

**COVER SHEET**

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S.E.C. Registration Number

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(Company's Full Name)

8	t	h		F	l	o	o	r	,		Q	u	a	d		A	l	p	h	a		C	e	n	t	r	u	m	
B	u	i	i	d	i	n	g	,		1	2	5		P	i	o	n	e	e	r		S	t	r	e	e	t		
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y														

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

Reynaldo E. Nazarea
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Contact Person

8631-8151
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Company Telephone Number

09	30
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Month Day

**SEC Form 17-Q (September 2022)**  
**FORM TYPE**

06	15
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Month Day  
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

8533
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Total No. of Stockholders

P0.00
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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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STAMPS
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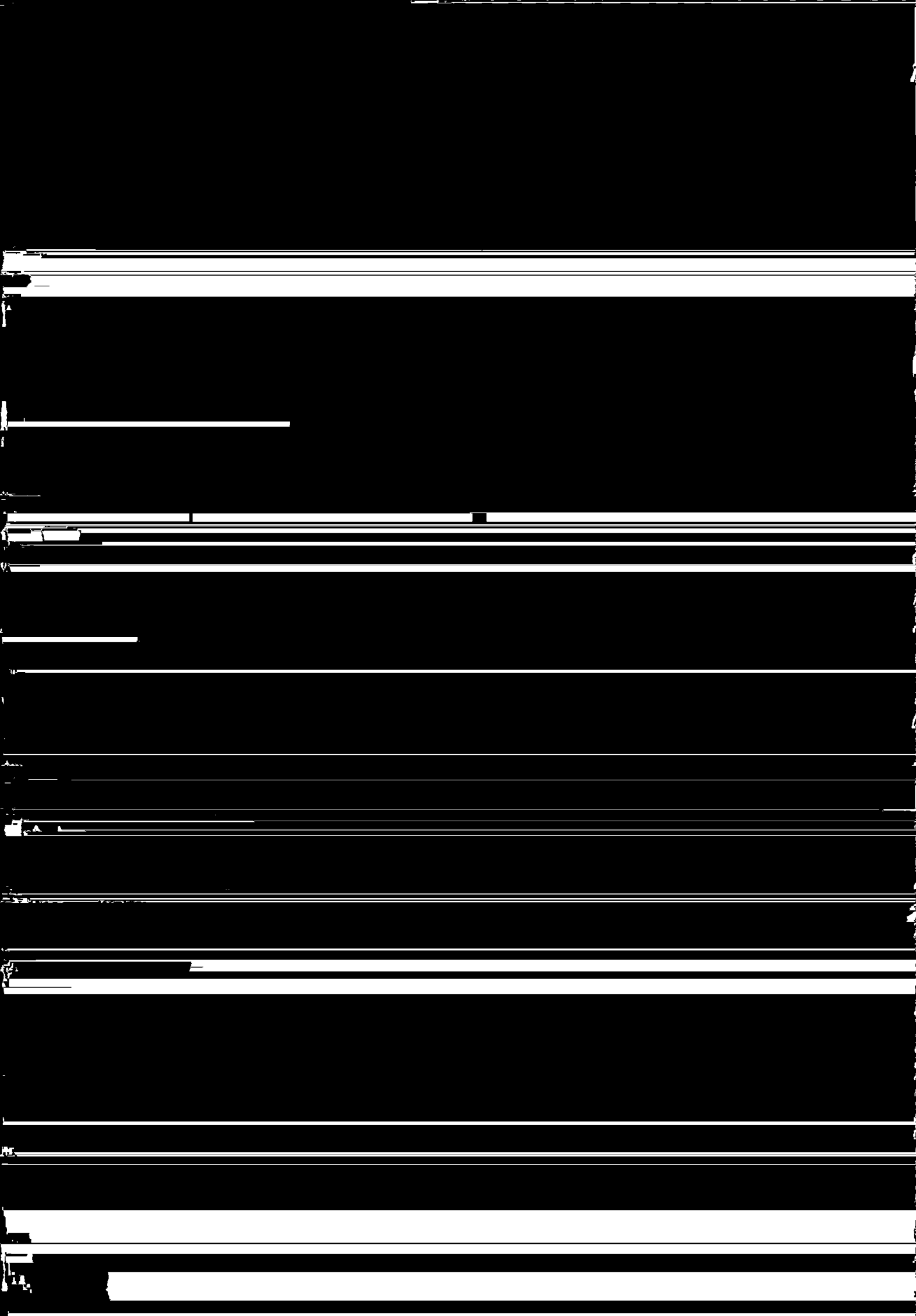
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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**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 September 30, 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 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) 8631-8151/52  
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



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**PART 1 – FINANCIAL INFORMATION*****Item 1. Financial Statements***

1. The unaudited Consolidated Financial Statements of the Company for the 3rd quarter ended 30 September 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 30 September 2022), with comparative Statement of Operations for the comparable period (01 January to 30 September 2021) are attached to this report.
3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 30 September 2022), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 30 September 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 30 September 2022), as well as the basis of computation thereof.
5. The Company's interim financial report for the 3rd 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 30 September, 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 30 September 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 30 September, 2022).
10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to September 30, 2022).

11. For the period January 1 to September 30, 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 September 30, 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 September 30, 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 (September 30, 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 September 30, 2022).

