expenses	2,827,345	1,187,513
Employee benefits included under:		
Cost of electricity sold	778,534	767,561
Cost of power plant on standby	116,720	407,874
General and administrative expenses	4,417,202	3,903,675
	₱55,839,551	₱49,773,564

23. Depreciation and Amortization

	For the nine months ended Sept. 30	
	2011	2010
Depreciation expense of property, plant and equipment and investment properties included under (Notes 9 and 12):		
Cost of electricity sold	₱4,348,513	₱4,191,608
Cost of power plant on standby	16,945,796	15,619,469
General and administrative expenses	21,136,883	18,981,083
	₱42,431,192	₱38,792,160

24. Other Income (Expenses)

	For the nine months ended Sept. 30	
	2011	2010
Gain (loss) on derivatives - net (Note 29)	₱6,575,764	₱38,048,830
Receipt of tax credits	-	34,633,924
Foreign exchange gain (loss) - net	(3,660,468)	(30,831,749)
Gain (loss) on sale of:		
Interest on SC (Note 14)	4,048,828	-
Available-for-sale investments	(1,892,379)	55,627
Property and equipment (Note 9)	37,281	(123,601)
Inventories	(238,397)	7,762,369
Provisions for doubtful accounts (Note 8)	-	(6,741,771)
Option fee	76,342,500	11,535,000
Surety bond related charges	-	(6,111,643)
Equity in net earnings (losses) of associates (Note 10)	(5,295,215)	11,273
Property and equipment written-off	(11,687,195)	
Others	15,331,502	4,645,312
	₱79,562,221	₱52,883,571

25. Income Tax

- a. Current income tax pertains to RCIT.
- b. The components of the Company's net deferred income tax liabilities as of September 30, 2011 and December 31, 2010 are as follows:

	September 30	December 31
	2011	2010
Deferred income tax assets:		
NOLCO	₱-	₱7,645,784
MCIT	-	2,660,642
	-	10,306,426

	September 30 2011	December 31 2010
Deferred income tax liabilities:		
Excess of fair value over cost of CIPP power plant	(22,639,804)	(25,510,981)
Unrealized fair value gains on investment held for trading and derivatives	(1,977,647)	(5,187,106)
Unrealized fair value gains on available-for-sale investments	(2,801,110)	(2,776,410)
Asset retirement obligation	(586,800)	(619,200)
Unrealized foreign exchange gain	(10,133)	(10,133)
Derivative asset	(4,906)	(4,906)
	(28,020,400)	(34,108,736)
Deferred income tax liabilities – net	(P28,020,400)	(P23,802,310)

The details of the Company's share in net deferred income tax assets (liabilities) of a joint venture as of September 30, 2011 and December 31, 2010 follow:

	September 30 2010	December 31 2010
Deferred income tax assets on:		
NOLCO	P6,023,530	P6,023,530
Past service costs and accrued retirement	39,927	39,927
Unrealized foreign exchange losses	142,365	142,365
	6,205,822	6,205,822
Deferred income tax liabilities on:		
Capitalized unrealized foreign exchange gains	(5,440,714)	(5,440,714)
	(5,440,714)	(5,440,714)
Deferred income tax assets - net	P765,108	P765,108

The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

	September 30 2011	December 31 2010
Unrealized foreign exchange losses	P67,980,552	P66,614,916
NOLCO	59,919,507	47,778,783
Allowance for probable losses on mineral exploration	19,745,412	11,473,481
Accrued expenses	13,812,759	11,060,197
Allowance for unrecoverable input tax	6,935,276	6,935,276
Allowance for doubtful accounts	6,718,483	6,718,483
Allowance for impairment losses	6,712,782	6,712,782
Asset retirement obligation	5,274,712	4,997,344
Derivative liability	1,721,500	–
Unamortized past service cost	1,200,634	1,765,444
Deferred rent income	798,752	190,179
Unrealized marked to market loss	44,118	44,118
MCIT	34,180	42,431

Deferred income tax assets have not been recognized with respect to the foregoing items as the Company believes it is not probable that sufficient future taxable profit will be available against which the related deferred income tax assets can be used.

As of September 30, 2011, NOLCO totaling ₱48.17 million can be claimed as deduction from regular taxable income and MCIT amounting to ₱34.18 thousand can be credited against future RCIT due as follows:

<u>Expiry Date</u>	<u>MCIT</u>	<u>NOLCO</u>
December 31, 2011	₱–	₱12,222,794
December 31, 2012	–	17,524,263
December 31, 2013	34,180	18,421,285
	<u>₱34,180</u>	<u>₱48,168,342</u>

NOLCO amounting to ₱25.1 million was applied against taxable income and MCIT amounting to ₱2.67 million was applied against RCIT in the nine months ended September of 2011. NOLCO amounting to ₱7.2 million expired in 2010.

26. Related Party Transactions

PHINMA

The Parent Company is controlled by PHINMA through a management agreement. Under the existing management agreement, the Parent Company pays PHINMA a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income. The management agreement with PHINMA was renewed for another five years starting September 1, 2008. Total management fees, including annual incentive, amounted to ₱17.44 million and ₱4.90 million for the nine months ended September 30, 2011 and 2010, respectively. Net payable to PHINMA (included under "Accounts payable and other current liabilities" account) amounted to ₱15.07 million and ₱1.34 million as of September 30, 2011 and December 31, 2010, respectively.

TA Power

TA Power leases and occupies part of the office space owned by the Parent Company. Rental income earned from TA Power included in the consolidated statements of income amounted to ₱0.43 million and ₱0.69 million in the nine months ended September 30, 2011 and 2010, respectively, net of the Parent Company's interest. Also, the Parent Company sold electricity to TA Power in the nine months ended September 20, 2011 and 2010. Net receivable from TA Power amounted to ₱25.11 million and ₱60.85 million as of September 30, 2011 and December 31, 2010, respectively, net of the Parent Company's interest.

PHINMA Property Holdings Corporation (PPHC)

PPHC is likewise controlled by PHINMA through a management agreement. PPHC bills the Parent Company for the management of the building and other charges where the Parent Company's office is located. Net payable to PPHC amounted to ₱0.17 million as of September 30, 2011 and December 31, 2010, included in "Account payable and other current liabilities".

