CR02966-2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2021

2. SEC Identification Number

   38683

3. BIR Tax Identification No.

   000-315-612-000

4. Exact name of issuer as specified in its charter

   THE PHILODRILL CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

   METRO MANILA, PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   8TH FLOOR QUAD ALPHA CENTRUM, 125 PIONEER ST., MANDALUYONG CITY
   Postal Code
   1550

8. Issuer's telephone number, including area code

   (632)86318151

9. Former name or former address, and former fiscal year, if changed since last report

   N.A.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	191,868,805,358

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   PHILIPPINE STOCK EXCHANGE

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

910,097,104

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☑ Yes ☐ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

The Company's 2021 Audited Consolidated Financial Statements

(b) Any information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

The Philodrill Corporation
OV

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2021
Currency	PHILIPPINE PESO

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Current Assets	606,731,491	573,997,999
Total Assets	3,093,817,259	3,074,237,663
Current Liabilities	38,388,308	46,307,229
Total Liabilities	80,113,989	98,906,075
Retained Earnings/(Deficit)	1,309,127,537	1,272,802,624
Stockholders' Equity	3,013,703,270	2,975,331,588
Stockholders' Equity - Parent	2,794,105,825	2,781,143,833
Book Value Per Share	0.02	0.02

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	274,452,167	102,791,941
Gross Expense	248,620,888	369,404,444
Non-Operating Income	67,325,501	12,392,598
Non-Operating Expense	57,861,662	208,195,404
Income/(Loss) Before Tax	25,831,277	-266,612,504

Income Tax Expense	-10,493,636	-14,731,363
Net Income/(Loss) After Tax	36,324,913	-251,881,141
Net Income/(Loss) Attributable to Parent Equity Holder	36,324,913	-251,881,141
Earnings/(Loss) Per Share (Basic)	0	-0
Earnings/(Loss) Per Share (Diluted)	0	-0

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	15.81	12.4
; ; Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	15.17	12.08
; ; Solvency Ratio	**Total Assets / Total Liabilities**	38.62	31.08
Financial Leverage Ratios			
; ; Debt Ratio	**Total Debt/Total Assets**	0.03	0.03
; ; Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.03	0.03
; ; Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	-	-
; ; Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.03	1.03
Profitability Ratios			
; ; Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	7.9	-78.33
; ; Net Profit Margin	**Net Profit / Sales**	12.47	-294.9
; ; Return on Assets	**Net Income / Total Assets**	1.17	-8.19
; ; Return on Equity	**Net Income / Total Stockholders' Equity**	1.21	-8.47
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	52.82	-8.38

Other Relevant Information
-

Filed on behalf by:

Name	Josephine Ilas
Designation	Assistant Corporate Secretary

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Reynaldo E. Nazarea	8631-8151
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-A (2021)	0 6	1 5
Month	*Day*	**FORM TYPE**	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 5 4 3	0	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2021**

2. SEC Identification Number: **38683**

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

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

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. ________ (SEC Use Only)
   Industry Classification Code

7. **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, MandaluyongCity** **1550**
   Address of principal office — Postal Code

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

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

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

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

    Yes [x] No [ ]

12. Check whether the issuer

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

    Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱910,097,104 (91,009,710,415 shares at P0.01 per share as of December 31, 2021)

14. Documents incorporated by reference:

(a) The Company's 2021 Audited Consolidated Financial Statements

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1.Business

(a) Description of Business

(1) Business Development

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

With the Company's corporate term expiring in 2019, an application for the amendment of its Articles of Incorporation was filed, extending its corporate term for another fifty (50) years. The SEC on January 18, 2018, approved The Philodrill Corporation's amended Articles of Incorporation extending its corporate term for another fifty (50) years, from and after June 25, 2019.

The Company's active petroleum projects cover production and exploration areas in offshore Palawan and onshore Mindoro under various Service Contracts (SC) with the Philippine government through the Department of Energy (DOE).