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

**Financial Performance**

Total revenues for the first three quarters ended September 30, 2022 increased by ₱51.9 million or 27% to ₱244.7 million from ₱192.8 million for the same period last year. Petroleum revenues increased by ₱57.2 million or 37% to ₱211.8 million from ₱154.6 million for the same period last year. The increase was brought mainly by the increase in crude prices for the first three quarters of 2022 as compared to the same period last year. The combined gross production decreased to 423,006 barrels for the first three quarters ended September 30, 2022, from 471,102 barrels produced for the same period last year. The average price per barrel increased to \$96.07 for the period ended September 30, 2022 as compared to \$70.44 for the same period last year. Equity in net earnings of associates decreased by ₱0.9 million. Interest income increased by ₱0.38 million.

Total costs and expenses net of foreign exchange gain decreased by ₱35.8 million from ₱173.5 million for the first three quarters of 2021 to ₱137.6 million for the first three quarters of 2022. Operating costs decreased by ₱10.4 million. Foreign exchange gain amounted to ₱50.9 million for the first three quarters of 2022 as compared to ₱19.2 million for the same period last year. Net income before tax amounted to ₱107.0 million for the first three quarters of 2022 as compared to ₱19.3 million for the same period last year. Total provision for income tax for the first three quarters of 2022 totaled to ₱75.2 million which consisted of ₱1.1

million current provision and ₱74.1 million adjustments and amortizations for the derecognized deferred tax asset, while for the same period last year, benefit from income tax amounted to ₱4.7 million. The company's net income after tax for the first three quarters of 2022 amounted to ₱31.9 million as compared to ₱24.0 million for the same period last year.

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

	September 30, 2022	December 31, 2021
Current Ratio	14.49 : 1	15.81 : 1
Current Assets	707,439,431	606,731,491
Current Liabilities	48,832,875	38,388,308
Debt to Equity Ratio	0.03 : 1	0.03 : 1
Total Liabilities	78,771,321	80,113,988
Stockholders' Equity	3,033,771,070	3,013,703,270
Equity to Debt Ratio	38.51 : 1	37.62 : 1
Stockholders' Equity	3,033,771,070	3,013,703,270
Total Liabilities	78,771,321	80,113,988
Book Value per Share	0.0158	0.0157
Stockholders' Equity	3,033,771,070	3,013,703,270
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	0.000166	0.000125
Net Income*	31,859,450	24,009,198
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

\*for the period January 1 to September 30

The current ratios as of December 31, 2021 and September 30, 2022 are 15.81:1 and 14.49:1, respectively. The Company's current assets exceeded its current liabilities by ₱658.6 million and ₱568.3 million as of September 30, 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 ₱70.2 million as of September 30, 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 15.92:1 as of September 30, 2022 and 17.94:1 as of December 31, 2021.

Total assets increased from ₱3.093 billion as of December 31, 2021 to ₱3.112 billion as of September 30, 2022. Cash and cash equivalents reflected a net increase of ₱78.8 million or 27% due to the collection of company's share in Galoc revenues and restatement of dollar denominated accounts. Receivables increased by ₱49.2 million also due to the restatement of dollar denominated accounts. Crude oil inventory increased by ₱72.1 million or 326% due to higher volume and price of crude oil on storage as of September 30, 2022. Other current assets decreased by ₱1.0 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱31.9 million to ₱299.3 million as of September 30, 2022 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI decreased by ₱11.8 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱19.6 million

due to additional project costs. Deferred tax assets decreased by ₱74.1 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities decreased by ₱1.3 million from ₱80.1 million as of December 31, 2021 to ₱78.8 million as of September 30, 2022.

Stockholders' equity increased by ₱20.1 million from ₱3.014 billion as of December 31, 2021 to ₱3.034 billion as of September 30, 2022. For the first three quarters, an adjustment for the decline in value of financial assets at FVOCI of ₱11.8 million in the valuation reserve of the company's listed stock investments was booked. As of September 30, 2022, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱40.4 million as compared to ₱28.6 million as of December 31, 2021. The company's retained earnings amounted to ₱1.341 billion as of September 30, 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:

	September 30, 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 ₱78.9 million or 28% mainly due to the collection of the company's share in Galoc revenues and restatement of dollar denominated accounts.

Receivables increased by ₱49.2 million or 16% mainly due to the restatement of dollar denominated receivables as of end of the interim period.

Crude oil inventory increased by ₱72.1 million or 326% due to the higher volume and price of crude oil on storage as of end of the interim period.

Other current assets decreased by ₱1.0 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a decrease of ₱31.9 million to ₱299.3 million as of September 30, 2022 due to the booking of depletion and depreciation costs.

Financial assets at FVOCI decreased by ₱11.8 million or 14% due to the adjustment in the valuation reserve of the company's listed stock investments.

Deferred tax assets decreased by ₱74.1 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 ₱9.7 million increase due to the accruals made as of end of the interim period.

Income tax payable reflected an increase of ₱0.7 million due to the accrual of income tax during the interim period.

Retirement benefit liability reflected a net decrease of ₱11.8 million or 72% mainly due to the booking of additional contribution to the fund during 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, ₱11.8 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of September 30, 2022, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱40.4 million.