Directors

The Company recognized bonus to directors computed based on net income before the effect of the application of the equity method of accounting. Directors' bonus amounted to ₱8.01 million in the nine months ended September 30, 2011 and none in the same period of 2010. The related unpaid amount included under the "Accounts payable and other current liabilities" account in the

consolidated balance sheets amounted to ₱16.36 million and ₱0.47 million as of September 30, 2011 and December 31, 2010, respectively.

Stockholders

Amounts due to stockholders for unclaimed dividends totaled ₱7.95 million and ₱7.96 million as of September 30, 2011 and December 31, 2010, respectively.

27. EPS Computation

	2011	2010
(a) Net income (loss)	₱236,292,530	(₱98,744,210)
Common shares outstanding at beginning of year (Note 16)	1,664,625,604	1,662,603,069
Weighted average number of shares issued during the year	431,095,349	1,563,205
(b) Weighted average common shares outstanding	2,095,720,953	1,664,166,274
Basic/Diluted EPS (a/b)	₱0.11	(₱0.06)

The Company's stock option has no dilutive effect in the nine months ended September 30, 2011 and 2010. Also, 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.

28. Commitments and Contracts

Joint Venture Agreement

On June 29, 2011, the Company signed a joint venture agreement with AC Energy Holdings, Inc. (formerly Michigan Power, Inc.) for the construction and operation of a 135-MW circulating fluidized bed thermal power plant in Calaca, Batangas. Both parties agreed to incorporate a joint venture company which will be owned 50% by Trans-Asia and 50% by AC Energy Holdings, Inc. On July 4, 2011, the Company put in an initial investment of ₱100 million in the joint venture company, SLTEC. The SEC approved SLTEC's registration on July 29, 2010.

Deed of Assignment

On April 25, 2011, CIPP signed a Deed of Assignment with a third party which is also CIPP's fuel supplier (referred herein as "the buyer") for the assignment of the CIPP's Tax Credit Certificates (TCC) issued by the Bureau of Customs.

On July 20, 2011, the BOC approved the assignment and issued the TCCs to the buyer. As consideration for the transfer of the TCCs, the buyer will issue credit memos to CIPP equivalent to the face value of the TCCs against the Company's fuel purchases from the buyer.

Engineering Procurement and Construction (EPC) Contract

On March 31, 2011, the Company signed an EPC Contract with DM Consunji Inc. for a 135 MW CFB coal-fired power plant. The EPC Contract was assigned to SLTEC on August 8, 2011.

Contract to Purchase Generated Energy

On March 23, 2011, the Company signed a Contract to Purchase Generated Energy with Sem-Calaca Power Corporation (SCPC) for a portion of the generated output of SCPC's Calaca Power Plant, valid for three years.

Power Administration and Management Agreement

On November 18, 2010, TA Oil and One Subic Power Generation Corporation (One Subic Power, a third party) entered into a Power Administration and Management Agreement (PAMA). Under the terms of the PAMA, TA Oil will administer and manage the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. TA Oil will be selling or trading the entire capacity of the power plant for a period of five years commencing on the commercial operation date (the date when the power plant is capable of supplying power to the Grid). TA Oil will pay One Subic Power for all electricity actually delivered by the power plant based on a formula (actual fuel consumption and electricity generated) as set forth in the PAMA and shall be payable monthly. The power plant commenced commercial operations in March 2011.

Electricity Supply Agreement with Guimelco

On November 12, 2003 and July 26, 2004, the Company signed an ESA and amendment to the ESA, respectively, with Guimelco, a nonstock, nonprofit cooperative (see Note 1). Under the ESA, the Company agreed to construct, operate and maintain a 3.4 MW bunker C-fired diesel generator power station and to supply Guimelco with electricity based on the terms and conditions set forth in the ESA. Following are the significant provisions of the ESA, among others:

Cooperation Period	Ten years, and may be extended pursuant to the ESA.
Electricity Fees	Electricity fees is based on a formula as set forth in the ESA and shall be payable monthly during the Cooperation Period.
Electricity Delivery Procedures	Guimelco must give priority to electricity generated by the Company's power station up to 1.8 MW, over any other power source.

The power plant commenced commercial operations on June 26, 2005.

Electricity Supply Agreements with Holcim

TA Oil, TA Power and Holcim entered into a memorandum of agreement (as amended on January 12, 2010 and December 20, 2010) with the following provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant of Holcim at rates equal to the agreed "Time of Use" rates schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC.
- TA Oil, acting as a retail electricity supplier, shall exclusively supply all the electricity requirements of Holcim's cement plant in La Union until 2013. TA Oil shall charge Holcim at rates equal to the agreed "Time of Use" schedule plus all other charges and applying such adjustments approved and in the manner prescribed by the ERC. Transmission charges shall be settled separately by Holcim with the National Transmission Corporation under Holcim's Transmission Services Agreement.
- TA Oil and TA Power guarantee to cover all of Holcim's electricity requirements for both the La Union and Bulacan plants until 2013.

TA Oil, TA Power and Holcim signed an Electricity Supply Agreement on August 12, 2011 to supply electricity to Holcim's cement plant in Norzagaray, Bulacan and Bacnotan, La Union, valid for fifteen (15) years commencing on December 26, 2013.

Electricity Supply Agreements with MGI

The company signed an Electricity Supply Agreement with MGI under which the Company will purchase the entire net power plant output over a 20-year period at an agreed price, subject to certain adjustments.

Operating Lease Commitment

The Company entered into a lease contract with Guimelco for a parcel of land used only as site for electric generating plant and facilities. The term of the lease is 10 years with a renewal option included in the contract. The Company is given the first option to buy the property if the lessor decides to sell the land. The lease is at a fixed monthly rate of ₱20,000 for the duration of the lease term. Starting July 2009, the fixed monthly rate was increased to ₱40,000. Future minimum operating lease payables under this lease agreement as of September 30, 2011 and December 31, 2010 are as follows:

	September 30 2011	December 31 2010
Within one year	₱480,000	₱480,000
After one year but not more than five years	1,240,000	1,600,000
	₱1,720,000	₱2,080,000

Electric Power Industry Reform Act

Republic Act No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

- (1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
- (2) Creation of a WESM; and
- (3) Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within five years from the effectivity of the EPIRA. It provides cross-ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Renewable Service Contracts

In October 2009, TAREC was awarded 10 wind energy service contracts by the DOE, representing a total potential wind capacity of 227MW.