In the financial services sector, the Company is a 40% shareholder of Penta Capital Investment Corporation (PCIC), an investment house. PCIC holds equity interest in several companies such as, Penta Capital Finance Corporation, a finance company (99% owned), Penta Capital Holdings Inc. (PCHI), an investment holding company (29.54% owned), Penta Capital Realty Corporation (100% owned) and Intra-Invest Securities, Inc. (68.47% owned). The Company also holds a 13.21% direct equity investment in PCHI.

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

, /

PETROLEUM PROJECTS

SERVICE CONTRACT NO. 6A (Octon)

Exploration efforts in Service Contract No. 6A (SC 6A) were continued through most of Q1. With the completion of the Reservoir Characterization/Quantitative Interpretation Study in the North Block, it was contemplated that a 2021 Work Program and Budget (WP&B) to finish the last outstanding piece of technical work to site a drilling location and prepare a drilling program and budget can be submitted to the Department of Energy(DOE).

However, with the withdrawal of ACE Enexor (formerly Transasia) from the SC on the 27th of January and with the looming expiration of the SC's 50-year term on February 2024, the majority of the remaining joint venture partners (JVP) decided that the only viable way forward was to surrender the contract and apply for a new Service Contract (SC) by nomination under the DOE's Philippines Conventional Energy Contracting Program (PCECP). This has had several precedents and will allow the JVP to reconstitute and have sufficient time to drill and develop any future discoveries in the area.

The Notice of Surrender of the SC was submitted on March 31. The DOE subsequently directed Philodrill, as the operator, to submit all the necessary reports and to settle all the SC's outstanding financial obligations before it can proceed with the processing of the SC relinquishment.

The Technical Evaluation of the LMKR Reservoir Characterization Study report and project deliverables were submitted to the DOE on the 21st of July 2021 to complete the remaining technical obligation under the 2020 WP&B. The settlement of the SC's outstanding financial obligation took a while to process until the matter on the date of effectivity of the SC surrender was resolved.

Philodrill, in two (2) separate checks, remitted to the DOE the amounts of PHP 9,081,925.16 (USD 179,733.33) and PHP 1,010,600.00 (USD 20,000.00) on the 2nd of December 2021 for the remaining Training Fund and Scholarship Fund commitments respectively to complete the process of clearing the financial obligations of SC 6A. The DOE's final approval of the relinquishment of the SC is currently being awaited.

Under the PCECP Guidelines in nominating the surrendered area for a new SC application, a request for area clearance, subject to the final approval of the relinquishment of SC 6A, was submitted to the Director of the DOE ITMSin December 22, 2021.Preparation of the necessary documents for the nomination/application for the new SC is also underway. A Participation Agreement with the continuing parties is being finalized. A 7-year exploration program that will facilitate early drilling of an exploration/appraisal well at the Malajon-Salvacion-Saddle Rock Anticlinorium will be included in the application documents.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)

To continue with the redevelopment efforts of the Cadlao Field, Manta Oil Corporation (MOC), the previous operator of the SC, submitted a USD 3.03 MM 2021 WP&B to the DOE on the 6th of November 2020. Citing the effect of the COVID-19 pandemic on business that resulted in the dramatic oil price collapse and the general lack of engagement from suppliers and contractors as well as a slowdown in commercial discussions with third parties, MOC requested from the DOE a revision on the deadline for the submission of the Plan of Development (POD) for Cadlao from 31 March 2021, to end of the year.

The DOE approved the 2021 WP&B on 19 January 2021 and extended the deadline for the submission of the Cadlao POD to the end of the year. The approval of the extension was subject to MOC posting a performance bond for the redevelopment of Cadlao six months ahead of the submission of the POD. The DOE also directed MOC to complete the submission of their financial documentation by April 2021 to prove their capability to execute the Cadlao Field Redevelopment. MOC appealed to the DOE that these conditions are best complied with once the POD has been completed. The DOE reconsidered and agreed on the posting of the Performance Bond post-POD completion but remained firm on the submission of the financial documentation. The DOE reminded MOC that this was a condition in the approval of the Deed of Assignment and transfer of the block's operatorship to MOC in 2020.