The company's retained earnings amounted to ₱1.341 billion as of September 30, 2022 as compared to ₱1.309 billion as of December 31, 2020. The increase of ₱31.9 million was due to the net income booked for the first three quarters of 2022.

Petroleum revenues increased by ₱57.7 million or 37% to ₱211.8 million from ₱154.6 million for the same period last year due to higher crude price. The gross production decreased to 423,006 barrels for the first three quarters ended September 30, 2022 from 471,102 barrels produced for the same period last year. The average price per barrel increased to \$96.07 for the period ended June 30, 2022 as compared to \$70.44 per barrel for the same period last year.

Equity in net earnings of associates decreased by ₱0.9 million due to the lower level of income booked by affiliates.

Interest income slightly increased by ₱0.38 million from ₱8.9 million to ₱9.3 million for the first three quarters ended September 30, 2022.

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

Foreign exchange gain amounted to ₱50.9 million for the first three quarters of 2022 as compared to ₱19.2 million for the same period last year.

Share in costs and operating decreased by ₱10.4 million for the first three quarters of 2022.

General and administrative expenses increased by ₱6.2 million to ₱48.9 million as compared to ₱42.7 million for the same period last year due to the booking of expense provisions as of end of the interim period.

Provision for income tax amounted to ₱75.2 million as compared to benefit from income tax of ₱4.7 million for the same period last year. For the first three quarters of 2022, provision for income tax consisted of current provision of ₱1.1 million and year-to-date adjustments and amortizations for the derecognized deferred tax asset of ₱74.1 million.

Net income amounted to ₱31.9 million for the first three quarters of 2022, as compared to ₱24.0 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 September 2022	Consolidated Unaudited September 2022	Consolidated Audited December 2021	Consolidated Audited December 2021
	Fair Values	Carrying Values	Fair Values	Carrying Values
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	363,529,058	363,529,058	284,671,155	284,671,155
Advances to related companies	233,755,564	233,755,564	226,129,564	226,129,564
Accrued interest receivables	32,493,491	32,493,491	26,520,298	26,520,298
Other noncurrent assets	9,242,274	9,242,274	9,242,274	9,242,274
Accounts with partners, others	3,126,586	3,126,586	65,946,974	65,946,974
Financial assets at FVOCI	70,219,942	70,219,942	82,011,591	82,011,591
	<b>712,366,915</b>	<b>712,366,915</b>	<b>694,521,856</b>	<b>694,521,856</b>
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	9,408,568	9,408,568	2,917,980	2,917,980
Dividends payable	33,127,835	33,127,835	33,129,215	33,129,215
	<b>42,536,403</b>	<b>42,536,403</b>	<b>36,047,195</b>	<b>36,047,195</b>

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 September 30, 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 September 30, 2022
Loans and receivables	
Cash and cash equivalents	363,529,058
Advances to related companies	233,755,564
Accounts with contract operators and partners	3,126,586
Accrued interest	32,493,491
Other noncurrent assets	9,242,274
Financial assets at FVOCI	70,219,942
Gross maximum credit risk exposure	712,366,915

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2022 based on the Group's credit evaluation process:

	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	Past due but not impaired			Impaired Financial Assets	Total
			1-30 days	31-90 days	Over 90 days		
Loans and receivables							
Cash and cash equivalents	363,529,058					363,529,058	
Advances to related companies	227,625,000				1,376,801	233,755,564	
Accounts with partners	3,126,586					3,126,586	
Accrued interest	16,327,055				16,166,436	32,493,491	
Other noncurrent assets	9,242,274					9,242,274	
Financial assets at FVOCI	70,219,942					70,219,942	
Total	690,09,916				1,376,801	712,366,915	

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 September 30, 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	363,529,058	0	363,529,058
Receivables			
Advances to related parties		233,755,563	233,755,563
Accounts with partners	3,126,586	0	3,126,586
Accrued interest	3,359,792	29,133,700	32,493,491
Other noncurrent assets	9,242,274	0	9,242,274
AFS financial assets	70,219,942	0	70,219,942
	449,477,652	262,889,263	712,366,914

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
September 30, 2022	33,127,835		33,127,835

**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 September 30, 2022, the exchange rate of the Philippine peso to the US\$ is ₱58.625 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 surrender of the Service Contract (SC) was approved by the Department of Energy (DOE) on September 5, 2022. Following the approval, the review of the documents needed for the nomination/application of the new SC over the area was started. Philodrill had a meeting with the partners for the new SC application on the 12<sup>th</sup> of September to discuss the Philippine Conventional Energy Contracting Program (PCECP) area nomination process, timing, and schedule. The list of the required financial documents that need to be updated was sent to the partners together with the draft of the technical bid document for their review and comments.

A new participation agreement was previously executed by the joint venture partners reflecting the Participating Interests (PI) for the new area application:

Philodrill	70.86% (application manager)
Alcorn	1.81%
Anglo	13.89%
Forum	6.72%
PXP Energy	6.72%
<b>TOTAL</b>	<b>100.00%</b>

The request for Area Clearance, a prerequisite for nominating the area for a new SC application was submitted to DOE Information Technology and Management Services (DOE ITMS) on the 14<sup>th</sup> of September. The DOE ITMS subsequently directed Philodrill to amend the configuration of the application area to conform with the prescribed Petroleum Blocking and Monitoring System which divides the Philippines into blocks that are approximately 40 sq. km. each.