In February 2010, another 10 service contracts representing an additional 123MW of potential wind capacity were again awarded to TAREC by the DOE thus bringing its total potential wind capacity to 350MW as of December 31, 2010.

Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the “Renewable Energy Act of 2008” (the Act), became effective. The Act aims to:

- (1) Accelerate the exploration and development of RE resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
- (2) Increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
- (3) Encourage the development and utilization of RE resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
- (4) Establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Company expects that the Act may have significant effect on the operating results of TAREC, an RE developer. Impact on the operating results is expected to arise from the effective reduction in taxes.

29. Financial Assets and Financial Liabilities

Fair Value

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial assets and financial liabilities that are carried in the Company's financial statements.

	Carrying Value		Fair Value	
	September 30 2011	December 31 2010	September 30 2011	December 31 2010
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱1,653,409,362	₱880,783,782	₱1,653,409,362	₱880,783,782
Short-term investments	-	-	-	-
Receivables:				
Trade	228,756,602	81,710,511	228,756,602	81,710,511
Due from related companies	140,205,130	71,452,850	140,205,130	71,452,850
Others	94,149,242	66,804,989	94,149,242	66,804,989
	2,116,520,336	1,100,752,132	2,116,520,336	1,100,752,132
Financial assets at FVPL:				
Investments held for trading	1,095,067,581	872,650,955	1,095,067,581	872,650,955
Derivative asset*	16,354	3,464,104	16,354	3,464,104
	1,095,083,935	876,115,059	1,095,083,935	876,115,059

	Carrying Value		Fair Value	
	September 30 2011	December 31 2010	September 30 2011	December 31 2010
AFS investments:				
Quoted	116,342,193	126,131,350	116,342,193	126,131,350
Unquoted	77,040,620	78,996,575	77,040,620	78,996,575
	193,382,813	205,127,925	193,382,813	205,127,925
	₱3,404,987,084	₱2,181,995,116	₱3,404,987,084	₱2,181,995,116

Financial Liabilities

Financial liability at FVPL -				
Derivative liability**	₱1,721,500	₱-	₱1,721,500	₱-
Other financial liabilities:				
Accounts payable and other current liabilities**	₱306,520,356	₱194,077,837	₱306,520,356	₱194,077,837
Due to stockholders	7,947,215	7,957,355	7,947,215	7,957,355
Other noncurrent liability***	1,761,809	2,021,377	1,761,809	1,887,586
	316,229,380	204,056,569	316,229,380	203,922,778
	₱317,950,880	₱204,056,569	₱317,950,880	₱203,922,778

* Presented as part of other current assets.

** Excludes nonfinancial items amounting to ₱40.55 million in September 30 2011 and ₱0.42 million in December 31, 2010.

*** Excludes nonfinancial items amounting to ₱5.27 million in September 30, 2011 and ₱5.00 million in December 31 2010.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, short-term investments, receivables, accounts payable and other current liabilities, due to stockholders

The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments. The carrying amount of the noncurrent receivable from Phoenix approximates its fair value since its interest rate is based on prevailing market rates.

Investments held for trading and AFS investments

Quoted market prices have been used to determine the fair values of investments held for trading and quoted AFS investments. The fair values of unquoted AFS investments are based on cost since the fair values are not readily determinable. The Company does not intend to dispose the unlisted AFS investments in the near future.

The fair value of derivative assets of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Other noncurrent liability

The fair value of the Company's long-term payable to a third party is based on the discounted value of the expected future cash flow using applicable interest rate for similar type of instrument. Discount rate used was 3.48% in 2010.

Fair Value Hierarchy

As of September 30, 2011 and December 31, 2010, the fair value measurement of the Company's financial assets carried at fair value is categorized as follows (in thousands):

	September 30, 2011		
	Level 1	Level 2	Total
Investments held for trading	₱840,224	₱254,844	₱1,095,068
AFS investments	116,342	–	116,342
Derivative asset	–	16,354	16,354
Total financial assets	₱956,566	₱271,198	₱1,227,764

	December 31, 2010		
	Level 1	Level 2	Total
Investments held for trading	₱524,779	₱347,872	₱872,651
AFS investments	126,131	–	126,131
Derivative asset	–	3,464	3,464
Total financial assets	₱650,910	₱351,336	₱1,002,246

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
 Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
 Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company has no financial instruments measured at fair value using the level 3 hierarchy. Also, there were no transfers between level 1 and level 2 fair value measurements.

Derivative Assets

Currency forwards

The Company enters into sell US\$, buy peso foreign currency forward contracts to manage the foreign currency risk arising from its US\$ denominated assets. These currency forwards are not accounted for as accounting hedges.

The Company has outstanding currency forward contracts with an aggregate notional amount of US\$13.50 million and weighted average contracted forward rate of ₱43.660 to US\$1.00 as of September 30, 2011, and an aggregate notional amount of US\$7.45 million and weighted average contracted forward rate of ₱44.324 to US\$1.00 as of December 31, 2010. The net fair value of these currency forward contracts amounted to ₱1.72 million loss and ₱3.44 million gain as of September 30, 2011 and December 31, 2010, respectively.

Embedded derivatives

The Company has bifurcated embedded derivatives from its fuel purchase contracts. The purchases are denominated in U.S. dollar but the Company agreed to pay in Philippine peso using the average daily Philippine Dealing System weighted average rate of the month prior to the month of billing. Embedded derivatives are attributable to TA Oil and CIPP.

As of December 31, 2010, TA Oil's outstanding embedded forwards have an aggregate notional amount of US\$0.05 million. The weighted average fixing rate amounted to ₱43.55 to US\$1.00 as of December 31, 2010. The net fair value of these embedded derivatives amounted to ₱0.02 million gain as of December 31, 2010.

The net movements in fair value changes of the Company's derivative instruments (both freestanding and embedded derivatives) are as follows:

	September 30	December 31
	2011	2010
Balance at beginning of year	₱3,464,104	₱4,147,776
Net changes in fair value during the year	6,575,765	45,755,928
Fair value of settled contracts	(11,745,015)	(46,439,600)
Balance at end of year	(₱1,705,146)	₱3,464,104

The net changes in fair value during the year are included in the "Other income (expenses)" account in the consolidated statements of income.