To comply with the DOE's directive, MOC, on 30 April 2021, submitted a copy of the Letter of Intent for a financing package with LITASCO SA, a petroleum trading and marketing division of LUKOIL, combined with a potential offtake arrangement of 100% of the petroleum liquids production from SC 6B. Litasco SA eventually undertook a complete review of the Cadlao Project. Towards the end of Q3, however, MOC was unable to close a binding agreement with Litasco SA.

On October 15, MOC was given a 30-day final deadline by the DOE to submit the necessary and valid financial documents or face revocation of the conditional approval of the DOA and the transfer of operatorship of the SC.

In the interest of time and to enable continuity of the Cadlao redevelopment, Nido entered into negotiation with MOC on an arrangement that will result in the latter withdrawing from the DOA. Nido and MOC successfully entered into an agreement on the 10th of December. The remaining joint venture partners subsequently approved the withdrawal of MOC.

Following MOC's withdrawal, the relinquished participating interest was distributed pro-rata to the remaining JVP and the operatorship reverted to Philodrill. Nido was subsequently designated as the Technical Operator with the mandate to prepare and implement the 2022WP&B that will entail one or possibly 2 appraisal/exploration wells drilled and Extended Well Tests (EWT) in the latter part of 2022. Nido submitted a proposal to the JVP, under which they proposed to increase their Participating Interests in the SC to 72.7270% and take over the operatorship of the block by funding the 100% of the costs for redeveloping Cadlao. By the end of the year, the proposal is being reviewed by the JVP. The salient terms of the proposal are as follows:

JVP	Current (%)	Post Nido Farmin (%)
Philodrill	58.182 (Operator)	17.4546
Oriental	16.364	4.9092
Nido	9.090 (Technical Operator)	72.7270 (Operator)
Forum	8.182	2.4546
Alcorn	8.182	2.4546

- The 2018 Manta FIA to be used as a template for the new FIA with Nido

- Nido will take over official Operatorship (upon DOE approval)
- Nido to be reimbursed by the partners of pro-rata share of the MOC settlement fee (AUD 250K)
- Update/revise the existing 1988 JOA

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

The Nido and Matinloc platforms have now been turned over to the DOE and in turn, were donated by the DOE to the Department of National Defense (DND). The facilities have now been repurposed and are being utilized as forward observation posts by the military in the West Philippine Sea. As a memento from the Nido-Matinloc's successful operation, being the first commercial offshore oilfield operations in the country, the Matinloc-1 wellhead was installed on the DOE grounds.

The Php150,000 2021 WP&B for the administrative and accounting activities related to the closing of the JV office in Mandaluyong from January to March 2021 was approved by the DOE.

The consortium submitted the Notice of Surrender of Service Contracts 14A, 14B, 14B1, SC14 (Tara), and SC 14D (Retention Block) to the DOE on the 23rd of February 2021.

Following the surrender of the SC, PHP 23,659,973.71 for the remaining Training/Scholarship Fund obligation and PHP 343,730.00 for the outstanding rental fee for the SC 14D Retention area was paid to the DOE.

A formal billing/ Statement of Account was issued to Seafront on the 12th of July 2021 for the balance of their share in the cost of the Tara-1 well P&A. The payment of PHP 7,727,207.42 (USD 153,156.55) to the consortium was received from Seafront on November 4, 2021.

The remaining JV assets, several pieces of furniture, and 3 vehicles were subsequently disposed of through public auction sale on an "as is, where is" as directed by the DOE. GFS Services Corp., the same DOE accredited auctioneer involved in the disposal of the scrap materials in the ESB Batangas open yard last year, was engaged in the process. The net proceeds from the auction were PHP 842,026.21. The outstanding rental fees for the consortium's office and the parking spaces will be settled and deducted from the proceeds before being remitted to the DOE.

SERVICE CONTRACT NO. 14C-1 (Galoc)

The Galoc Field maintained reliable production with 99% uptime throughout 2021. The average daily production rate in 2021 was at 1,727 bopd resulting in a year-end total of 629,964 barrels. Three offtakes with a total cargo of 632,056 bbls were delivered. Stable production was achieved from the G3, G5, and G6. The G3 well, which has been on cyclic production since January 2019, was continuously managed and contributed at a monthly average of 50 to 100 BPD to the field's total production output. The G4 well remained offline since January 2019.

