COVER SHEET

38683

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Reynaldo E. Nazarea

Contact Person

631-8151

Company Telephone Number

0 3	3 1
Month	*Day*

SEC Form 17-Q (March 2022)

FORM TYPE

0 6	1 6
Month	*Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

8541

Total No. of Stockholders

Total Amount of Borrowings

P0.00	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES.

1. For the quarterly period ended March 31, 2022

2. SEC Identification Number: 38683

3. BIR Tax Identification No.: 000-315-612-000

4. Exact name of registrant as specified in its charter: THE PHILODRILL CORPORATION

5. Philippines 6. ______________ (SEC Use Only)
Province, Country or other Industry Classification Code
jurisdiction of incorporation or organization

7. 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of principal office Postal Code

8. (632) 631-8151/52
Registrant's telephone number, including area code

9. Not Applicable

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

Number of Common Stock Outstanding
191,868,805,358

Amount of Debt Outstanding

Total Loans Payable ₱ 0.00

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [x] No [ ]

12. Check whether the issuer

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 1st quarter ended 31 March 2022 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.

2. Interim Statements of Operations for the current interim period (01 January to 31 March 2022), with comparative Statement of Operations for the comparable period (01 January to 31 March 2021) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 31 March 2022), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 31 March 2021) are attached to this report.

4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 31 March 2022), as well as the basis of computation thereof.

5. The Company's interim financial report for the 1st quarter 2022 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.

6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 31 March, 2022) as compared with the most recent annual financial statements (2021), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.

7. There were NO seasonal or cyclical aspects that had a material effect on the financial condition or results of interim operations of the Company.

8. There were NO unusual items during the interim period (01 January to 31 March 2022), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.

9. There were NO changes in the estimates of amounts reported in prior financial year (2021), which had a material effect in the current interim period (01 January to 31 March, 2022).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to March 31, 2022).

11. For the period January 1 to March 31, 2022, NO cash dividends were declared by the Board of Directors.

12. The Company does not generate revenues from a particular segment and its business is not delineated into segments, whether by business or geography. The Company is not required to disclose segment information in its financial statements.

13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to March 31, 2022) that have not been reflected in the financial statements for said interim period.

14. There were NO changes in the composition of the Company during the interim period (January 1 to March 31, 2022) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.

15. The Company has NO contingent liabilities or contingent assets as of its last annual balance sheet date (December 31, 2021) and as of end of current interim period (March 31, 2022), EXCEPT those disclosed in Note 25 to the Company's 2021 Audited Financial Statements.

16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to March 31, 2022).

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

Financial Performance

Total revenues for the first quarter ended March 31, 2022 increased by ₱12.4 million or 20% to ₱73.0 million from ₱60.7 million for the same period last year. Petroleum revenues increased by ₱16.6 million or 33% to ₱66.3 million from ₱49.7 million for the same period last year. The increase was brought mainly by the increase in crude prices for the first quarter of 2022 as compared to the same period last year. The combined gross production decreased to 143,935 barrels for the first quarter ended March 31, 2022, from 152,701 barrels produced for the same period last year. The average price per barrel increased to $94.00 for the period ended March 31, 2022 as compared to $64.42 for the same period last year. Equity in net earnings of associates increased by ₱0.7 million. Interest income decreased by ₱0.14 million. For the first quarter ended March 31, 2021, gain on sale of investments was booked amounting to ₱4.5 million.

Total costs and expenses net of foreign exchange gains/losses increased by ₱1.8 million from ₱54.4 million for the first quarter of 2021 to ₱56.2 million for the first quarter of 2022.

Operating costs increased by 11%. Foreign exchange gain amounted to ₱5.1 million for the first quarter of 2022 as compared to ₱3.3 million for the same period last year. The

company's net income after tax amounted to ₱3.0 million for the first quarter of 2022 as compared to ₱6.3 million for the same period last year.

The Company's top five (5) key performance indicators are as follows:

	March 31 , 2022	December 31, 2021
Current Ratio	*13.81 : 1*	*15.81 : 1*
Current Assets	634,281,073	606,731,491
Current Liabilities	45,940,989	38,388,308
Debt to Equity Ratio	*0.03 : 1*	*0.03 : 1*
Total Liabilities	88,902,324	80,113,988
Stockholders Equity	3,015,158,188	3,013,703,270
Equity to Debt Ratio	*33.92 : 1*	*37.62 : 1*
Stockholders Equity	3,015,158,188	3,013,703,270
Total Liabilities	88,902,324	80,113,988
Book Value per Share	*0.0157*	*0.0157*
Stockholders Equity	3,015,158,188	3,013,703,270
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	*0.000016*	*0.000033*
Net Income (Loss)*	3,039,110	6,331,208
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to March 31*

The current ratios as of December 31, 2021 and March 31, 2022 are 15.81:1 and 13.81:1, respectively. The Company's current assets exceeded its current liabilities by ₱588.3 million and ₱568.3 million as of March 31, 2022 and December 31, 2021, respectively. The "Financial assets at fair value through other comprehensive income (FVOCI)" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of ₱80.6 million as of March 31, 2022 and ₱82.0 million as of December 31, 2021. If these shares would be considered part of Current Assets, the recomputed current ratio would be 15.56:1 as of March 31, 2022 and 17.94:1 as of December 31, 2021.

Total assets increased from ₱3.093 billion as of December 31, 2021 to ₱3.104 billion as of March 31, 2022. Cash and cash equivalents reflected a net increase of ₱39.6 million or 14% due to the collection of company's share in Galoc revenues. Receivables decreased by ₱18.5 million. Crude oil inventory increased by ₱6.9 million or 31% due to higher price of crude oil on storage as of March 31, 2022. Other current assets decreased by ₱0.5 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱11.3 million to ₱319.8 million as of March 31, 2022 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI decreased by ₱1.4 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱5.6 million due to additional project costs. Deferred tax assets decreased by ₱13.4 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities increased by ₱8.8 million from ₱80.1 million as of December 31, 2021 to ₱88.9 million as of March 31, 2022.

Stockholders' equity increased by ₱1.4million from ₱3.014 billion as of December 31, 2021 to ₱3.015 billion as of March 31, 2022. For the first quarter, an adjustment for the decline in value of financial assets at FVOCI of ₱1.4 million in the valuation reserve of the company's listed stock investments was booked. As of March 31, 2022, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱30.1 million as compared to ₱28.6 million as of December 31, 2021. The company's retained earnings amounted to ₱1.312 billion as of March 31, 2022 as compared to ₱1.309 billion as of December 31, 2021.

The Company has a majority-owned subsidiary, Philodrill Power Corporation (PPC) (formerly Phoenix Gas & Oil Exploration Co., Inc.). The Company acquired 100% of its capital stock in May 2007. Since PPC has NOT yet started commercial operations, disclosure on performance indicators are as follows:

	March 31, 2022	December 31, 2021
Current Ratio	*190 :1*	*190 :1*
Current Assets	8,511,974	8,511,974
Current Liabilities	44,800	44,800
Debt to Equity Ratio	*0.005 :1*	*0.005 :1*
Total Liabilities	44,800	44,800
Stockholders' Equity	8,467,174	8,467,174
Equity to Debt Ratio	*189 :1*	*189 :1*
Stockholders' Equity	8,467,174	8,467,174
Total Liabilities	44,800	44,800
Book Value per Share	*0.0006771*	*0.0006771*
Stockholders Equity	8,467,174	8,467,174
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	-	-
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

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

1. There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have material impact on the Company's liquidity. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:

   a) collecting a portion of Accounts Receivables;
   b) selling a portion of its existing investments and assets;
   c) generating cash from loans and advances; and

d) issuing subscriptions call on the balance of the subscriptions receivable.