The fair values of the outstanding derivative assets (liabilities) of the Company as of September 30, 2011 and December 31, 2010 are as follows:

	September 30 2011	December 31 2010
Freestanding	(P1,721,500)	P3,447,750
Embedded	16,354	16,354
	(P1,705,146)	P3,464,104

The fair value amounts of derivative assets are presented under “Other current assets” account in the consolidated balance sheets.

The details of interest and other financial income are as follows:

Interest and Other Financial Income

	For the nine months ended Sept. 30	
	2011	2010
Interest income on:		
Cash in bank	P2,318,527	P27,585
Short-term deposits and investments	20,864,948	22,348,624
Bond	4,719,393	4,763,855
FXTN	7,102,380	7,978,607
Others	236,983	4,075,668
	35,242,231	39,194,339
Net gains (losses) on investments held for trading:		
Amortization of bond premium/discount - net	(4,581,197)	(6,775,059)
Gain (loss) on redemption/sale of investments held for trading	19,608,173	11,536,080
Unrealized loss from changes in fair value of investments held for trading	(12,030,870)	17,847,753
	P38,238,337	P61,803,113

30. Operating Segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum and Mining. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, certain operating expenses and finance-related results are managed on a group basis and are not allocated to operating segments.

	September 30, 2011			Total
	Power	Petroleum and Mining	Adjustments and Eliminations	
Revenue	₱779,307,031	₱7,513	₱56,372,954	₱835,687,498
Results				
Depreciation & amortization	29,219,276	258,266	12,953,650	42,431,192
Loss on sale of property, plant and equipment	-	662	(37,943)	(37,281)
Segment profit (loss)	₱309,268,009	₱75,306,317	(₱45,817,181)	₱338,757,145
Operating assets	₱1,761,620,504	₱135,030,466	₱3,019,534,134	₱4,916,185,104
Operating liabilities	₱411,538,060	₱630,729	₱118,649,432	₱530,818,221
Other disclosure				
Capital expenditure	₱135,299,870	₱4,910	₱2,059,639	₱137,364,419
Disposal of assets	23,399,258	-	-	23,399,258

1. Revenue for each operating segment does not include interest and other financial and rental income amounting to ₱51.64 million and ₱4.73 million, respectively.
2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss, provision for impairment of available-for-sale investment and mark to market gain on derivatives amounting to ₱97.93 million. Other expenses not included in the profit for operating segment amounted to ₱4.30 million.
3. Segment assets do not include cash and cash equivalents, short-term investments and investments held for trading amounting to ₱2.69 billion, receivables and other current assets totaling ₱13.75 million and other noncurrent assets amounting to ₱319.08 million as these are managed on a group basis.
4. Segment liabilities do not include accounts payable and other current liabilities of ₱99.71 million and net deferred income tax liabilities and pension and other post-employment benefits totaling ₱18.94 million.
5. Capital expenditure consists of additions to property, plant and equipment.

	September 30, 2010			
	Power	Petroleum and Mining	Adjustments and Eliminations	Total
Revenue	P659,135,960	P279,611	P73,408,159	P732,823,730
Results				
Depreciation & amortization	23,837,695	440,119	14,514,347	38,792,161
Doubtful accounts	(6,741,771)	-	-	(6,741,771)
Loss on sale of property, plant and equipment	-	-	123,601	123,601
Segment profit (loss)	(P98,361,216)	P7,045,314	P12,303,510	(P79,012,392)
Operating assets	P1,068,102,218	P134,121,146	P2,085,271,162	P3,287,494,526
Operating liabilities	P288,195,951	P171,963	P52,780,209	P341,148,123
Other disclosure				
Capital expenditure	P5,411,410	P3,527	P7,380,553	P12,795,490
Disposal of assets	P9,593	P9,105	P5,549,968	P5,568,666

1. Revenue for each operating segment does not include interest and other financial and rental income amounting to P67.55 million and P5.86 million, respectively.
2. Profit for operating segment does not include general and administrative expenses, foreign exchange loss and mark to market gain on derivatives amounting to P60.02 million. Other income not included in the profit for operating segment amounted to P0.96 million.
3. Segment assets do not include cash and cash equivalents, short-term investments and investments held for trading amounting to P1.65 billion, receivables and other current assets totaling P59.36 million and other noncurrent assets amounting to P373.02 million as these are managed on a group basis.
4. Segment liabilities do not include accounts payable and other current liabilities of P33.88 million and net deferred income tax liabilities and pension and other post-employment benefits totaling P34.84 million.
5. Capital expenditure consists of additions to property, plant and equipment.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Consolidated revenues rose to ₱366.5 million in the third quarter of 2011 from ₱236.5 million in the same period last year. Following are the material changes in revenues in the Consolidated Statements of Income between the third quarter ended September 30, 2011 and 2010:

- The decrease in generation revenues from ₱15.9 million to ₱14.7 million was due to the lower energy sold by Guimaras power plant despite the higher power rates per kilowatt hour (kWh) and the plant's participation in electricity trading beginning March 2011.
- Net trading income of ₱166.9 million was reported in 2011 as compared with ₱29.0 million net trading loss in 2010 due to higher power rates and higher energy sales in kWh. Lower WESM prices in 2011 provided the Company with opportunities to buy electricity at lower prices to supply to its customers. Also, availability of additional plant capacity (PAMA with One Subic Power Generation Corporation or One Subic, and Contract to Purchase Generated Electricity with Sem-Calaca Power Corporation) in 2011 protected the Company from higher WESM prices while providing opportunities to sell excess capacities in the market.
- Interest and other financial income decreased from ₱31.5 million to ₱21.8 million due to lower fair value of investments held for trading.
- Dividend income improved from ₱9.9 thousand to ₱763.3 thousand. Cash dividends were received from Atlas Holdings Corp. in 2011, while none in 2010.
- Rental income decreased from ₱1.7 million to ₱1.2 million due to termination of lease contract where the company is the lessor.
- The drop in the Company's share in revenue on electricity sold of a joint venture to ₱160.3 million from ₱187.0 million was brought about by lower power rate.
- The Company's share in other income of a joint venture rose to ₱888.1 thousand from ₱376.5 thousand due to higher interest income brought about by higher short-term placements.