NPG assumed operatorship of the SC early in the year. GPC subsequently forfeited its participating interest in the block in favor of NPG when it failed to remedy its default in the cash call issued to the JVP in November, 2020. As provided in the JOA, the non-defaulting JV partners were given the option to take on their pro-rata portion of the GPC's defaulted equity. The rest of the JVP except for NPG declined to take on their pro-rata portion of the GPC-forfeited PI. Philodrill maintained its 10.1778% participating interest in the Galoc Field.

In April, NPG released the 2021 third-party audit report of ERC Equipoise Ltd (ERCE) as of 31 December 2020 for the Galoc Field. ERCE assumed a flat long-term oil price of USD 50.00/stb in 2021, USD 53.00/stb in 2022, USD 55.00/stb in 2023, USD 56.00/stb in 2024 and thereafter in real terms. The prices are escalated at 2% per annum.

Base Case ERCE Brent Assumptions ($/bbl Full year average	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031+
Real (Constant $, 2021)	50	53	55	56	56	56	56	56	56	56	56
Nominal ($ of the day)	50	54	58	60	61	62	63	65	66	67	+2.0% pa

The audit's summary of reserves and contingent resources and their NPV's at 0%-20% for the different redevelopment/IOR cases for the Galoc Field were reported as follows:

Case	Category	Oil Reserves (MMstb)	Econ Limit	NPV ($MM)				
				0%	5.0%	10.0%	15.0%	20.0%
Developed Producing (NFA)	1P	1.4	Jun 2023	12.5	11.1	9.9-	8.9	8.0
	2P	1.5	Jun 2023	15.4	14.1	12.9	11.9	11.0
	3P	2.9	Dec 2025	22.0	18.7	16.1	14.1	12.4
NFA + G4 Restart	2P	3.7	Dec 2025	50.8	42.8	37.2	32.8	29.1
NFA+G4Restart+CRU	2P	4.0	Dec 2025	56.3	46.3	40.0	35.0	30.9
NFA+Production+CRU	2P	3.6	Dec 2025	26.7	19.6	15.1	11.7	9.2
NFA+Suspension+CRU	2P	-	Dec 2025	(9.9)	(8.4)	(7.0)	(5.9)	(4.9)

Case	Category	Contingent Resources (MMstb)	Econ Limit	NPV ($MM)				
				0%	5.0%	10.0%	15.0%	20.0%
Developed Producing (NFA)	1C	-	Jun 2023	-	-	-	-	-
	2C	-	Jun 2023	-	-	-	-	-
	3C	0.5	Jan 2027	0.4	(0.0)	(0.3)	(0.4)	(0.4)
NFA + G4 Restart	2C	1.3	Jun 2028	5.9	3.6	2.2	1.4	0.8
NFA+G4Restart+CRU	2C	1.6	Sep 2028	11.8	7.9	5.4	3.7	2.6
NFA+Production+CRU	2C	3.5	Dec 2030	52.0	35.8	24.9	17.7	12.8
NFA+Suspension+CRU	2C	6.2	Dec 2030	69.6	47.5	33.2	23.7	17.2

During Q2, NPG also continued to resolve outstanding issues regarding the effectivity date of Kufpec's (GPC2) withdrawal from the SC. The withdrawal date of GPC2 was finally determined to be 16 December 2020 based on the legal review that was conducted by NPG's counsel. The DOE also clarified that GPC2 remains obligated and committed to the initially approved

Decommissioning and Abandonment Plan and Budget (DAP&B) of SC 14C1 including any variations in the cost of the execution of the plan.

The updated DAP&B that took into consideration the field-wide update from the 2020 Suspension & Abandonment Plan and the earlier 2016 Abandonment Plan entails a total Decommissioning Activity Cost of USD 24.0 MM. NPG's legal counsel did not find any legal basis for holding GPC2 accountable for P&A liability beyond the 2016 approved cost estimate. It was further agreed that the JV will leave it to the DOE should they decide to hold GPC2 liable for the costs over and above the currently approved plan.