Since SC 6A is a retention block, there is a small irregularity in its southern area (approx. 7.3 sq km) that needs to be removed to conform with the DOE blocking system. Upon review, there are no leads that will be dropped should the area of the issue be removed. Anglo and PXP have interposed no objection to the removal of the area. The nomination for the amended area will be resubmitted to the DOE ITMS once the rest of the partners give their approval.

**SERVICE CONTRACT NO. 6B (Cadlao/Bonita)**

Philodrill continued to work with the DOE on the transfer of the withdrawn PI of Manta Oil Company, Ltd. back to the JV and the subsequent assignment of interest arising from the Farm-in Agreement with Nido. A JV Resolution for the reassignment of Manta's withdrawn

participating interest was fully signed by the partners in late July. This was submitted to the DOE, instead of a Deed of Assignment document, to comply with the required transfer of rights and obligations in the SC.

Under the conditionally approved Work Program and Budget (WP&B), Nido continued to progress with the preparations for the drilling and Extended Well Test (EWT) of Cadlao-4. The Drilling and EWT Proposal for Cadlao-4 was submitted to the DOE on the 8th of July. This is now being reviewed by the DOE for approval.

The Certificate of Non-Coverage (CNC) for the conduct of exploration activities including drilling at Cadlao was secured from the DENR-EMB on the last 11<sup>th</sup> of May. A 3-day Drilling and EWT Workshop was held in Singapore from the 16<sup>th</sup> to the 18<sup>th</sup> of May with key contractors and advisors.

The preparation of the Contracting Strategy, EWT Agreement, Project Execution Plan, EWT Concept design, Field Layout, and Mooring Analysis for the FSO are also being undertaken. With the purchase agreement with Forum, a full inventory of drilling LLIs (with a value of US\$ 3M) including wellheads, conductors, casing, liner hangers, casing accessories, and bits for the drilling of Cadlao-4 are now available. The geophysical site survey that was scheduled last April but postponed due to vessel permitting issues is being retendered and will likely be carried out by November 2022. Nido is looking at drilling Cadlao -4 in Q2 2023.

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

The conversion to electronic format, by in-house scanning, of the physical files from the production operations is ongoing. At the end of September, 160 boxes out of the total 250 boxes of files have been scanned. It is expected that the work can be completed by November 2022.

Once all the files have been converted into digital formats, the hard copies will be disposed of as scrap materials. The DOE has signified that it is not interested in storing the hard copy files in its data repository and would prefer to receive digital copies of the files and documents.

#### **SERVICE CONTRACT NO. 14C-1 (Galoc)**

The Galoc Field's average daily production at the end of the quarter was 1,491 barrels of oil per day. Total production for Q3 alone was 140,396 barrels of oil bringing the Total Cumulative Gross Field Production to 23,848,109 barrels of oil.

Most of the production comes from the G5 and G6 wells. The shut-in period for the G3 well, which is on cyclic production, has been extended to 10 days before opening the well for 6-8 hours to produce. On the last two occasions that the well was opened, very minimal to no contribution to total production was observed. The current performance of the well is consistent with NPG's prediction that G3 is likely to cease production during the year. Since September 13, 2022, the well remains in a prolonged shut-in.



As of the 30<sup>th</sup> of September, the oil in storage was at 186,013 barrels. The next offtake operations for Cargo #73 are scheduled in the first part of October with a nominated volume of 190,000 barrels (+/- 10%).

**SERVICE CONTRACT NO. 14C2 (West Linapacan)**

The velocity model generation for the West Linapacan area using a mix of DUG's 2014 velocity volumes and well check-shots has been completed. The results of the work suggest that there are no appreciable differences in the computed resource estimates from the depth-converted West Linapacan B structure using the generated velocity models.

Velocity Model	Oil In-place (MMstb)		
	P90	P50	P10
Model 0 (PHO, 2021)	14.2	36.8	83.2
Model 1 (RMS Velocity)	14.7	37.8	86.1
Model 2 (Interval Velocity)	13.7	35.0	78.9
Model 3 (B-1X Checkshot)	15.5	38.1	85.3
Model 4 (WL B-1X, A-1 & A-4 Checkshots)	Simulates gas accumulation		
Model 5 (Velocity Model from Delta Function)	14.2	34.4	75.7

Following the Confidentiality Agreement that was entered with Philodrill, an independent energy company concluded its study of available data regarding the West Linapacan A Field. The company signified its interest in the redevelopment potential of West Linapacan A and submitted a proposal to undertake detailed studies to produce a Plan of Development (POD) for the field and support its subsequent approval by the DOE on behalf of the joint venture partners at their risks and cost. In exchange, they propose to earn some equity to SC 14C2 for the work that they will undertake. They are also requesting an option to purchase additional equity that will be subject to a final agreement and exercisable any time before the commencement of the execution phase of the redevelopment.

The joint venture is presently reviewing the proposal and has requested a technical presentation on the results of the initial study on West Linapacan before proceeding with the discussion on the proposal.

Nido Petroleum, which is currently a member of the joint venture, also signified its intention to increase its equity participation in the SC by way of a farm-in that would accelerate the JV's efforts toward redeveloping West Linapacan.