Consolidated costs and expenses increased to ₱293.2 million in the third quarter of 2011 from ₱230.1 million in the same period last year. Following are the material changes in costs and expenses in the Consolidated Statements of Income between third quarters ended September 30, 2011 and 2010:

- Cost of power generation decreased from ₱13.4 million to ₱11.8 million as a result of lower energy sold in 2011.
- Cost of power plant on standby increased to ₱8.2 million from ₱6.9 million due to higher repairs and maintenance and taxes and licenses in 2011.
- General and administrative expenses rose to ₱112.8 million from ₱38.3 million brought about by higher management and professional fees. Management fees are based on a certain percentage of the Company's operating results. Professional fees include fee paid to ING Bank N. V. as financial adviser in getting AC Energy Holdings, Inc. as a partner in the company's coal project.
- The Company's share in the cost of electricity sold of a joint venture increased to ₱143.1 million from ₱136.7 million as a result of higher fuel cost.
- The increase in the Company's share in general and administrative expenses of a joint venture from ₱5.7 million to ₱17.4 million was brought about by the share in general and

administrative expenses of South Luzon Thermal Energy Corporation (SLTEC) which was incorporated on July 29, 2011.

Other income rose to ₱75.5 million in the third quarter of 2011 from ₱22.3 million in the same period last year. Following are the material changes in other income and expenses in the Consolidated Income Statements between the third quarters ended September 30, 2011 and 2010:

- Net gain on derivatives on its currency forward contracts dropped to ₱1.8 million in 2011 as compared with ₱48.0 million in 2010. This was due to the appreciation of peso vis-a-vis the US dollar in 2010.
- The Company reported foreign exchange gain of ₱2.0 million from its foreign currency denominated financial assets in 2011 as compared with ₱29.0 million loss in 2010. This was brought about by the appreciation of peso vis-à-vis the US dollar in 2010.
- The drop in gain on sale of available-for-sale investments of ₱6.0 thousand from ₱24.7 thousand was due to lower fair value of available for-sale investments.
- The Company reported a ₱37.3 thousand loss on sale of property, plant and equipment in the third quarter of 2011 as compared with ₱0.9 thousand in 2010.
- Loss on sale of inventories of ₱1.7 million was incurred in 2011. This mainly represents the sale of CIPP's bunker fuel inventory to a third party.
- Income from option fee of ₱76.3 million was recognized in 2011. This represents option fees from third parties related to the Company's Camarines Norte MPSA and SC 55.
- The Company wrote-off ₱11.7 million property and equipment. This is the net book value of CIPP's Laguna power plant building which was demolished due to the transfer of the power plant in La Union.
- Equity in net losses of associates amounted to ₱1.5 million was reported in 2011 brought about by net losses incurred by investees, particularly from Maibarara Geothermal, Inc., a 25% associate of the Company which is in preoperating stage.
- Other income of ₱10.2 million was reported in 2011 which is higher than ₱3.3 million in 2010 consisting of miscellaneous income and expenses, the individual components of which are not material in amount and nature.

The Company reported provision for income tax of ₱58.2 million in the third quarter of 2011 due to higher taxable income in 2011. Benefit from deferred income tax of ₱9.4 million was reported in the third quarter of 2011 which represents the tax effect on the appreciation of peso vis-à-vis the US dollar while provision for income tax of ₱13.3 million was reported for the same period last year. Company's share in income tax of a joint venture decreased to ₱98.4 thousand in the third quarter of 2011 as compared with ₱272.8 thousand in the same period last year.

As a consequence of the above-cited factors, net income rose to ₱99.9 million in the third quarter of 2011 as compared with ₱15.2 million in the same period last year.

Consolidated revenues increased to ₱835.7 million in the nine months ended September 30, 2011 from ₱732.8 million in the same period last year. Following are the material changes in revenues in the Consolidated Statements of Income between the nine months ended September 30, 2011 and 2010:

- Net trading revenue of ₱230.4 million was reported in 2011 as compared with ₱135.0 million net trading loss in 2010. Lower WESM prices in 2011 provided the Company with opportunities to buy electricity at lower prices to supply to its customers. Also, availability of additional plant capacity in 2011 protected the Company from higher WESM prices while providing opportunities to sell excess capacities in the market.
- Interest and other financial income dropped to ₱38.2 million from ₱61.8 million due to lower fair value of investments held for trading and interest rates.

- Dividend income improved from ₱7.1 million to ₱15.0 million. Cash dividends were received from Asian Plaza, Inc. amounting to ₱8.7 million in 2011 compared to ₱0.4 million in 2010.
- Rental income decreased to ₱4.3 million from ₱5.2 million due to termination of lease contract where the Company is the lessor, offset by the increase in rental rate per square meter.
- The drop in the Company's share in revenue on electricity sold of a joint venture to ₱501.5 million from ₱613.8 million was brought about by lower power rates and lower energy sold to both WESM and Holcim.
- The Company's share in other income of a joint venture increased to ₱3.7 million from ₱2.2 due to higher interest income from higher short-term placements.

Consolidated costs and expenses dropped to ₱576.5 million in the nine months ended September 30, 2011 from ₱864.7 million in the same period last year. Following are the material changes in costs and expenses in the Consolidated Statements of Income between nine months ended September 30, 2011 and 2010:

- Cost of power generation decreased to ₱34.2 million from ₱35.3 million as a result of lower energy generated despite higher fuel cost per liter.
- Cost of power plant on standby increased to ₱24.1 million from ₱23.6 million due to the increase in taxes and building maintenance and repairs offset by lower labor cost.
- General and administrative expenses rose to ₱216.7 million from ₱118.2 million brought about by higher management and professional fees. Management fees are based on a certain percentage of the Company's operating results. Professional fees include fee paid to ING Bank N. V. as financial adviser in getting AC Energy Holdings, Inc. as a partner in the company's coal project.
- The Company's share in the cost of electricity sold of a joint venture dropped to ₱271.6 million from ₱535.2 million as a result of lower energy generated.
- The increase in the Company's share in general and administrative expenses of a joint venture from ₱17.4 million to ₱29.9 million was brought about by the share in general and administrative expenses of SLTEC which was incorporated on July 29, 2011.