Phase I work for the reactivation of G4 by Nitrogen Gas Lifting was done during the 1st half of 2021. The ROV operation was completed at the end of Q2 and was successful in opening the G4 well safety valve (WSV).

Phase II was carried out in Q3. The Nitrogen (N_2) equipment for the G4 Gas Lift Operations was mobilized from Batangas on the 24th of September. After resolving some of the delays and problems during the initial set-up and testing of the topside equipment and connection to the FPSO turret, injection operations were commenced on the 29th of September.

The N_2 gas injection operations to induce well flow by gas lift assistance commenced on the 29th of September. The initial injection procedures resulted in a stable slugging flow. Liquid, which was pure water, was produced to the topside in intermittent slug and the well failed to flow on its own when injection pressure is decreased.

After several attempts, a decision was made to maximize data recovery and the chance of a well kick-off ahead of an impending weather disturbance forecasted on the 4th-5th of October. The reservoir was bull-headed by injecting a large amount of N_2 (4x the volume used in the 2019 operations). The injection pressure was then lowered, and the reservoir was allowed to flow back starting midday to allow at least 24 hours of flow with gas lift assistance before operations have to be suspended due to the impending weather disturbance.

The well was opened to flow on the 3rd of October at 1400 hrs. As expected, the initial surge of nitrogen gas return to the topside was large but the well would not flow even with the increased injection pressure. Subsequently, it was determined that the well has been produced, but with about 95% water-cut. Based on the detailed information obtained, the slugging flow was only being maintained by the high gas lift pressure.

It was eventually concluded that operationally, gas lifting G4 via the umbilical was achieved and the bullheading allowed successful access to some oil-bearing strata. However, production is dominated by the influx of water, both before and after bullheading, from what is believed to be a water-saturated reservoir layer and that the G4 well will not flow without continuous gas lift, and even when it flows the water-cut will remain very high.

The 2022 OPEX WP&B, with a Firm Budget of USD 23.488 MM and a Contingent Budget of USD 0.886 MM was presented for approval by the JV in October. The proposed 2022 OPEX WP&B was subsequently approved by the Joint Venture and submitted to the DOE.

In the context of declining production and driven by tank-top limitations, the forecasted offtakes for 2022 will be 2 parcels of 220 – 240 thousand barrels.

The sensitivity of the proposed 2022 WP&B with oil price is as follows:

	Oil Price (USD)	Cumulative Nest Cash Flow from LIFTING (USD)	Cumulative Net Cash Flow from PRODUCTION (USD)
Breakeven NFA – Routine Ops	46.21	(5,824,983)	-
Breakeven NFA	47.23	(5,957,506)	-
R55$ NFA	55.00	(2,531,468)	4,438,859
R60$ NFA	60.00	(485,468)	7,136,291
R65$ NFA	65.00	1,560,532	9,833,724
R70$ NFA	70.00	7,698,532	17,926,021

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

The Deed of Assignment (DOA) process resulting from the Farm-in Agreement (FIA) and Sale Purchase Agreement (SPA) with Desert Rose Petroleum Ltd (DRPL) continued during the first half of 2021. A Letter of Agreement was executed to set a deadline of 31 March 2021, a breakaway date, for DRPL to complete and submit the necessary financial documents for the approval of the DOA and transfer of the SC operatorship by the DOE. The breakaway date was subsequently extended to the end of June 2021. But by end of June however, DRPL was still unable to provide the necessary documents resulting in the automatic termination of the SPA and consequently the FIA on July 1, 2021.

While the DOA process was ongoing, subsurface technical evaluation work in the SC was continued. Under the 2020 WP&B, the updated resource estimation work on the West Linapacan B (WLB) was completed in April. The update incorporated the porosity volume from the 2020 joint Quantitative Inversion (QI) work by IKON Science, in collaboration with SC 74. The new in-place resource estimates of 17.5 MMBOE (P90), 46.9 MMBOE (P50), and 108 MMBOE (P10) do not substantially differ from the previous work's results in August of 2020, showing that porosity values previously used were consistent with those that were identified by the QI work. This ultimately reduces the uncertainty surrounding the porosity parameter.