Another energy company also expressed interest in reviewing the available data in West Linapacan for a possible farm-in. A Confidentiality Agreement (CA) was sent to them for their review in June, but they have yet to revert to have the CA finalized and signed.

**SERVICE CONTRACT NO. 53 (Onshore Mindoro)**

Following the successful completion of Browse Energy's test reprocessing work on key seismic lines at the Cambayan and Progreso Prospects, resulting in a significant uplift in the seismic imaging of the subsurface, the joint venture decided to extend the reprocessing to the rest of the 2009 2D seismic lines at Progreso for USD 24,600.

Accordingly, the 2022 WP&B was revised to include the reprocessing work as this was not contemplated in the original budget. The revision to the WP&B entailed transferring a portion of the contingent budget to the firm component of the WP&B. A total of USD 24,600 was reallocated from the contingent to the firm component of the WP&B. The firm budget of USD 40,000 for the Permitting works was also increased to USD 45,500. The additional USD 5,500 was earmarked for the work to be done in obtaining the final resolution of the Famatodi case versus Pitkin. The revised WP&B was approved by the DOE on the 17<sup>th</sup> of August 2022.

The seismic data and documents needed for the reprocessing have been transmitted to Browse Energy. Browse is now in the process of doing data quality checks. The reprocessing work will take 3 months and is expected to be completed by the end of November to early December 2022.

Philodrill continues to engage with the National Commission on Indigenous Peoples (NCIP) for the Certificate of Non-Overlap (CNO) and Certificate of Precondition (CP) for the Progreso and Cambayan areas respectively.

The coordination for the Progreso Application is being done with the NCIP field office in San Jose Occidental Mindoro since the area is under their jurisdiction. For the Cambayan Application which straddles the boundary of Occidental and Oriental Mindoro, coordination is being done with both the Occidental and Oriental Mindoro Field Offices.

The Occidental Mindoro office reaffirmed that an FBI for the Progreso Application area is not needed since a prior CNO had been granted to Pitkin Petroleum. The FBI report endorsing the issuance of a CNO to Philodrill was submitted to the NCIP Regional Office through the Provincial Office. The CNO for the Progreso area is being processed.

The office-in-charge also confirmed that an FBI on the Cambayan area will not be required since the ancestral domain covered by the application that is under their jurisdiction has already been identified from a previous FBI that they conducted with a telecommunications company.

Philodrill approved a Work and Financial Plan (WFP) for the Field-Based Investigation of the proposed area for the Cambayan drilling project under the jurisdiction of Bulalacao, Oriental Mindoro, amounting to P29,930. The amount was subsequently remitted to NCIP. From the 20<sup>th</sup> to the 22<sup>nd</sup> of July, a team from Philodrill traveled to Bulalacao, Oriental Mindoro, and accompanied the NCIP personnel at the beginning of their investigation. As soon as the NCIP gained a new appreciation of the size of the application area, several more communities were added to the list of communities that they were to visit. The planning of the FPIC process in Oriental Mindoro will be done once the FBI report has been released.

A pre-FPIC meeting was held online with the San Jose, Occidental Mindoro-NCIP office on August 2, where the Work and Financial Plan of PHP 391,500 for the planned FPIC activities in Occidental, Mindoro were discussed. A follow-up online meeting was held on the 7<sup>th</sup> of September to agree on and finalize the WFP that was amended by NCIP to PHP 391,700. Philodrill subsequently approved the WFP. The first IP (Hagura Tribe) Community

Assembly is scheduled to take place on October 7, 2022. Philodrill will need to send a contingent, together with a representative from the DOE, to participate in the community assembly to present an overview of the project and address any concerns that the IP community may have about the project.

A copy of the Entry of Judgement/Certificate of Finality on the Famatodi versus Pitkin case was secured from the NCIP. The case was dismissed for lack of jurisdiction. The decision was rendered by Josefina S. Rodriguez-Agusti, presiding Regional Hearing Officer, on February 2, 2018, and has become final and executory on March 22, 2018. Further investigation also indicated that there is no pending case file against Pitkin in the NCIP Provincial Office.

Philodrill signed a Confidentiality Agreement with an energy company, based in Perth, on July 29 for the evaluation of SC 53 for possible farm-in. The available technical data on the SC was shared with the company and Philodrill met with them online on August 5 to present a technical overview of the Progreso Prospect and the SC. However, on September 15, the company advised that they decided not to proceed further with the opportunity.

The DOE - Renewable Energy Management (REMB) continues to endorse Wind Energy Service Contract (WESC) Applicants whose areas of interest overlap with SC 53. This is in line with the DOE's mandate and the government's desire to optimize the development of the country's natural resources, and simultaneous utilization of different resources within the same area under the "multi-use" concept. Under the concept, prior right is respected, and the subsequent developer shall recognize and continue to recognize the existence of the prior rights of the existing applicants and/or developers thereon and 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.

After meeting with the applicants online and executing confidentiality agreements with them, Philodrill issued letters of no objection to Pililla AVPC Corporation (PAC), Domhain Earth Corporation (DEC), Occidental Mindoro Consolidated Power Corporation (OMCPC), and 2 Barracuda Energy Corp (2BEC).