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

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, EXCEPT those disclosed in Note 25 to the Company's 2021 Audited Financial Statements.

4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from: operations, collection of subscriptions and other receivables, and from loans/financing, or to avoid incurring these expenditures altogether by way of farm-outs.

5. There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income of the Company from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

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

   Cash and cash equivalents reflected a net increase of ₱39.6 million or 14% mainly due to the collection of the company's share in Galoc revenues and restatement of dollar denominated accounts.

   Receivables decreased by ₱18.5 million or 6% due to the collection of trade receivables as of end of the interim period.

   Crude oil inventory increased by ₱6.9 million or 31% due to the higher price of crude oil on storage as of end of the interim period.

   Other current assets decreased by ₱0.5 million due to the amortization of prepaid expenses booked during the interim period.

   Property and equipment reflected a decrease of ₱11.3 million to ₱319.8 million as of March 31, 2022 due to the booking of depletion and depreciation costs.

   Financial assets at FVOCI decreased by ₱1.4 million or 2% due to the adjustment in the valuation reserve of the company's listed stock investments.

   Deferred tax assets decreased by ₱13.4 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱7.3 million increase due to the project cash call payments received from joint venture partners during the interim period.

Income tax payable reflected an increase of ₱0.2 million due to the accrual of income tax during the interim period.

Retirement benefit liability increased by ₱1.2 million or 7% mainly due the booking of additional pension liability as of the end of the interim period.

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2021 amounted to ₱28.6 million. For the interim period, ₱1.4 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of March 31, 2022, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱30.1 million.

The company's retained earnings amounted to ₱1.312 billion as of March 31, 2022 as compared to ₱1.309 billion as of December 31, 2020. The increase of ₱3.0 million was due to the net income booked for the first quarter of 2022.

Petroleum revenues increased by ₱16.6 million or 33% to ₱66.3 million from ₱49.7 million for the same period last year due to higher crude price. The gross production decreased to 143,935 barrels for the first quarter ended March 31, 2022 from 152,701 barrels produced for the same period last year. The average price per barrel increased to $94.00 for the period ended March 31, 2022 as compared to $64.42 per barrel for the same period last year.

Equity in net earnings of associates increased by ₱0.7 million due to the higher level of income booked by affiliates.

Interest income decreased by ₱0.14 million from ₱2.8 million to ₱2.7 million for the first quarter ended March 31, 2022.

Gain on sale of investments was booked during the first quarter of 2021 amounting to ₱4.5 million.

Foreign exchange gain amounted to ₱5.1 million for the first quarter of 2022 as compared to foreign exchange loss of ₱3.3 million for the same period last year.

Share in costs and operating increased by ₱4.6 million or 11% due to higher level of production costs accrued during the first quarter of 2022.

Net income amounted to ₱3.0 million for the first quarter of 2022, as compared to ₱6.3 million for the same period last year.

8. There are NO seasonal aspects that had material effect on the financial condition or results of operations.

Item 3. Management's Assessment and Evaluation of Financial Risk Exposures

A. Financial Instruments

Since there were NO financial assets reclassified into and from each category, disclosures on the following are:

a. The financial assets reclassified into and from each category; - Not Applicable

b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods;- Not Applicable

c. For financial assets reclassified in rare circumstances, the facts that would establish such kind of circumstances; -Not Applicable

d. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods;- Not Applicable

e. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized;-Not Applicable

f. As at date of reclassification, the effective interest rates and estimated cash flows that the company expects to recover. – Not Applicable

Fair Values of Financial Instruments

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Consolidated Unaudited March 2022	Consolidated Unaudited March 2022	Consolidated Unaudited March 2021	Consolidated Unaudited March 2021
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	324,263,394	324,263,394	290,090,733	290,090,733
Advances to related companies	226,870,564	226,870,564	223,339,601	223,339,601
Accrued interest receivables	28,444,783	28,444,783	28,462,736	28,462,736
Other noncurrent assets	9,242,274	9,242,274	8,702,950	8,702,950
Accounts with partners, others	44,786,455	44,786,455	1,899,847	1,899,847

Financial assets at FVOCI	80,583,931	80,583,931	91,101,960	91,101,960
	714,191,401	**714,191,401**	**643,597,827**	**643,597,827**
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	29,597,706	29,597,706	29,429,441	29,429,441
Dividends payable	33,129,215	33,129,215	33,135,462	33,135,462
	62,726,921	**62,726,921**	**62,564,903**	**62,564,903**

Quoted AFS investments are carried at fair value based on the quoted values of the securities.
B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables (except accounts with contract operators and advances to officers and employees), financial assets at FVOCI, other noncurrent assets, accounts payables and accrued liabilities (except withholding taxes) and dividends payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risks, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit risks
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short term investments, receivables and financial assets at FVOCI, advances to related parties, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.

As of March 31, 2022, all of the outstanding trade receivable is from the SC14 C-1 consortium. For SC14 C-1 consortium, the operator has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production. The operator also negotiated for the sale of future Galoc cargoes to exclusive buyer Trafigura Pte Ltd. through Vitol Asia which started in May 2019.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	Unaudited balances as of March 31, 2022
Loans and receivables	

Cash and cash equivalents	324,263,394
Advances to related companies	226,870,564
Accounts with contract operators and partners	44,786,455
Accrued interest	28,444,783
Other noncurrent assets	9,242,274
Financial assets at FVOCI	80,583,931
Gross maximum credit risk exposure	714,191,401

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2022 based on the Group's credit evaluation process:

			Past due but not impaired				
	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	1-30 days	31-90 days	Over 90 days	Impaired Financial Assets	Total
Loans and receivables							
Cash and cash equivalents	324,263,394						324,263,394
Advances to related companies	220,740,000				1,376,801	4,753,762	226,870,564
Accounts with partners	44,786,455						44,786,455
Accrued interest	12,278,347					16,166,436	28,444,783
Other noncurrent assets	9,242,274						9,242,274
Financial assets at FVOCI	80,583,931						80,583,931
Total	691,894,401				1,376,801	20,920,198	714,191,400

Credit quality of cash and cash equivalents, receivables and AFS financial assets are based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default. However, the Group cannot declare any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity risk

Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the aging analyses of the Group's financial assets as of March 31, 2022 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total

Cash and cash equivalents	324,263,394	0	324,263,394
Receivables			
Advances to related parties		226,870,564	226,870,564
Accounts with partners	44,786,455	0	44,786,455
Accrued interest	2,459,600	25,985,183	28,444,783
Other noncurrent assets	9,242,274	0	9,242,274
AFS financial assets	80,583,931	0	80,583,931
	461,335,654	252,855,747	714,191,401

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilities and dividends payable based on contractual undiscounted payments.

	Less than three months	Three to twelve months	Total
March 31, 2022	62,726,921		62,726,921

Market Risk
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and equity price.

Foreign currency risk
Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents and receivables. The Parent Company's entire share in petroleum operations revenue is denominated in United States Dollar (USD). Consequently, the Group is exposed to foreign exchange risk arising from its USD-denominated receivables and cash and cash equivalents.

As of March 31, 2022, the exchange rate of the Philippine peso to the US$ is ₱51.74 to US$1.00.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets at FVOCI.

PETROLEUM PROJECTS

SERVICE CONTRACT NO. 6A (Octon)
The final approval of the surrender of the Service Contract (SC) remains pending with the Department of Energy (DOE). In a recent communication, The Philodrill Corporation (Philodrill) was advised by the DOE that the surrender of the SC is still being reviewed by their Finance and Legal Divisions before it can be endorsed to the Undersecretary and then to the DOE Secretary for approval.