Other income increased to ₱79.6 million in the nine months ended September 30, 2011 from ₱52.9 million in the same period last year. Following are the material changes in other income and expenses in the Consolidated Income Statements between the nine months ended September 30, 2011 and 2010:

- The Company reported a net gain on its currency forward contracts of ₱6.6 million in 2011 as compared with ₱38.0 million in 2010. This was due to higher appreciation of peso vis-a-vis the US dollar in 2010.
- The Company reported a ₱34.6 million receipt of tax credits in the first semester of 2010 which represents the refunds of duties and taxes from the Bureau of Customs arising from the Company's fuel purchases in previous years.
- The Company incurred foreign exchange loss of ₱3.7 million from its foreign currency denominated financial assets in 2011 which is lower than the ₱30.8 million foreign exchange loss in 2010. This was brought about by higher appreciation of peso vis-à-vis the US dollar in 2010.
- The Company reported a ₱4.0 million gain on sale of interest in SC 69 in 2011.
- Loss on sale of available-for-sale investments of ₱1.9 million was incurred in 2011 as compared with ₱55.6 thousand gain in 2010 due to lower market value of investments.
- The Company reported a ₱37 thousand gain on sale of property, plant and equipment in the 2011 as compared with ₱123.6 thousand loss in 2010.
- Loss on sale of inventories of ₱238.4 thousand was reported in 2011 as compared with ₱7.8 million gain in 2010. This mainly represents the sale of CIPP's bunker fuel inventory to a third party.

- Provision for doubtful accounts of ₱6.7 million was reported in 2010.
- Income from option fee rose to ₱76.3 million in 2011 from ₱11.5 million in 2010. This represents option fees received from third parties related to the Company's Camarines Norte MPSA and SC 55.
- Surety bond related charges of ₱6.1 million was reported in 2010 as a result of the Company's participation in a number of biddings of power plants.
- Equity in net losses of associates amounted to ₱5.3 million was reported in 2011 brought about by net losses incurred by investees, particularly from Maibarara Geothermal, Inc., a 25% associate of the Company which is in preoperating stage.
- The Company wrote-off ₱11.7 million property and equipment. This is the net book value of CIPP's power plant building in Laguna.
- Other income of ₱15.3 million was reported in 2011 which is higher than ₱4.6 million in 2010 consisting of miscellaneous income and expenses, the individual components of which are not material in amount and nature.

Provision for income tax rose from ₱9.8 million in 2010 to ₱100.3 million in 2011 due to higher taxable income in 2011. Provision for deferred income tax decreased to ₱1.6 million in the nine months ended September 30, 2011 from ₱9.1 million for the same period last year due to the tax effect of the appreciation of peso vis-à-vis the US dollar in 2011. Company's share in income tax of a joint venture decreased to ₱625.5 thousand from ₱831.0 thousand.

As a consequence of the above-cited factors, a net income of ₱236.3 million was reported in the nine months ended September 30, 2011 as compared with a net loss of ₱98.7 million in the same period last year.

Total consolidated assets rose to ₱4.9 billion as of September 30, 2011 from ₱3.43 billion as of December 31, 2010. Total consolidated liabilities also increased from ₱387.4 million to ₱530.8 million. Equity improved from ₱3.05 billion to ₱4.39 billion.

Following are the material changes in the accounts in the Consolidated Balance Sheets between September 30, 2011 and December 31, 2010:

- Cash and cash equivalents improved to ₱1.7 billion from ₱880.8 million. The Consolidated Statements of Cash Flows show details of material changes in cash and cash equivalents.
- Investments held for trading increased from ₱872.7 million to ₱1.1 billion. The Consolidated Statements of Cash Flows show the details of materials changes in investments held for trading.
- Receivables rose from ₱220.0 million to ₱463.1 million mainly due to the increased trading revenues.
- The increase in fuel and spare parts from ₱27.3 million to ₱50.4 million was brought about by the increase in the quantity of bunker fuel purchased coupled with higher fuel cost per liter. In 2011, the Company maintains bunker fuel inventories for the Subic power plant under its PAMA with One Subic.
- Other current assets decreased to ₱50.7 million from ₱79.6 million brought about by assignment of the CIPP's Tax Credit Certificates issued by the Bureau of Customs to a third party fuel supplier.
- The Company's share in current assets of a joint venture rose from ₱295.1 million to ₱510.8 million. The latter includes Company's share in current assets of SLTEC.
- Property, plant and equipment increased from ₱489.3 million to ₱551.8 million due to additional equipment purchase and transfer of CIPP power plant.
- Investments in associates rose to ₱121.6 million from ₱39.8 million due to additional investment in Maibarara Geothermal, Inc. in the nine months ended September 30, 2011.

- Available-for-sale investments decreased from ₱205.1 million to ₱193.4 million due to lower market value of investments.
- Investment property decreased from ₱23.1 million to ₱21.6 million due to depreciation incurred during the period.
- Other noncurrent assets decreased to ₱331.7 thousand from ₱47.2 million due to the reclassification of the deposit for the purchase of land for the coal power plant to receivables.
- The Company's share in noncurrent assets of a joint venture declined to ₱117.0 million from ₱167.2 million due to depreciation expenses.
- The increase in accounts payable and other current liabilities from ₱194.5 million to ₱347.1 was brought about by higher trade purchases.
- Income and withholding taxes payable increased from ₱4.2 million to ₱53.1 million due to higher income tax in the nine months ended September 30, 2011.
- The Company's share in current liabilities of a joint venture fell from ₱134.7 million to ₱69.2 million brought about by settlement of trade and nontrade payables.
- Pension and other post-employment benefits increased from ₱10.6 million to ₱13.8 million due to additional pension expense accrued in the nine months ended September 30, 2011.
- Deferred tax liabilities increased from ₱23.8 million to ₱28.02 million due to the tax effect of the reversal of deferred tax asset on the use of NOLCO and MCIT.
- Capital stock rose to ₱2.8 billion from ₱1.7 billion mainly due to issuance of stocks related to the Company's stock rights offering in May 2011.
- Additional paid-in capital increased from ₱54.7 million to ₱74.5 million. The latter includes Company's share in additional paid-in capital of SLTEC.
- The decrease in unrealized fair value gains on available-for-sale investments to ₱62.2 million from ₱71.8 million was due to lower market value of the said investments.
- The Company's share in unrealized fair value gains on financial assets of a joint venture decreased to ₱10.4 million from ₱13.2 million brought about by the lower market value of the joint venture's financial assets.
- Retained earnings improved to ₱1.4 billion from ₱1.2 billion due to income earned in the nine months ended September 30, 2011.
- Parent company shares of stock held by a joint venture increased from ₱3.9 million to ₱7.3 million brought about by the exercise of the joint venture of its stock rights.