#### **SERVICE CONTRACT NO. 74 (Linapacan)**

During the partners' meeting in July, the JV agreed to pursue further studies on new technology and other development concepts, that were not considered in the ERCE study. The contemplated studies will focus on oil recovery enhancement (e.g., use of artificial lift systems) for the Linapacan B development that might give a different, more positive outcome. The JV further agreed to request a 2-year Technical Moratorium from the DOE during which period the technical studies will be undertaken. The time under the Technical Moratorium would allow the JV to formulate the appropriate technology needed to develop Linapacan B which would increase the production rate and, thus, the recoverable reserves. The request for the 2-year Technical Moratorium was submitted to the DOE on the 8<sup>th</sup> of August 2022. To comply with the required relinquishment provision of the SC, PXP submitted a relinquishment program of 25% of the contract area to the DOE on the 13<sup>th</sup> of September.

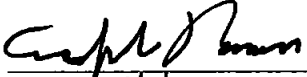
**PART II -- OTHER INFORMATION**

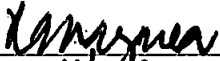
There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 30 September 2022).

**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: 11/8/22  
ALFREDO C. RAMOS  
President

  
Date: 11/8/22  
REYNALDO E. NAZAREA  
Treasurer & VP-Administration

**THE PHILODRILL CORPORATION**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**SEC FORM 17Q**

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\*These schedules, which are required by Part IV (e) of RSA 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.

**THE PHILODRILL CORPORATION**  
**Consolidated Statement of Financial Position**

	(Unaudited) September 30	(Audited) December 31
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & cash equivalents	363,529,058	284,671,154
Receivables	248,455,442	297,676,638
Crude oil inventory	94,190,952	22,087,998
Other current assets	1,263,979	2,295,701
<b>Total Current Assets</b>	<b>707,439,431</b>	<b>606,731,491</b>
<b>Noncurrent Assets</b>		
Property and equipment - net	299,251,001	331,132,271
Investments - Associates	859,257,611	842,476,859
Financial assets at fair value through other comprehensive income	70,219,943	82,011,591
Investments in subsidiary	0	
Deferred oil exploration and development costs - net	1,028,192,561	1,008,620,175
Deferred tax assets	137,139,570	211,193,497
Other noncurrent assets	11,042,274	11,651,374
<b>Total Noncurrent Assets</b>	<b>2,405,102,960</b>	<b>2,487,085,767</b>
<b>TOTAL ASSETS</b>	<b>3,112,542,391</b>	<b>3,093,817,258</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	14,958,677	5,228,428
Current portion of provision for plug and abandonment costs	0	0
Income tax payable	746,363	30,665
Dividends payable	33,127,835	33,129,215
<b>Total Current Liabilities</b>	<b>48,832,875</b>	<b>38,388,308</b>
<b>Noncurrent Liability</b>		
Non current portion of provision for plug and abandonment costs	25,396,556	25,396,556
Retirement benefit liability	4,541,890	16,329,125
<b>Total Noncurrent Liabilities</b>	<b>29,938,446</b>	<b>41,725,681</b>
<b>TOTAL LIABILITIES</b>	<b>78,771,321</b>	<b>80,113,988</b>
<b>Equity</b>		
<b>Capital stock - P0.01 par value</b>		
<b>Authorized - 200 billion shares</b>		
Issued	1,568,257,282	1,568,270,502
Subscribed	350,430,771	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	(40,426,708)	(28,635,059)
Remeasurement loss on retirement benefit liability	(38,373,698)	(38,373,697)
Retained Earnings	1,340,986,986	1,309,127,537
<b>Total Equity</b>	<b>3,033,771,070</b>	<b>3,013,703,270</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,112,542,391</b>	<b>3,093,817,258</b>

## THE PHILODRILL CORPORATION

## Consolidated Statement of Comprehensive Income

	Jan 1 to Sep 30 2022	Jan 1 to Sep 30 2021	Jul 1 to Sep 30 2022	Jul 1 to Sep 30 2021
<b>PETROLEUM REVENUE</b>	<b>211,798,333</b>	<b>154,628,679</b>	<b>66,337,810</b>	<b>51,693,366</b>
<b>COSTS AND EXPENSES</b>				
Share in costs and operating	(139,559,043)	(149,980,382)	(46,590,561)	(57,247,474)
General and administrative	(48,955,793)	(42,718,883)	(15,862,730)	(13,007,945)
	(188,514,836)	(192,699,265)	(62,453,291)	(70,255,419)
<b>OTHER INCOME (CHARGES)</b>				
Equity in net earnings of associates - net	22,101,950	22,981,909	7,984,681	13,931,703
Interest income	9,288,914	8,912,543	3,341,035	3,073,035
Foreign exchange gains (losses)	50,883,314	19,218,753	25,141,627	13,904,002
Others	1,485,973	6,282,932	1,231,198	1,230,621
	83,760,151	57,396,137	37,698,541	32,139,361
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>107,043,648</b>	<b>19,325,551</b>	<b>41,583,060</b>	<b>13,577,308</b>
<b>PROVISION FOR INCOME TAX</b>	<b>75,184,198</b>	<b>(4,683,647)</b>	<b>26,369,263</b>	<b>(977,824)</b>
<b>NET INCOME (LOSS)</b>	<b>31,859,450</b>	<b>24,009,198</b>	<b>15,213,797</b>	<b>14,555,132</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Changes in unrealized losses on financial assets at financial value through other comprehensive income	(11,791,649)	3,639,531	(6,405,201)	(25,772,278)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>20,067,801</b>	<b>27,648,729</b>	<b>8,808,596</b>	<b>(11,217,146)</b>