The nomination and application for a new SC over the same area under the Philippine Conventional Energy Contracting Program (PCECP) are on hold until the surrender of SC6A has been approved and the contract area is declared open by the DOE.

Meantime, Philodrill continues to prepare and collate the necessary technical, financial, and legal documents of the Joint Venture (JV) Members that will be required for the nomination/application of a new SC. With PetroEnergy opting not to participate in the nomination/application of the new SC, the JV, moving forward with the application/nomination will be composed of Philodrill, Alcorn, Anglo, Forum, and PXP. The levels of Participating Interests (PI) are yet to be finalized. Though, it is expected that Philodrill will assume a significant PI (> 70%) should the rest of the JV members opt to assume their previous PI in the old SC.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)

Following Manta Oil Corp.'s (MOC) withdrawal from the SC, its 70% withdrawn PI was reassigned pro-rata to the remaining members as provided in the Joint Operating Agreement (JOA). The operatorship of the SC reverted to Philodrill and the JV decided to designate Nido Petroleum Phil. Pty. Ltd. (Nido) as the technical operator to progress the redevelopment plan for Cadlao.

On the 10th of February, Nido entered into a Farmin Agreement (FIA) with the rest of the JV. Under the FIA, Nido is acquiring an additional 63.637% to bring its PI to 72.72%. This is in consideration of Nido funding 100% of costs and operating the planned Phased Redevelopment of the Cadlao Oil Field. Phase 1 will entail the drilling and Extended Well Test (EWT)of Cadlao-4 while Phase 2 will entail full-field redevelopment with the drilling of additional infill production wells and the installation of permanent facilities.After the divestment of PI under the FIA, Philodrill will maintain a significant level of participation in the SC at 17.4546%.

Joint Venture Member	Participating Interest	
	Pre-FIA	Post-FIA
Philodrill	58.182%	17.4546%
Nido	9.090%	72.727%
Oriental	16.364%	4.9092%
Alcorn	8.182%	2.4546%
Forum	8.182%	2.4546%
TOTAL	100.000%	100.000%

The 2022 Work Program and Budget (WP&B) was submitted to the DOE on the 31st of January but the DOE advised that it would defer the approval of the WP&B until the JV has complied with the requirements for the transfer and assumption of MOC's withdrawn interest as prescribed under DOE DC 2007-04-003, "Guidelines and Procedures for the Transfer of Rights and Obligations in Petroleum Service Contracts".

In a meeting on 24 February, the JV members agreed that instead of going through multiple DOA processes to reassign MOC's 70% PI before submitting another DOA for the FIA with Nido, the JV will proceed directly to the latter. Nido also proposed to revise the WP&B to increase the Firm Component to accelerate the preparation for drilling in the 2nd half of 2022

including committing to a geophysical site survey and initial drilling and EWT planning for Cadlao-4 and resubmitting the revised WP&B to the DOE for approval.

The Deed of Assignment (DOA) resulting from the FIA was executed by the JV Members on 14 March 2022 and will be submitted to the DOE, together with the required legal, technical, and financial documents, for approval.

The proposal for the Drilling and EWT of Cadlao-4 is also being finalized for submission to the DOE. Under the proposal, the drilling of the Cadlao-4 appraisal well is tentatively scheduled in Q4 2022 and will immediately be followed by an EWT for six months or until 10% of the 2C reserves have been produced, whichever comes first. The gross resource estimate of the remaining oil in Cadlao is shown in the table below:

Summary of Gross Contingent Resource for the Cadlao Field Redevelopment (MMstb)		
1C	2C	3C
4.5	6.2	8.2

A geophysical site survey over Cadlao is being scheduled for April 2022. The survey will dovetail with the similar surveys in SC54 and SC74 of Nido and Forum respectively to save on mob/demob costs and to ensure the availability of the survey vessel. The preparation of an Environmental Impact Assessment (EIA) for the Environmental Compliance Certificate (ECC) with the Department of Environment's Environmental Management Bureau (DENR-EMB) will also be done to ensure a smooth transition from the EWT to full-field redevelopment.

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

The DOE continues to review the technical, financial, and legal aspects of the surrender of the SCs before making the formal approval.

SERVICE CONTRACT NO. 14C-1 (Galoc)

At the end of Q1, the average daily production from the field is at 1,615 bopd. Q1 2022 total production was 145,365 barrels bringing the field's Total Cumulative Gross Field Production to 23,562,498 bbls. The last offtake from the field, Cargo Palawan 071, at the end of February involved a total volume of 144,933 bbls. The next offtake, Cargo 072, is tentatively scheduled for the end of May with a targeted volume of 150,000 bbls.

In 2021, the actual field production decline rate was at 10%, higher than forecasted decline due to the lower than anticipated cyclical production rate of Galoc-3. For 2022, the Operator is forecasting a decline rate of 7%. The 2022 production plan forecast, with an average oil rate of 1500 bopd, incorporates the observed better performance of the G5 & G6 wells. The G3 well which is expected to cease flow in June 2022 is also considered in the new plan forecast.

For the first two months of 2022, the OPEX remains on track with the forecast. A significant increase in OPEX is expected when the March budget has been accounted for/closed and in August due to insurance payments.

The anticipated Galoc field life remains unaffected by the unsuccessful outcome of the 2021 Gas Lift Operations to bring the G4 back to production. The production from the G5 and G6 wells forms the base case of the Galoc reserve evaluation. Improved performance from these wells has been observed since 2019, coinciding with the G4 shut in. The G5 oil decline has slowed while the G6 Gas to Oil Ratio (GOR) has been observed to have also slowed down. These observations are indications that reservoir fluid and pressure at the G4 well are being redistributed to G5 and G6 as the wells are located within the same drainage proximity in a closed system. It is anticipated that the G5 and G6 wells are likely to recover 100% or more of the remaining volume from G4.

Nido Petroleum Galoc (NPG), continues to manage the remaining production wells (G3, G5, and G6) in line with the End of Field Life (EOFL) management strategy.

The G3 well's latest cycle in Q1 2022 has been shortened to less than half a day open, with an average oil rate of 35 BOPD, compared to its initial cyclic flow of 300 BOPD in 2019. NPG has been managing the cyclic production of the well until it ceases to flow.

Two choke optimizations with well tests were conducted in Q4 2021 and Q1 2022 on the G5 and G6 wells. The well tests result showed that the absence of a secondary gas cap reinforces the conservation of the gas energy as the essential reservoir management plan to maximize Galoc's tail end production. During the well tests, choke optimizations were also done to identify optimal choke sizes for optimal oil production and conservation of gas energy. The results suggested that the current choke sizes are in optimum condition for oil and gas production.

Well Modelling using Nodal Analysis was undertaken to determine the well cessation dates. The well performances in 2021 exhibited a higher decline in field GOR than in the 2019 dynamic model prediction. This, combined with the absence of a secondary gas cap means that there is decreasing energy in the Galoc reservoir to continue natural lifting. These all indicate that the connected oil volume in the reservoir is not as extensive as predicted in the 2019 dynamic model and that this model is no longer a valid base case for the Galoc reserve.

The PROSPER well modelling software, an analytic approach to well modelling, was used to calibrate well models with the latest well performance from the choke optimization and well tests of Q4 2021 and Q1 2022. The objective of the study was to determine the No Further Action (NFA) well deliverability and cease flow regime/conditions (water cut, GOR, and well pressures BHP and THP) under natural lift conditions and also to study the possibility to extend well life with gas lift. The PROSPER results were then applied to the production profile in the Decline Curve Analysis (DCA) forecast to estimate the well cessation date.
As a further due diligence step in the reserves evaluation, ERCE, an independent reserves auditor, update THE 2019 GAP model of NPG with the latest results from the PROSPER work as assumptions. GAP is an integrated production modelling that includes the topside facilities as input to enable a full spectrum well simulation to assess the end of well life.