The top five (5) key performance indicators of Trans-Asia and its majority-owned subsidiaries, as consolidated, are the following:

$$1. \quad \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current ratio increased to 8.01:1 as of September 30, 2011 from 6.96:1 as of December 31, 2010. Although both current assets and current liabilities increased as of September 30, 2011, current assets increase was 60.95% from the prior year balance as compared to the corresponding 39.81% increase in current liabilities between 2011 and 2010.

$$2. \quad \text{Current Assets to Total Assets} = \frac{\text{Current Assets}}{\text{Total Assets}}$$

The ratio of current assets to total assets improved from 0.69:1 as of December 31, 2010 to 0.78:1 as of September 30, 2011. Total current assets increased mainly due to

the increase in cash and cash equivalents brought about by the stock rights offering in May 2011.

3. Debt/Equity Ratio =
$$\frac{\text{Total Liabilities}}{\text{Equity}}$$

Debt/equity ratio decreased slightly from 0.13:1 as of December 31, 2010 to 0.12:1 as of September 30, 2011. Both total liabilities and equity increased as of September 30, 2011 as compared to December 31, 2010, however, equity increase is significantly higher due to the Company's stock rights offering.

4. Rate of return on equity =
$$\frac{\text{Net Income}}{\text{Average Equity}}$$

The rate of return on stockholders' equity rose from negative 3.23% in the nine months ended September 30, 2010 as compared to 6.36% in the nine months ended September 30, 2011 due to net income earned in 2011.

5. Earnings per share =
$$\frac{\text{Net Income less Preferred Stock Dividend}}{\text{Average No. of Common Shares Outstanding}}$$

Earnings per share was ₱0.11 for the nine months ended September 30, 2011 as compared with negative ₱0.06 in the same period in 2010 brought about by net income earned in 2011.

During nine months ended September 30, 2011, other than those already disclosed and/or discussed in this report:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- The Company had two (2) reportable segments namely: petroleum and mining exploration and power business. The fund placements are incidental to the Company's petroleum and mining exploration and power generation activities arising from management of the Company's funds. The exploration costs are shown as "deferred exploration costs" in the consolidated balance sheets.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements other than those already disclosed in this report and/or in the accompanying financial statements. The Company had not been involved in any business combinations, acquisition of subsidiaries and long-term investments, restructuring and discontinuing operations except for the investment of the Company in the SLTEC, a joint venture with AC Energy Holdings, Inc. (formerly Michigan Power, Inc.).
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material contingencies and any other events or transactions that occurred that were material to an understanding of the current interim period.
- There were no operations subject to seasonality and cyclicity.
- 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 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 were no events that trigger direct or contingent financial obligation that was material to the Company.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period.

PROGRESS REPORT
For the Quarter, July 1, 2011 to September 30, 2011

OIL PRODUCTION

SC 14 B-1 North Matinloc (Northwest Palawan)

The North Matinloc field produced 4,564 barrels of oil during the quarter, bringing cumulative production since resumption of operations in February 2009 to 64,789 barrels

Trans-Asia holds 6.103% participating interest in the SC 14 North Matinloc block.

OIL EXPLORATION

SC 6 Block A (Northwest Palawan)

Pitkin Petroleum Plc of the U.K. and the SC 6 Block A consortium signed on July 11, 2011 a Farm-in Agreement and a Deed of Assignment assigning 70% participating interest in the block to the former. In exchange for the assignment of interest, Pitkin shall carry the consortium members in a 500 sq. km. 3D seismic program and the drilling of two (2) wells.

Upon approval of the Deed of Assignment by the Department of Energy, Trans-Asia's 7.78% participating interest in SC 6 Block A will be reduced to 2.334%.

SC 6 Block B (Northwest Palawan)

Pursuant to the Farm-in Agreement dated February 4, 2011 between Peak Oil and Gas, Blade Petroleum and VenturOil (farminees), on one hand, and the SC 6 Block B farmout parties, on the other, a Deed of Assignment and an amendment thereto was finalized for execution. Under the Farm-in Agreement, the farminees shall carry the farmout parties (including Trans-Asia) in all costs up to first oil production.

Upon approval of said Deed and its amendment, Trans-Asia's 14.063% participating interest in SC Block 6 Block B will be reduced to 4.2189%.

SC 51 (East Visayas)

The Department of Energy approved the consortium's entry into exploration Sub-Phase 4 (July 31, 2011 to July 31, 2012) and the consortium's request to substitute a minimum 100-km onshore 2D seismic program in lieu of a well, as work commitment for said Sub-Phase .

Trans-Asia owns 6.67% participating interest in SC 51.

SC 55 (Ultra Deepwater West Palawan)

Documentation of BHP Billiton's farm-in into SC 55 progressed.

Trans-Asia has 6.82% participating interest in SC 55.

SC 69 (Camotes Sea)

A Perth-based contractor continued processing of the recently acquired 229 sq. km. of 3D seismic data.

The Department of Energy approved the assignment of 9% and 15% participating interests of Trans-Asia in SC 69 to its partner, NorAsian Energy Philippines, Inc. and Frontier Gasfields Pty. Ltd. (Australia), respectively. The transfer of 15% interest to Frontier is subject to execution by Frontier, Trans-Asia and NorAsian of a Deed of Assignment, Consent and Release ("Deed").

With the realignment of interests, and subject to execution of the Deed, Trans-Asia's participating interest in SC 69 is reduced to 6%.

GEOHERMAL ENERGY DEVELOPMENT

Maibarara Geothermal Service Contract (Batangas/Laguna)

Third party validation of resource assessment was completed by a New Zealand consulting company. The study indicated that there is 90% probability that the proven field reserves could support a power plant with 28 MW or higher capacity for 25 years.