Earnings (loss) per share was computed as follows:

Net Income (loss)	31,859,450	24,009,198	15,213,797	14,555,132
Weighted average no. of shs	191,868,805,358	191,868,805,358	191,868,805,358	191,868,805,358
<b>Income (Loss) per share</b>	<b>0.00017</b>	<b>0.00013</b>	<b>0.00008</b>	<b>0.00008</b>

**THE PHILODRILL CORPORATION**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	January 1 September 30 2022	January 1 September 30 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	31,859,450	24,009,197
Adjustments for:		
Depletion, depreciation and amortization	11,893,641	44,155,199
Equity in net losses (earnings) of associates - net	(22,101,950)	(22,981,909)
Operating loss before working capital changes	21,651,141	45,182,487
Decrease (increase) in:		
Receivables	55,458,445	48,564,544
Crude oil inventory	(72,102,954)	(22,575,435)
Other current assets	917,998	892,211
Retirement benefits assets	(11,787,235)	(6,293,037)
Increase in accounts payable and accrued expenses	11,994,922	(10,575,101)
Net cash from (used in) operating activities	6,132,316	55,195,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash dividends received	5,321,198	5,585,437
Reductions in (additions to):		
Property and equipment	19,987,629	(2,059,968)
Deferred oil exploration costs and other inv	(19,572,386)	(12,245,482)
Advances to affiliated companies - net	(7,672,501)	(2,977,000)
Investments	0	3,877,389
Other noncurrent assets	74,663,028	6,275,056
Subscriptions payable	0	0
Net cash from (used in) investing activities	72,726,967	(1,544,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/Adjustments (Payments) of:		
Subscriptions receivable	0	0
Dividends payable	(1,380)	(8,520)
Loans payable	0	0
Net cash from (used in) financing activities	(1,380)	(8,520)
NET INCREASE (DECREASE) IN CASH	78,857,905	53,642,581
CASH, BEGINNING	284,671,154	273,272,869
CASH, ENDING	363,529,059	326,915,450



**THE PHILODRILL CORPORATION**  
**Consolidated Statements of Changes in Equity**

	Unaudited Sept 2022	Sept 2021
<b>CAPITAL STOCK - P0.01 par value</b>		
<b>Authorized - 200 billion shares</b>		
<b>Issued</b>		
Balance at the beginning of year	1,568,270,502	1,568,270,502
Issuances for the period	(13,220)	0
<b>Balance at end of second quarter</b>	<b>1,568,257,282</b>	<b>1,568,270,502</b>
<b>Subscribed</b>		
Balance at the beginning of year	350,417,551	350,417,551
Issuances for the period	13,220	0
<b>Balance at end of second quarter</b>	<b>350,430,771</b>	<b>350,417,551</b>
<b>Subscriptions receivable</b>		
Balance at the beginning of year	(175,208,110)	(175,208,110)
Collection of subscriptions receivable	0	0
<b>Adjustment</b>		
<b>Balance at end of second quarter</b>	<b>(175,208,110)</b>	<b>(175,208,110)</b>
<b>Paid in capital from sale of treasury</b>		
Balance at the beginning of year	1,624,012	1,624,012
Movements during the period	0	0
<b>Balance at end of second quarter</b>	<b>1,624,012</b>	<b>1,624,012</b>
<b>Unrealized Losses on Decline in Market Value of Long-term Investments</b>		
Balance at the beginning of year	(28,635,059)	(32,509,624)
Adjustment during the period	(11,791,649)	3,639,531
<b>Balance at end of second quarter</b>	<b>(40,426,708)</b>	<b>(28,870,093)</b>
<b>Share in other comprehensive income of associates</b>		
Balance at the beginning of year	26,480,535	31,465,443
Movements during the period	0	0
<b>Balance at end of second quarter</b>	<b>26,480,535</b>	<b>31,465,443</b>
<b>Remeasurement loss on retirement benefit liability</b>		
Balance at the beginning of year	(38,373,698)	(41,530,813)
Movements during the period		
<b>Balance at end of second quarter</b>	<b>(38,373,698)</b>	<b>(41,530,813)</b>
<b>Retained Earnings</b>		
Balance at the beginning of year	1,309,127,536	1,272,802,624
Cash dividend declared	0	0
Net income (loss) for the period	31,859,450	24,009,198
<b>Balance at end of second quarter</b>	<b>1,340,986,986</b>	<b>1,296,811,822</b>
<b>Total Stockholders' Equity</b>	<b>3,033,771,070</b>	<b>3,002,980,314</b>

**THE PHILODRILL CORPORATION**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	708,686	364,860	437,386		636,160		636,160
	<b>708,686</b>	<b>364,860</b>	<b>437,386</b>	<b>0</b>	<b>636,160</b>	<b>0</b>	<b>636,160</b>