With the FIA & SPA with DRPL terminated and having completed the initial work on WLB, the JV agreed to proceed with a 2021 WP&B that will progress the efforts to mature WLB as an appraisal/development opportunity alongside WLA. The WP&B of USD 352,600 included a third-party assessment study on the potential of WLB as an appraisal/development opportunity.

Following approval by the DOE, Requests for Quotes (RFQs) for the WLB modelling study were sent out. The study was awarded to ERCE having submitted a more technically and commercially competitive quote. The project was structured as a two-phased study that included:
Phase I

- Review of WLB geologic model
- Review of well logs
- Review of well test data

- Fault, fracture analysis of FMS data
- Determination of probabilistic range of resource

Phase II

- Formulation of an appraisal/conceptual development strategy that includes scoping economics.

Phase I of the WLB modelling study was completed in October with the results presented in an online meeting on November 3.

The study identified resource volumes of 22.0 MMstb (P50 STOIIP) and 3.4 BCF (P50 GIIP) versus the 36.88 MMstb (P50 STOIIP) and 5.9 BCF (P50 GIIP) from the 2019 resource estimates. ERCE's lower resource volumes were primarily due to differences in the interpretation of fluid contact levels, net-to-gross, and porosities used. Their technical Estimated Ultimate Recovery (EUR) 1.2 MMstb (P50) is based on a recovery factor range of 3-7% from the nearby WLA well analogues.

ERCE also noted that reservoir quality is poorer and fractures are less prevalent at WLB compared to WLA based on petrophysical review and image log analysis. With low recoverable oil volumes predicted (0.5 – 2.3 MMstb), a stand-alone development for WLB would not be economically viable. Given the uncertainties on the existing velocity model, there is an apparent need to undertake additional studies (e.g. seismic velocity analyses) that can improve the base case resource evaluation.

The Phase II work commenced on the 25th of November. Due to the holiday season, completion of Phase II was moved to a mid-January 2022 delivery of a final report.

With the project completion date pushed back, a request for an additional extension on the submission of the 2022 WP&B was submitted to the DOE. The request for a mid-February submission of the WP&B was transmitted to the DOE on the 10th of December 2021.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)

The Motion for Reconsideration (MR) on the termination of the Service Contract during Mindoro Palawan Oil and Gas Inc. (MPOGI) operatorship was approved by the DOE on January 11, 2021. The MR was filed by, Philodrill, Anglo, and Basic, the remaining joint venture members after the SC was terminated by the DOE on June 2020. Subsequently, Basic withdrew from the consortium on February 8, 2021. With only Philodrill and Anglo continuing with the SC, Philodrill increased its participating interest in the SC from 22.00% to 81.48% with Anglo increasing from 5.00% to 18.52%.

The review of the work done by the previous operator Pitkin Petroleum for the drilling of Progreso-2 was commenced. Philodrill continued with its efforts to seek out other potential farminees. Discussions with a local onshore drilling contractor were initiated for a revised costing on the Progreso-2 well drilling and possible drilling-for-equity arrangement.

The previous legal counsel of Pitkin Petroleum was engaged in a retainer arrangement to assist in the administrative management of the SC particularly those relating to the permitting works primarily the acquisition of the Certificate of Pre-condition (CP) from the National Commission of Indigenous Peoples (NCIP) Regional Office for the eventual drilling of Progreso-2. A work program to clear the regulatory issues, including the acquisition of the Certificate of Pre-condition (CP) from the National Commission of Indigenous Peoples (NCIP) Regional Office and the potential conduct of an Information Education and Communication (IEC) Campaign with the relevant stakeholders was prepared. The completion of these programs however is dependent on how the continuing restrictions imposed by the COVID-19 situation develop.

Philodrill also communicated with the previous operator, MPOGI for the transfer of the SC's administrative files to Philodrill, in particular those related to Pitkin's previous NCIP application.