Trans-Asia signed an Electricity Supply Agreement with Maibarara Geothermal Inc. (MGI) under which Trans-Asia will purchase the entire net power plant output over a 20-year period at an agreed price, subject to certain adjustments.

MGI signed the following agreements :

1. Engineering, Procurement and Construction (EPC) contract for a 20 MW power plant, with EEI Corporation.
2. Remote Monitoring System and Technical Advisory Service Agreement for the aforementioned power plant, with Fuji Electric of Japan.
3. Omnibus Loan and Security Agreement for a PhP 2.4 billion loan facility, with Rizal Commercial Banking Corporation and Bank of the Philippine Islands.

Trans-Asia owns 25% equity in Maibarara Geothermal, Inc.

MINERALS

MPSA 252-2007-V Camarines Norte

Trans-Asia and Investwell Resources, Inc. finalized an agreement for the assignment of Trans-Asia's MPSA to the latter.

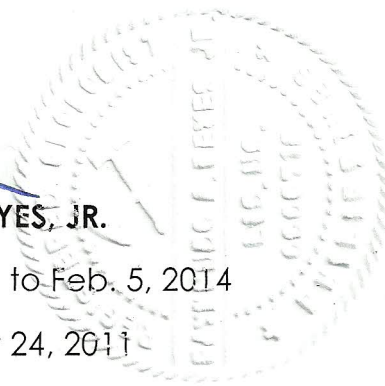
WASTE HEAT RECOVERY

Trans-Asia, Geopower Energy Ltd. (Australia) and Thor Energy Ph. Inc. entered into a Memorandum of Agreement on July 25, 2011 providing for joint assessment of opportunities for commercialization of energy generated by waste heat resources in the country.

Certified Correct:



RAYMUNDO A. REYES, JR.
Geologist No. 716
PRC License Valid to Feb. 5, 2014
PTR No. 2690518
Issued on January 24, 2011
at Makati City



Signed in the presence of:

ANNEX C

Reports on SEC Form 17-C

The Company filed the following reports on SEC 17-C during the third quarter ended September 30, 2011 covered by this report:

Date of Filing	Items Reported
July 1, 2011	<p>Please be informed that the Department of Energy (DOE) approved the transfer of 8.18% participating interest of Trans-Asia in SC 55 to NorAsian Energy Limited pursuant to the Deed of Assignment between the two parties dated February 3, 2011.</p> <p>With the DOE's approval of the assignment, the participating interest of Trans-Asia in SC 55 was reduced to 6.82%</p> <p>In consideration of the aforementioned transfer of interest, NorAsian will pay for Trans-Asia's share of expenditures in the second well under SC 55. NorAsian will also shoulder Trans-Asia's share of expenditures in the first well under SC 55, pursuant to our earlier agreement.</p>
July 5, 2011	<p>Please be informed that Trans-Asia Oil and Energy Development Corporation signed today a contract to supply electricity to Batangas II Electric Cooperative, Inc. for six (6) months.</p>
July 5, 2011	<p>Please be informed that the SC 55 consortium notified the Department of Energy today of its election to enter the 4th Sub-Phase of Service Contract No. 55.</p> <p>With said election, the consortium committed to drill a deepwater well in the contract area no later than 4 August 2011.</p> <p>Trans-Asia has 6.82% participating interest in SC 55.</p>
July 11, 2011	<p>Please be informed that Trans-Asia and its co-contractors in Service Contract No. 6 Block A (the "Farmors") signed today a Farm-in Agreement and a Deed of Assignment with Pitkin Petroleum Plc. of England assigning 70% of the participating interest of the Farmors in the block to the latter.</p> <p>In exchange for the transfer of participating interest, Pitkin Petroleum shall undertake a 500 sq. km. 3D seismic program and drill two (2) wells in the area at its sole cost and risk.</p>

Trans-Asia currently has 7.78% participating interest in the block.

The assignment of interest is subject to the approval of the Department of Energy.

July 25, 2011

Please be informed that Trans-Asia, Geopower Energy Limited (Australia) and Thor Energy Ph. Inc. (Philippines) entered into a Memorandum of Agreement today providing for joint assessment of opportunities for commercialization of energy generated by waste heat resources in the Philippines.

Prospective sites identified by the group include industrial smelters, cement and glass manufacturing plants, power stations and geothermal fields.

July 27, 2011

Please be informed that Trans-Asia Gold and Minerals Development Corporation (“Trans-Asia gold”), wholly-owned subsidiary of Trans-Asia, signed today a Memorandum of Agreement and a Deed of Transfer with Lian Ju Mining Corporation (“Lian Ju”), transferring Trans-Asia Gold’s Exploration Permit Application with the Mines and Geosciences Bureau denominated as EXPA 000084 II covering a certain area in Isabela, to Lian Ju.

The transfer of the aforementioned exploration permit application is subject to the approval of the Mines and Geosciences Bureau.

August 3, 2011

Please be informed the Ms. Bennette D. Bachoco has resigned as Senior Vice President-Finance of Trans-Asia Oil and Energy Development Corporation effective today.

August 12, 2011

Please be informed that Trans-Asia Oil and Energy Development Corporation signed today an Electricity Supply Agreement with Holcim Philippines, Inc. for the supply of electricity by Trans-Asia to Holcim’s cement plant in Norzagaray, Bulacan and Bacnotan, La Union, valid for fifteen (15) years commencing in 26 December 2013.

September 1, 2011

Please be informed that Ms. Mariejo P. Bautista has assumed the position of Vice President – Controller of Trans-Asia Oil and Energy Development Corporation effective today.

September 16, 2011

Please be informed that Trans-Asia signed today an Electricity Supply Agreement (the "ESA") with Maibarara Geothermal, Inc. (MGI), for the offtake of the entire output of MGI's planned 20 MW geothermal power plant in Sto. Tomas, Batangas.

The ESA, which covers a 20-year period, stipulates that Trans-Asia will purchase all the electricity output of said power facility at an agreed price, subject to certain adjustments.

The power plant is expected to start commercial operation in September 2013.

Trans-Asia is a licensed Wholesale Aggregator.