**OTHER LONG TERM INVESTMENTS IN STOCK  
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

Name of Issuing Entity and Description of Investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/ Accrued from Investments Not Accounted for by the Equity Method
	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity In Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	
<b>Investments in associates:</b>									
Penta Capital Investment Corp.	1,600,000	349,337,260	3,089,057				1,600,000	352,426,317	
Penta Capital Holdings, Inc.	300,000	78,352,904	748,009				300,000	79,098,913	
Atlas Consolidated Mining and Development Corporation	19,000,000	423,582,767	4,149,914				19,000,000	427,732,381	
		851,272,931	7,984,880	0	0	0		859,257,812	0
<b>Amount shown under the caption "Available For Sale Investments"</b>									
United Paragon Mining Corp.	6,839,088,254	72,983,955					6,839,088,254	72,983,955	
Vulcan Industrial & Mining Corp.	3,200,000	4,080,875				0	3,200,000	4,080,874	
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		110,646,650	0
less-allowance for decline in market value		(34,021,507)				(6,405,201)		(40,426,708)	
		76,625,144	0	0	0	(6,405,201)	0	70,219,942	0
		927,898,075	7,984,880	0	0	(6,405,201)	0	929,477,654	0

**THE PHILODRILL CORPORATION**  
**SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	169,000,000	169,000,000
National Book Store, Inc.	54,975,000	58,625,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,376,801	1,376,801
	<u>230,105,563</u>	<u>233,755,563</u>
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	<u>225,351,801</u>	<u>229,001,801</u>

THE PHILODRILL CORPORATION  
SCHEDULE E - PROPERTY AND EQUIPMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,163,927,397			(94,138)	1,163,833,259
Office condominium units and improvements	18,961,929	0			18,961,929
Office furniture, fixtures and equipment	8,303,995	0			8,303,995
Transportation equipment	12,206,100			(3,300,000)	8,906,100
	<u>1,203,399,421</u>	<u>0</u>	<u>0</u>	<u>(3,394,138)</u>	<u>1,200,005,283</u>

**THE PHILODRILL CORPORATION**  
**SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	858,712,130	11,108,937			869,821,067
Office condominium units and improvements	14,026,410	136,777			14,163,187
Office furniture, fixtures and equipment	7,809,668	54,260			7,863,928
Transportation equipment	12,206,100			(3,300,000)	8,906,100
	<b>892,754,308</b>	<b>11,299,974</b>	<b>0</b>	<b>(3,300,000)</b>	<b>900,754,283</b>

**THE PHILODRILL CORPORATION**  
**SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 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-net	1,028,034,797				157,764	1,028,192,561
	1,028,034,797	0	0	0	157,764	1,028,192,561

**THE PHILODRILL CORPORATION  
SCHEDULE M - CAPITAL STOCK  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

<b>Title of Issue</b>	<b>Authorized</b>	<b>Issued and Outstanding</b>	<b>Subscribed</b>	<b>Number of shares Reserved for Options, etc.</b>	<b>Number of shares held by Directors, Officers and Employees</b>	<b>Others</b>
<b>Common shares at P0.01 par value</b>	<b>200,000,000,000</b>	<b>156,827,050,247</b>	<b>35,041,755,111</b>	<b>0</b>	<b>1,550,192,666</b>	<b>190,318,612,692</b>



THE PHILODRILL CORPORATION  
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES  
FOR THE QUARTER ENDED SEPTEMBER 30, 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
<b>a) Trade receivables</b>									
1) Account with contract operator	0	0	0						
less allowance for doubtful accounts	0								
2) Account with partners	2,694,911		2,694,911						
<b>Net Trade Receivables</b>	<b>2,694,911</b>	<b>0</b>	<b>2,694,911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>b) Non-trade receivables</b>									
1) Accrued interest receivable	32,493,491	839,948	2,519,844	2,348,854	8,138,993	2,479,417		16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Advances to related companies	233,755,564			68,825,000		169,000,000		6,130,564	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
3) Others	431,674	66,599				365,075			
less allowance for doubtful accounts	0								
<b>Net Non-Trade Receivables</b>	<b>245,760,531</b>	<b>906,547</b>	<b>2,519,844</b>	<b>60,973,854</b>	<b>8,138,993</b>	<b>171,844,491</b>	<b>0</b>	<b>1,376,802</b>	<b>0</b>
<b>Net Receivables</b>	<b>248,455,442</b>	<b>906,547</b>	<b>5,214,755</b>	<b>60,973,854</b>	<b>8,138,993</b>	<b>171,844,491</b>	<b>0</b>	<b>1,376,802</b>	<b>0</b>

## 2) ACCOUNTS RECEIVABLE DESCRIPTION

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

**THE PHILODRILL CORPORATION**  
**SCHEDULE O - FINANCIAL RATIOS**  
**SEPTEMBER 30, 2022**

<b>Profitability Ratios:</b>	September 2022	December 2021
Return on assets	1.02%	1.17%
Return on equity	1.05%	1.21%
Gross profit margin	34.11%	7.90%
Net profit margin	50.54%	12.47%
<b>Liquidity Ratios:</b>		
Current ratio	14.49 :1	15.81 :1
Quick ratio	12.53 :1	15.17 :1
<b>Financial Leverage Ratios:</b>		
Asset to equity ratio	1.03 :1	1.03 :1
Debt to equity ratio	0.03 :1	0.03 :1

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### **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 in the 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 a 12-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*

IFRS 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 to the Group.

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

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

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

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



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