Towards the Q4, Philodrill was able to establish communication with the NCIP Region IV-B Office to undergo the process of applying for a CNO/CP for the Barangay San Isidro area in San Jose, Occidental Mindoro and an area in Bulalacao, Oriental Mindoro for the drilling of the Progreso-2 well and future activity within the Cambayan Prospect, respectively. In the last part of November, the application documents including the endorsement letter provided by the DOE were submitted to the NCIP Region IV-B office in Mindoro via courier. Delivery was confirmed through the courier service but the receipt of the documents has yet to be acknowledged by the NCIP Region IV-B office.

Talks were also initiated to potentially engage the lawyer of Basic Petroleum, who represented the JV in previous proceedings, to secure the final resolution of the case filed by Famatodi with the NCIP.

Browse Energy Pty Ltd was engaged in September to reprocess and image enhance some of the key lines over the Progreso and Cambayan Prospects. The project, which is still ongoing as the year ended, includes data reprocessing of two seismic lines, P353-05-09 and P353-06-09 at Progreso, and scanned image enhancement of seismic line MW48 at Progreso, and of two (2) scanned lines at Cambayan. Improving the subsurface imaging in these lines will help in the planning of the appraisal well(s) in the prospect areas.

Since this project was not originally contemplated in the 2021 WP&B, Philodrill submitted a WP&B amendment on the 14th of September 2021 which the DOE subsequently approved. The WP&B amendment reallocated a portion of the Permitting budget under the Exploration/Appraisal Drilling (Progreso-2) into the reprocessing project.

SERVICE CONTRACT NO. 74 (Linapacan)

PXP completed the seismic interpretation of key horizons in mapping out possible stratigraphic play components within the Linapacan structure in March. The seismic interpretation incorporated the seismic inversion volumes produced in the IKON Quantitative Interpretation study. Areas of high porosity and fractured zones were manually mapped by PXP, generating a total of 61 horizons.

Apart from the Linapacan A and Linapacan B prospects, several other leads were identified from the mapping including the Edapacan, Middle Linapacan, and South Linapacan leads.

Resource estimates following the depth conversions of the mapped horizons indicate in-place resource potential of between 39.8 – 43.15 MMbbls of oil for the Linapacan A prospect and 27.43 - 176.6 MMbbls for the Linapacan B structure.

The biostratigraphic and geochemical analyses of the rock samples collected from the Calamian Island Fieldwork were also completed during the year. The study was conducted with CoreLab and was a continuation of the pilot study on 12 outcrop samples in 2019. Additional outcrop samples were sent to CoreLab for analysis. The analyses done included Palynology/Biostratigraphy, Radiolaria, Total Organic Carbon, Rock-eval Pyrolysis, Vitrinite Reflectance, Kerogen Typing & Thermal Alteration Scale (TAS). Of the 15 mudstone samples analyzed, only one sample was identified as a potential source rock with an excellent >4% Total Organic Carbon (TOC) content. The majority of samples have lean organic matter and do not have high TOC values typical of source rocks. Rock-eval Pyrolysis, used to measure the thermal maturity of organic matter, yielded low S1 and S2 values. These suggest low to negligible hydrocarbon potential yield, possibly due to depletion by hydrocarbon expulsion in the past. This was corroborated by Vitrinite Reflectance analysis, which showed most of the mudstones to be in the Mature to Post-mature stage.

A formal request to the DOE for another regular Force Majeure over SC 74 was requested in May. Specifically, PXP requested for a 12-month Force Majeure, beginning 13 April 2021, considering the ongoing COVID-19 pandemic hampering the accomplishment of their work commitments. The request was eventually approved by the DOE on 29 October 2021, effectively extending the current sub-phase, Sub-Phase (SP) 3 of the SC to September 13, 2022.

Additional information required by Item 1 (a) is also contained in Notes 7 and 11 to the Company's 2021Audited Consolidated Financial Statements.