The ERCE validation work using the GAP model concurred with the NPG well cessation date beyond the license expiry date in December 2025 indicating Galoc EOFL in 2026, 2028, 2029 based on the Low. Mid, High reserves case scenarios.

The works to reinstate the Floating Production Storage and Offloading (FPSO) Intrepid Balanghai CLASS status is continuing. The current CLASS certificate is valid until April 30, 2022,with monthly renewals until the required CLASS works are completed. The permanent registration of the FPSO under Panama flag was completed last December 7, 2021.COT 4C/3C and Cargo Pump room repair were completed in December 2021.WBT 2P repair was completed last February 22, 2022. WBT 2S repair commenced on March 4 and is expected to complete on May 7, 2022.

The reported leak on the Phase 2 production swivel has been temporarily addressed by directing the leakage fluid to COT 1P via a new 1" by-pass tubing. This has been in place since March 9 and is under close monitoring. A more permanent solution will be in place by installing a crossover spool to direct the P2 production fluids to FPSO via the P1 production swivel, bypassing the P2 swivel. This new crossover spool was fabricated last March 28 and will be air-freighted to Manila in early April. Installation of this spool will require a 1-2 day production shutdown, which will be executed on a mutually agreed date between NPG & T60. The estimated cost for the above two solutions is approximately USD 30,000.

The existing mooring hawser system purchased in 2009 and put into service in 2013 is approaching its intended service life. NPG contacted the hawser manufacturer (BEXCO) which indicated that NPG should be able to continue using the hawser provided an inspection is done before every offtake (normal operation procedure). BEXCO also recommended repairing the damaged sheath and T60 is currently coordinating with them on the process and materials required. This work is expected to be completed before offtake #72 in May. This will yield substantial savings from the original budget of USD 100,000 in WPB 2022 (contingent) for the replacement of the hawser.

The work activities for the conduct of the Underwater Inspection in Lieu of Drydocking (UWILD) for the FPSO Intrepid Balanghai are also ongoing. All cargoes of the required equipment are expected to clear customs by the 15th of April. Quayside mobilization is expected to commence right after, followed by a 3-week offshore campaign till early May 2022.

SERVICE CONTRACT NO. 14C2 (West Linapacan)

The technical assessment and review of the West Linapacan B (WLB) field conducted by ERCE on behalf of Philodrill was completed on January 25. A final report that incorporates both Phase 1 (technical resource assessment) and Phase 2 (formulation of a conceptual development strategy and economic analysis) was submitted to Philodrill.

Phase I of the WLB modelling study, completed in October 2021 gave the following results:

STOIIP (MMstb)	**P90**	**P50**	**P10**	**Mean**
ERCE (2021)	11.0	22.0	40.4	24.3
Philodrill (2021)	14.2	36.8	83.2	44.5
GIIP (Bcf)	**P90**	**P50**	**P10**	**Mean**
ERCE (2021)	1.6	3.4	6.2	3.7
Philodrill (2021)	2.4	5.9	12.6	6.9

EUR, Oil (MMstb)	P90	P50	P10	Mean
ERCE (2021)	0.5	1.2	2.3	1.3

ERCE's lower resource volumes are primarily due to differences in the fluid contact, net-to-gross, and porosities used. Their technical Estimated Ultimate Recovery (EUR) shown in the table above is based on a recovery factor range of 3-7% from the nearby West Linapacan A (WLA) well analogues.

ERCE notes that reservoir quality is poorer and fractures are less prevalent at WLB compared to WLA based on their petrophysical review and image log analysis. Due to the low recoverable oil volumes predicted (0.5 – 2.3 MMstb), they advise that a stand-alone development for WLB would not be economically viable.

A takeaway from the Phase I work is the apparent need to undertake a seismic velocity study in the area to improve upon the base case resource evaluation, given the uncertainties in the existing velocity model. This is being evaluated for possible inclusion in the forward program for the block. The indicative cost for this is USD 17,500.

For Phase 2, ERCE formulated an appraisal/conceptual development strategy and performed an economic analysis of resource and joint development scenarios of WLA and WLB. The following Technical Recoverable Resources for the two fields were used:

Field	Technically Recoverable Resources (MMstb)		
	Low	Best	High
WLA	1.0	2.3	4.9
WLB	1.0	2.1	3.3
Total	2.0	4.4	8.2

Two development options plus a potential sensitivity case were used:

Option	Description	Tree	Artificial Lift	Power Controls	Peak Rate (kstb/d)	CAPEX (USD MM, Q4 2021 Real)	OPEX (USD MM, Q4 2021 Real)
1	Full Well Stream Tie Back to Galoc	Wet	Common subsea pump	Umbilical from Galoc	10 (2 wells) 15 (3-4 wells)	255.8	20.4
2A	New FPSO (Conversion/ Redeployment)	Wet	None	From FPSO	10 (2 wells) 15 (3-4 wells)	241.2	49.9
2B	Relocate Galoc FPSO to West Linapacan	Wet	None	From FPSO	10 (2 wells) 15 (3-4 wells)	248.2	28.8

The base oil price scenario with prices escalated at 2% per annum:

ERCE (Base Case) Brent Assumptions (USD/Bbl)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032 +
Real (Constant $, 2022)	75	70	66	66	66	66	66	66	66	66	66
Nominal ($ of the day)	75	71	69	70	71	73	74	76	77	79	+ 2.0% pa

Additional assumptions used:

- The "High" case for the Oil rate type curve of WLB used in the economic analysis will not match the best performing wells in WLA due to less permeability and less pay.
- The "Best" and "High" cases for the Oil rate type curves of WLB assume that there is a good perforation job and that the Gas-Oil Ratio is maintained at 900 scf/bbl throughout field life. The "Low" Oil rate case assumes encroachment from the gas cap of WLB.
- CAPEX and OPEX have been determined in 2021 real terms and inflated at a 2% inflation rate.

Based on the estimated resources and selected development options, the results of the economic evaluation were as follows:

- Economic Evaluation (based on ERCE price deck)

West Linapacan	Economic Limit (Year)	Gross Resources Oil & Condensate (MMstb)	Net WI Resrouces Oil & Condensate (MMstb)	Net Entitlement Resources Oil & Condensate (MMstb)	Net NPV 0% (US$MM)	Net NPV 5% (US$MM)	Net NPV 10% (US$MM)	Net NPV 15% (US$MM)	Net NPV 20% (US$MM)
Low, Option 1	2022	-	-	-	(98.5)	(90.5)	(83.5)	(77.4)	(72.0)
Best, Option 1	2022	-	-	-	(61.3)	(59.6)	(57.6)	(55.4)	(53.3)
High, Option 1	2028	8.029	2.254	2.095	0.3	(10.8)	(18.5)	(23.8)	(27.4)
Low, Option 2A	2022	-	-	-	(70.1)	(63.3)	(57.5)	(52.5)	(48.3)
Best, Option 2A	2022	-	-	-	(40.9)	(38.4)	(36.1)	(34.1)	(32.3)
High, Option 2A	2027	7.769	2.181	2.003	19.5	9.7	2.6	(2.6)	(6.4)
Low, Option 2B	2022	-	-	-	(59.6)	(54.8)	(50.6)	(46.9)	(43.7)
Best, Option 2B	2022	-	-	-	(23.9)	(24.9)	(25.4)	(25.4)	(25.3)
High, Option 2B	2027	7.769	2.181	1.954	33.0	20.3	11.0	4.2	(1.0)

- Break-even Price Analysis

Breakeven	Economic	Gross Resources	Net WI Resrouces	Net Entitlement Resources	Net NPV					Breakeven
	Limit	Oil & Condensate	Oil & Condensate	Oil & Condensate	0%	5%	10%	15%	20%	Real
West Linapacan	(Year)	(MMstb)	(MMstb)	(MMstb)	(US$MM)	(US$MM)	(US$MM)	(US$MM)	(US$MM)	(US$/bbl)
Low, Option 1	2026	1.993	0.560	0.500	21.2	9.0	-	(6.7)	(11.7)	294.30
Best, Option 1	2027	4.360	1.221	1.093	22.2	9.4	(0.0)	(7.0)	(12.2)	140.84
High, Option 1	2028	8.029	2.254	2.095	28.4	11.9	0.0	(8.5)	(14.7)	78.42
Low, Option 2A	2026	1.993	0.560	0.504	12.3	5.2	0.0	(3.9)	(6.8)	222.14
Best, Option 2A	2026	4.239	1.190	1.090	13.0	5.5	(0.0)	(4.1)	(7.1)	103.21
High, Option 2A	2027	7.769	2.181	2.016	15.6	6.6	0.0	(4.8)	(8.2)	63.80
Low, Option 2B	2026	1.993	0.560	0.504	13.0	5.5	0.0	(4.1)	(7.2)	204.30
Best, Option 2B	2026	4.239	1.190	1.076	13.5	5.7	0.0	(4.2)	(7.4)	95.96
High, Option 2B	2027	7.769	2.181	2.008	16.5	6.9	(0.0)	(5.0)	(8.7)	56.61

- Minimum Economic Volume Analysis

Min. Economic Volume	Economic	Gross Resources	Net WI Resrouces	Net Entitlement Resources	Net NPV					Min. Economic Vol
	Limit	Oil & Condensate	Oil & Condensate	Oil & Condensate	0%	5%	10%	15%	20%	Oil & Condensate
West Linapacan	(Year)	(MMstb)	(MMstb)	(MMstb)	(US$MM)	(US$MM)	(US$MM)	(US$MM)	(US$MM)	(MMstb)
Low, Option 1	2026	8.889	2.495	2.231	21.2	9.0	-	(6.7)	(11.7)	8.889
Best, Option 1	2027	9.283	2.606	2.332	22.2	9.4	0.0	(7.0)	(12.2)	9.283
High, Option 1	2028	9.540	2.678	2.489	28.4	11.9	0.0	(8.5)	(14.7)	9.540
Low, Option 2A	2026	6.709	1.883	1.698	12.3	5.2	(0.0)	(3.9)	(6.8)	6.709
Best, Option 2A	2026	6.628	1.861	1.705	13.0	5.5	(0.0)	(4.1)	(7.1)	6.628
High, Option 2A	2027	7.511	2.108	1.948	15.6	6.6	(0.0)	(4.8)	(8.2)	7.511
Low, Option 2B	2026	6.171	1.732	1.559	13.0	5.5	-	(4.1)	(7.2)	6.171
Best, Option 2B	2026	6.163	1.730	1.565	13.5	5.7	0.0	(4.2)	(7.4)	6.163
High, Option 2B	2027	6.663	1.870	1.722	16.5	6.9	(0.0)	(5.0)	(8.7)	6.663

The 2022 Work Program and Budget was submitted to the DOE on the 15th of February 2022. The WP&B's firm component of USD 87,660 will cover the technical studies that will be undertaken to continue to assess and fully understand the feasibility of the joint development of West Linapacan A & B and the administrative management of the SC. A contingent budget of USD 35,400 for a seismic velocity study was also included.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)

Philodrill continued to coordinate with the NCIP for the application of CNO/CP for the SC 53 project areas, Progreso and Cambayan. The application documents for the CNO/CP for the planned Progreso-2 drilling project, along with the DOE's endorsement letter, were submitted to the NCIP Region IV-B office via courier last November 17. Delivery has been confirmed through the courier service but the receipt of the documents is yet to be acknowledged by the NCIP Region IV-B office.

A ZOOM meeting was heldwith the NCIP Region IVB officers last February 17 to discuss the CNO/CP application. An overview of the company and the proposed drilling projects for the Progreso/Cambayan application areas were presented. As directed during the meeting, Philodrill submitted by courieron March 11, 2022, additional SEC-certified documents and a Project Profile to the Region 4B office in Cubao, as well as to their satellite office in Calapan, Oriental Mindoro.

Philodrill, , together with the personnel from the DOE-ERDB and the NCIP Region IVB office, met with Mr. Bangday Umnan, leader of "Samahang Buhid sa Magsasaka" of Oriental

Mindoro on March 21, 2022. Mr. Umnan requested to be apprised of the status of the Service Contract concerning the Buhid tribes' First Priority Rights (FPR) over the natural resources that are to be found at their Ancestral Domain in the mountains of Bulalacao and Mansalay, Oriental Mindoro. The concern was addressed by NCIP's Mr. Reynante Luna, Provincial Officer for Oriental Mindoro, who clarified that Philodrill's current CNO/CP application only covers the Progreso, San Jose area, and Cambayan area to the south that are outside of the ancestral domain of the BuhidsaMagsasaka. Mr. Luna further clarified that only the Cambayan area has a potential overlap with an Ancestral Domain and this is with that of the Hanunoo and Hagura tribes.

The NCIP subsequently issued the work order for the Field-Based Investigation (FBI) of the CNO/CP Application of Philodrill. A pre-FBI meeting is being scheduled for April 5 to discuss the requirements of the FBI process and the work and financial plans.

The Retainer Agreement with Atty. Arturo Maulion, which expired on 25 March 2022, was extended for another twelve (12) months. The services of Atty. Angel Gahol, former counsel for the JV, was also engaged to secure the final resolution of the Famatodi case so that the DOE can lift the Force Majeure status of the SC.

During Q1, Philodrill completed the test reprocessing and image enhancement of key seismic lines over at the Progreso Gas Prospect. Two seismic processing contractors, Browse Energy and Ray Speed Solution, worked on the same key seismic lines. The work of both contractors resulted in a significant uplift in the quality of the seismic data. Based on the test reprocessing results, Philodrill may consider having the remaining 2D Lines (2009 P353) reprocessed and some vintage paper seismic sections image-enhanced as this will be helpful in the subsequent planning of the Progreso-2 well. This will entail amending the approved 2022 WP&B.

Philodrill, as directed by the DOE, coordinated with several companies on their application areas, for wind energy projects, which overlaps with the SC. This is in line with the DOE's mandate and the government's desire to optimize the development of natural resources, for which simultaneous utilization of different resources within the same area under the "multi-use" concept is encouraged. Philodrill entered into mutual Non-Disclosure Agreements with these companies and issued a Letters of No Objection to their application subject to general rules that:

1. Prior right must be respected; the subsequent developer recognizes and shall continue to recognize the existence of the prior rights of the existing applicants and/or developers thereon; and
2. The government may give preference to the resource/project that would provide the best beneficial use if simultaneous utilization is technically impossible during the development stage.

Philodrill also responded to the request by SJA Business Consultancy & Liaison Services to grant permission for a submarine cable crossing that intersects the eastern offshore sector of the SC.It is in the area of the Domestic Submarine Cable Network Project of the consortium of Globe Telecom Inc., InfiniVAN Inc., and Eastern Telecoms for which a Notice of No Objection was already issued by Philodrill last November to BenLines Agency representing

the marine vessel conducting the survey. Since the projects are the same, a similar Notice of No Objection was issued to SJA.

The marine vessel that will conduct the domestic submarine cable surveys offshore Mindoro, MTug "CHRISTIANSSEN II" was severely damaged by Typhoon Odette and is beyond repair so it will now be replaced by the survey vessel "SWIBER RUBY" to conduct the work for the project. The revised survey schedule for the segments that will cross SC 53 will be on May 18-22, 2022, and June 23-24, 2022.

SERVICE CONTRACT NO. 74 (Linapacan)

The DOE, in a letter dated December 24, 2021, approved the 2022 WP&B of SC 74.It has a firm commitment of USD 362,566.20. The main technical work was the engagement of an independent contractor, ERCE, to conduct a third-party technical review and resource assessment of the Linapacan A & B fields and other nearby prospects and leads. ERCE will commence its evaluation and resource calculation over the Linapacan fields this February 2022. They will also define a combined development concept with the West Linapacan field and calculate the project economics. The study will take about two months to complete.

Philodrill did not pose any objection to PXP's request to build the technical review upon the results of ERCE's SC 14C2 West Linapacan B Study. It was requested, however, that Philodrill should be advised if the results of the SC 74 study show a significant impact on the results of the West Linapacan study.

On 14 February 2022, during the Phase 1 update meeting, ERCE discussed with PXP the challenges of developing the Linapacan A and B Fields and the South Linapacan Lead. Based on their review, Linapacan A is not advisable to develop due to immobility of oil, low initial reservoir pressure, and presence of very sour gas with extremely high H2S and CO2 measurements. This type of oil will be hard to process as removing the impurities will require the installation of additional equipment. Linapacan B has very sour gas and demonstrated movable oil with slight H2S but is still very viscous.

On South Linapacan, ERCE said this is not closing towards the south based on their mapping. Thus, they are requesting additional 2D data passing through the lead to fully map its extent, verify trap and seal risks of hydrocarbon, and enable them to proceed with the resource calculation in the area. PXP has checked its database and is currently in contact with the DOE for additional data over the South Linapacan area. ERCE's Chance of Success (COS) of 16% given to the Lead is close to PXP'sCOS of 15% in the optimistic case.

As a way forward, ERCE presented 3 potential workflows:

	Fields	Development Concept	Impact on ERCE project above normal scope
Option 1	• Linapacan B • South Linapacan	• Produce Oil & Gas from Linapacan B • Produce Oil from South Linapacan	• Additional information requested to quantify the size of the structure at South Linapacan • Upon checking of PXP, only 1 vintage seismic line is traversing South Linapacan while 2 are adjacent. All lines are very poor in

			quality.
Option 2	• Linapacan B	• Produce Oil & Gas from Linapacan B	• None • ERCE would complete work on quantifying the value of tying Linapacan B into the previously scoped West Linapacan A & B development.
Option 3	• No Further Work	• West Linapacan A &B	• None • ERCE would cease work and write a short rep[ort documenting the challenges in developing Linapacan A&B

Initial interpretation of the available seismic lines loaded in Kingdom and the scanned paper seismic lines showed the Top Linapacan LS being truncated by the Base Carcar unconformity on the SE of the South Linapacan. On 14 March 2022, the five (5) available segy files and screenshots of the 2D scanned lines from the DOE-EDCP were sent to ERCE for their evaluation. To reduce the risk of structural mapping mechanism, ERCE recommended vectorizing at least 3 lines - OP138X, 93D 114, and SP 102. In the end, PXP decided not to push through with the scanning of the 2D vintage seismic lines over the South Linapacan and, instead focus on theevaluation of the Linapacan B Field. The decision was made due to the trapping mechanism risk identified over the South Linapacan, and time constraints considering that the Sub-Phase 3 of SC 74 is expiring in September 2022.

PXP's meeting with the DOE to present the results of the 2021 Work Program scheduled for the middle of March has been postponed and has yet to be rescheduled.

SC Training Funds

In the latter part of January 2022, the DOE requested the settlement of the uncollected Training Funds for all the active SCs. Philodrill's share on these outstanding training fund amounts, based on its records as follows:

SC No.	TF @ 100%	Philodrill's Share (USD)
SC 6B (Bonita)	203,056.67	107,664.84
SC 14C1 (Galoc)	446,887.01	33,724.11
SC 14C2 (West Linapacan)	220,000.00	38,221.34
SC 53 (Mindoro)	157,878.00	125,261.28
SC 74	150,149.20	37,537.30

Philodrill, together with the other Operators requested the DOE for some leeway in the settlement of these obligations. For its operated SCs, SC 6B, SC 14C2, and SC 53 Philodrill requested the settlement of these obligations through 6 equal quarterly installments that will begin in March 2022. However, in a letter dated March 3 which was received on March 15, the DOE denied the request, and the JVs were given 30 days from receipt of the letters to remit the payments.

Cash calls have been issued to the different JVs and once remitted, Philodrill will settle the TF obligations with the DOE.

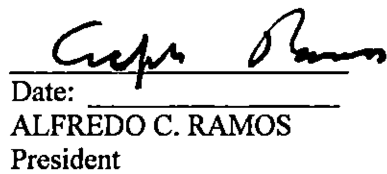
PART II – OTHER INFORMATION

There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 31 March 2022).

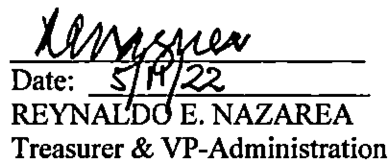
SIGNATURES

Pursuant to the requirements of Securities Regulation Code, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By:



Date: ____________
ALFREDO C. RAMOS
President



Date: 5/17/22
REYNALDO E. NAZAREA
Treasurer & VP-Administration

THE PHILODRILL CORPORATION
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SEC FORM 17Q

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THE PHILODRILL CORPORATION

Consolidated Statements of Financial Position

	(Unaudited) March 31 2022	(Audited) December 31 2021
ASSETS		
Current Assets		
Cash & cash equivalents	324,263,394	284,671,154
Receivables	279,181,604	297,676,638
Crude oil inventory	29,032,932	22,087,998
Other current assets	1,803,143	2,295,701
Total Current Assets	634,281,073	606,731,491
Noncurrent Assets		
Property and equipment - net	319,827,063	331,132,271
Investments - Associates	846,236,080	842,476,859
Financial assets at fair value through other comprehensive income	80,583,930	82,011,591
Deferred oil exploration and development costs	1,014,206,051	1,008,620,175
Deferred tax assets	197,734,039	211,193,497
Other noncurrent assets	11,192,274	11,651,374
Total Noncurrent Assets	2,469,779,437	2,487,085,767
TOTAL ASSETS	3,104,060,510	3,093,817,258
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	12,558,374	5,228,428
Income tax payable	253,400	30,665
Dividends payable	33,129,215	33,129,215
Total Current Liabilities	45,940,989	38,388,308
Noncurrent Liability		
Non current portion of provision for plug and abandonment costs	25,396,556	25,396,556
Retirement benefit liability	17,564,779	16,329,125
Total Noncurrent Liabilities	42,961,335	41,725,681
TOTAL LIABILITIES	88,902,324	80,113,988
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,270,502	1,568,270,502
Subscribed	350,417,551	350,417,551
Subscriptions receivable	(175,208,110)	(175,208,110)
Paid in capital from sale of treasury	1,624,012	1,624,012
Share in other comprehensive income of an associate	26,480,535	26,480,535
Unrealized loss on decline in value of financial assets at FVOCI	(30,062,720)	(28,635,059)
Remeasurement loss on retirement benefit liability	(38,373,698)	(38,373,697)
Retained Earnings	1,312,010,116	1,309,127,537
Total Equity	3,015,158,188	3,013,703,270
TOTAL LIABILITIES AND EQUITY	3,104,060,512	3,093,817,258

THE PHILODRILL CORPORATION

Consolidated Statements of Comprehensive Income

	January 1 to March 31 2022	January 1 to March 31 2021
PETROLEUM REVENUE	66,325,089	49,715,101
COSTS AND EXPENSES		
Share in costs and operating	(46,636,393)	(42,021,274)
Plug and abandonment costs	0	0
General and administrative	(14,750,349)	(15,669,626)
	(61,386,742)	(57,690,900)
OTHER INCOME (CHARGES)		
Equity in net earnings of associates - net	3,759,221	3,066,689
Interest income	2,708,308	2,849,690
Foreign exchange gains	5,142,129	3,284,076
Others	232,468	5,036,109
	11,842,126	14,236,564
INCOME (LOSS) BEFORE INCOME TAX	16,780,473	6,260,765
PROVISION FOR (BENEFIT FROM) INCOME TAX	13,741,364	(70,443)
NET INCOME	3,039,109	6,331,208
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized recovery (loss) on financial assets at FVOCI	(1,427,661)	12,894,932
TOTAL COMPREHENSIVE INCOME	1,611,448	19,226,140

Earnings (loss) per share was computed as follows:

	2022	2021
Net income (loss)	3,039,109	6,331,208
Weighted average no. of shs	191,868,805,358	191,868,805,358
Income (Loss) per share	0.000016	0.000033

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to March 31 2022	January 1 to March 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	3,039,109	6,331,208
Adjustments for:		
Depletion, depreciation and amortization	11,893,641	14,992,118
Equity in net losses (earnings) of associates - net	(3,759,221)	(3,066,689)
Operating loss before working capital changes	11,173,529	18,256,637
Decrease (increase) in:		
Receivables	27,280,797	54,459,143
Crude oil inventory	(6,944,934)	(49,715,101)
Other current assets	279,628	260,080
Increase (decrease) in accounts payable and accrued expens	(435,686)	(7,247,785)
Increase (decrease) in retirement benefits liability	1,235,654	1,235,654
Net cash from (used in) operating activities	32,588,989	17,248,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of AFS financial assets	0	0
Reductions in (additions to):		
Property and equipment	(588,433)	(384,241)
Deferred oil exploration and development costs	(5,585,876)	(3,458,468)
Advances to affiliated companies - net	(741,000)	(507,000)
Other noncurrent assets	13,918,559	113,827
Net cash from (used in) investing activities	7,003,249	(428,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividend payable	0	(2,273)
Net cash from (used in) financing activities	0	(2,273)
NET INCREASE (DECREASE) IN CASH	39,592,238	16,817,863
CASH, BEGINNING	284,671,154	273,272,869
CASH, ENDING	324,263,393	290,090,732

THE PHILODRILL CORPORATION

Consolidated Statement of Changes in Equity

	March 2022	March 2021
CAPITAL STOCK - P0.01 par value		
Authorized -	200 billion shs	200 billion shs
Issued		
Balance at the beginning of year	1,568,270,502	1,568,018,150
Issuances for the period	0	252,352
Balance at end of first quarter	1,568,270,502	1,568,270,502
Subscribed		
Balance at the beginning of year	350,417,551	350,668,572
Issuances for the period	0	(252,352)
Balance at end of first quarter	350,417,551	350,416,220
Subscriptions receivable		
Balance at the beginning of year	(175,208,110)	(175,334,254)
Collection of subscriptions receivable	0	126,176
Balance at end of first quarter	(175,208,110)	(175,208,078)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Acquisition	0	0
Balance at end of first quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(28,635,059)	(32,509,624)
Adjustments	(1,427,661)	12,894,932
Balance at end of first quarter	(30,062,720)	(19,614,692)
Share in other comprehensive income of an associate		
Balance at the beginning of year	26,480,535	43,398,972
Acquisition	0	0
Balance at end of first quarter	26,480,535	43,398,972
Remeasurement loss on retirement benefit liabiltiy		
Balance at the beginning of year	(38,373,698)	(40,794,875)
Acquisition	0	0
Balance at end of first quarter	(38,373,698)	(40,794,875)
Retained Earnings		
Balance at the beginning of year	1,308,971,005	1,524,683,765
Cash dividend	0	0
Net income (loss) for the period	3,039,109	6,331,208
Balance at end of first quarter	1,312,010,114	1,531,014,973
Total Stockholders' Equity	3,015,158,187	3,259,107,037

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	749,884	292,427	505,356		536,954		536,954
	749,884	292,427	505,356	0	536,954	0	536,954

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/
Name of Issuing Entity and Description of Investment	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Accrued from Investments Not Accounted for by the Equity Method
Investments in associates-at equity									
Penta Capital Investment Corp.	1,600,000	347,039,060	3,006,600				1,600,000	350,045,660	
Penta Capital Holdings, Inc.	300,000	78,331,860	752,621				300,000	79,084,481	
Atlas Consolidated Mining and Development Corporation	19,000,000	417,105,939					19,000,000	417,105,939	
		842,476,859	3,759,221	0	0	0		848,236,080	0
Amount shown under the caption "Available For Sale Investments"									
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
Vulcan Industrial & Mining Corp.	3,100,000	4,080,876					3,100,000	4,080,876	
Oriental Petroleum & Mining Corp.	2,460,800,000	31,230,745					2,460,800,000	31,230,745	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
Shang Properties	202,000	651,076					202,000	651,076	
		110,646,651	0	0	0	0		110,646,651	0
less-allowance for decline in market value		(28,635,060)				(1,427,661)		(30,062,720)	
		82,011,591	0	0	0	(1,427,661)	0	80,583,931	
		924,488,450	3,759,221	0	0	(1,427,661)		926,820,011	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	169,000,000	169,000,000
National Book Store, Inc.	50,999,000	51,740,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,376,801	1,376,801
	226,129,563	226,870,563
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	221,375,801	222,116,801

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,161,253,641	492,453			1,161,746,094
Office condominium units and improvements	18,961,929				18,961,929
Office furniture, fixtures and equipment	8,015,015	95,980			8,110,995
Transportation equipment	13,887,100	0			13,887,100
	1,202,117,685	588,433	0	0	1,202,706,118

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	835,840,362	11,505,277			847,345,639
Office condominium units and improvements	13,752,856	136,777			13,889,633
Office furniture, fixtures and equipment	7,706,130	50,553			7,756,683
Transportation equipment	13,686,067	201,033			13,887,100
	870,985,414	11,893,641	0	0	882,879,055

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	1,008,620,175	5,585,876			0	1,014,206,051
	1,008,620,175	5,585,876	0	0	0	1,014,206,051

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE FIRST QUARTER ENDED MARCH 31, 2021

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	200,000,000,000	156,827,050,247	35,041,621,971	0	1,544,192,666	190,324,479,552

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE FIRST QUARTER ENDED MARCH 31, 2022

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & items in litigation
a) Trade recevlables									
1) Account with contract operator	44,329,273	44,329,273							
less allowance for doubtful accounts	0								
2) Account with partners	72,008		72,008						
Net Trade Receivables	44,401,281	44,329,273	72,008	0	0	0	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	28,444,783	801,139	1,550,592	3,802,500	6,124,116			16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Account with officers and employees	536,954		292,427	244,527					
3) Advances to related companies	226,870,564			51,740,000	169,000,000			6,130,564	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
4) Others	385,174		385,174						
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	235,317,277	801,139	2,228,193	55,787,027	175,124,116	0	0	1,376,802	0
Net Receivables	279,718,558	45,130,412	2,300,201	55,787,027	175,124,116	0	0	1,376,802	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Accounts Receivable	Nature/Description	Collection Period
a) Trade receivables		
1) Account with contract operator	share in crude oil revenue net of share in production costs	30 days
b) Non-trade receivables		
1) Accrued interest receivable	interest receivable on advances	
2) Account with officers and employees	other advances to officers and employees	
3) Advances to related companies	loans and advances to related parties	

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
MARCH 31, 2022

Profitablity Ratios:	March 2022	December 2021
Return on assets	0.10%	1.17%
Return on equity	0.10%	1.21%
Gross profit margin	29.69%	7.90%
Net profit margin	25.30%	12.47%
Liquidity Ratios:		
Current ratio	13.81 :1	15.81 :1
Quick ratio	13.14 :1	15.17 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.03 :1	1.03 :1
Debt to equity ratio	0.03 :1	0.03 :1

Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

Basis of Consolidation

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, derecognizes the related assets (including goodwill), liabilities is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities ,non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognized separately inthe assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not

recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is measured at its acquisition date fair value, and any resulting gain or loss is recognized in the statement of profit or loss and other comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value, with changes in fair value recognized in the statement of profit or loss and other comprehensive income in accordance with PFRS 9. If the contingent consideration is not within the scope of PFRS 9, it is measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for any NCI and the acquisition-date fair value of any previously held interest, (aggregate consideration transferred) over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognizing a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if all of the criteria are met.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework.*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use.*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract.*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter.*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities.*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements.*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current.*
- PFRS 17, *Insurance Contracts.*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

  These amendments will be applied in the future transactions when applicable.

Current versus Non-current Classification

The Group presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within 12 months after the reporting period, or
- There is unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term investments made for varying periods of up to 3 months or less depending on the immediate cash requirements of the Group that are readily convertible to a known amount of cash and subject to an insignificant of changes in value.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as determined under PFRS 15, *Revenue from Contracts with Customers.*

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

The Group's financial assets include financial assets at amortized cost and FVOCI.

- Financial assets at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  The Group's financial assets at amortized cost include cash and cash equivalents, receivables and other financial assets under "Other current assets" and "Other noncurrent assets".

- Financial assets designated at fair value through OCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group considers a financial asset as past due when contractual payments are over 90 days. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For financial assets such as advances to related parties, accrued interest, accounts with partners, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.

- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired

financial instruments.

b. Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

The Group's financial liabilities at amortized cost include trade and other payables, advances from a related party and lease liabilities. The Group did not have financial liabilities at fair value through profit or loss as at December 31, 2021 and 2020.

After initial recognition, financial liabilities at amortized cost which include interest-bearing loans and borrowings, are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities
simultaneously.

Fair Value Measurement
The Group measures financial assets at FVOCI at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible tothe Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business at the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Interest in Joint Arrangements

The Group undertakes a number of business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

Joint Operation

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

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Crude Oil Inventory

Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory based on Platt's Dubai monthly average of the mid-day crude oil prices for the reporting month plus the arithmetic average of Upper Zakkum and Arab Extra Light and is adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.).The share in the ending crude oil inventory is not recognized as revenue and charged against share in costs and operating expenses.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including import duties, non refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Wells, platforms, and other facilities are depleted on a field basis under the unit-of-production (UOP) method based upon estimates of proved developed reserves except in the case of assets whose useful life is shorter than the lifetime of the field,

in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

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

Category	Number of Years
Office condominium units and improvements	20
Transportation equipment	5
Furniture and fixtures	5
Office equipment	3

Depletion and depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depletion and depreciation ceases when an item of property and equipment is fully depleted or depreciated or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

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

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

Investments in Associates

Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Generally, investment holding at least 20%to 49% of the voting power of an investee is presumed to have significant influence. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The investment in associates are accounted using equity method. Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and a non-controlling interest (NCI) in the subsidiaries of joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Deferred Oil Exploration Costs

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

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

All such capitalized costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss and other comprehensive income.

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

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

When proved reserves of oil and gas are identified and development is sanctioned by management, the relevant capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to oil and gas properties. Other than license costs, no amortization is charged during the exploration and evaluation phase. For exchanges/swaps or parts of exchanges/swaps that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognized.

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

Farm-ins and Farm-outs

In the exploration and evaluation (E&E) phase

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

Outside the E&E phase

The Group derecognizes the proportion of the asset that it has sold to the farmee. It also recognizes the consideration received or receivable from the farmee, which represents the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor. It also recognizes a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. Recognition of a gain would be appropriate only when the value of the consideration can be determined reliably. If not, then the carried party should account for the consideration received as a reduction in the carrying amount of the underlying assets. The Group tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired. The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is measured in accordance with the requirements for determining the transaction price in PFRS 15.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation

multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the
asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Deferred Oil Exploration Costs
An impairment review is performed, either individually or at the cash generating unit (CGU) level, when there are indicators that the carrying amount of the deferred oil exploration costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided in the reporting period in which this is determined. Deferred oil exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- the period for which the entity 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;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

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

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

Subscription Receivable
Subscription receivable pertains to the uncollected portion of the subscribed capital stock which reduces the outstanding balance of capital stock.

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

Earnings (Loss) per Share
Basic earnings (loss) per share is computed by dividing net income (loss) attributable to ordinary equity holders to the Parent Company by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends,stock splits or reverse stock splits during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to ordinary equity holders to the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

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

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

Revenue Recognition
Revenue from Contracts with Customers
Revenue from sale of petroleum is recognized at a point in time when the control of the goods has transferred from the Consortium Operator of the joint arrangement to the customer, which is typically upon delivery of the petroleum products to the customers. Revenue is measured at amount that reflects the consideration to which the Group is entitled in exchange of those goods, which is the fair value of the consideration received, excluding discounts and other sales taxes or duty. The Group has generally concluded that it is the principalin its revenue arrangements.

Under the terms of the relevant joint operating agreements, the Group is entitled to its participating share in the sale of petroleum products based on the Group's participating interest. The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements.*

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

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

OCI
OCI comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

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

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

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

Provision for P&A costs
The Group records the present value of estimated costs of legal and constructive obligations required to restore oil fields in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells and platforms, and dismantling operating facilities. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related oil assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income under "Accretion expense". Additional disturbances or changes in P&A costs will be recognized as additions or charges to the corresponding assets and provision for decommissioning when they occur.

Where decommissioning is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous decommissioning work at each end of the reporting period and the cost is charged to the consolidated statement of income. For closed oil fields, changes to estimated costs are recognized

immediately in the consolidated statement of income.

The ultimate cost of decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in oil reserves or production rates. As a result, there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

Decommissioning fund committed for use in satisfying environmental obligations are included under "Other noncurrent assets" in the consolidated statement of financial position.

Retirement Benefit Liability

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Taxes

Current Income Tax

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest 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 no reverse in a foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

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

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

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable closing functional currency exchange rate at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the consolidated statement of income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on transaction of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

Segment Reporting
The Group's operating business is organized and managed separately according to the nature the products provided, with each segment representing a business unit that offers different products to different market. Currently, the Group has 2 business segments. PPC has not yet started commercial operation since its incorporation.

Segment assets include operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, crude oil inventory and property and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Events After the End of the Reporting Period

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