INVESTMENTS IN ASSOCIATES

The Company's associates are PCIC, PCHI and ACMDC, where the Company has 40%, 13.21% and 0.53% equity interest, respectively. In December 2015, the Company entered into a Joint Voting Agreement with Alakor Corporation, National Book Store, Inc. and Anglo Philippine Holdings Corporation, collectively known as the Ramos Group, to jointly vote their shares in ACMDC in all matters affecting their rights as stockholders effective January 1, 2015. As of December 31, 2020, the combined interest of the parties to the agreement represents 43.01% interest in ACMDC.

PCIC posted a total comprehensive income of P32.6 million in 2021, 2% lower than the 2020 comprehensive income of P33.0 million. Gross revenues amounted to P132.3million in 2020 as compared to P215.5 million in 2019.

PCHI's net income increased to P39.6 million in 2021 from P26.3 million in 2020. Gross revenues amounted to P103.6 million in 2021 as compared to P76.9 million in 2020.

ACMDC's comprehensive net income in 2021 amounted to ₱4.955 billion as compared to comprehensive net loss ₱731.9 million in 2020. Gross revenues amounted to P17.9 billion in 2021 and ₱17.5 billion in 2020.

Additional information is also contained in Note 9 to the Company's 2021Audited Consolidated Financial Statements.

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

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

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

(2) Business of Issuer

(a) Description of Registrant

(1) Principal products or services and their markets -The Company and other participants (collectively referred to as "Contractor"), entered into several SCs with the Philippine government through the DOE, for the exploration, development and exploitation of the contract areas situated mostly in offshore Palawan where oil discoveries have been made. The aforementioned SCs provide for certain minimum work expenditure obligations and the drilling of a specified number of wells and are covered by operating agreements which set forth the participating interests, rights and obligations of the contractor.

The Company's share in the jointly controlled assets of the SCs is included under the "Wells, platforms and other facilities" and "Deferred oil exploration costs" accounts in the statements of financial position. The Company follows full cost method of accounting for all exploration costs relating to each SC. These costs are deferred pending determination of whether the contract area contains oil and gas in commercial quantities. The exploration costs relating to the SC area where oil and gas in commercial quantities are discovered are subsequently capitalized as "Wells, platforms and other facilities" shown under "Property and equipment" account in the statement of financial position upon commercial production. When the SC is permanently abandoned or the Company has withdrawn from the consortium, the related deferred oil exploration costs are written-off. Reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. As a field goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions. Additional information required by Item 1 (2) (a) is also contained on Notes 8 and 11 to the Company's 2021

Audited Consolidated Financial Statements. The Company's present revenues and production and related expenses are from certain areas of SC 14 particularly Galoc. The crude oil revenues from these oilfields contributed about 75% of the total gross revenues.

Information as to production volume follows (in barrels):

	2021	2020	2019
Galoc*(net)*	622,357	690,946	737,755
Nido	0	0	20,641
Matinloc	0	0	1,551
Total	622,357	690,946	759,948

The Company also generates revenues from its equity investments by way of dividends received from, and/or equitizable share in the earnings of investee companies. Equitized earnings from affiliates constituted about 14% of the total gross revenues.

Investee Companies. The Company is a 40% shareholder of PCIC, an investment house. Aside from investment banking and financial advisory services, PCIC also specializes in providing securitization services, short-term bridge financing facilities and assistance in raising working capital funds.

The Company also has investment in PCHI with investment holdings in real estate, financial and securities transactions. The Company has a 13.21% ownership in PCHI. PCIC also has 29.54% ownership interest in PCHI, making the Company's effective ownership in PCHI at 25.03%.

The Company has 0.53% minor equity interest in ACMDC, as of December 31, 2021, together with the other companies in the Ramos Group, the combined interest represents 43.01% in ACMDC.

ACMDC is engaged in metallic mineral and mining exploration, and currently produces copper concentrate (with gold and silver), magnetite iron ore concentrate and laterite nickel.

(2) Percentage of sales or revenues and net income contributed by foreign sales- SC14C-1 crude oil were sold to foreign companies, the following are the percentages contributed by foreign sales:

	2021	2020	2019
Gross petroleum revenue	75%	89%	78%
Net operating income/loss	109%	27%	46%

(3) Distribution Method of the Products or Service- For SC14C-1 consortium, the operator GPC sold the crude oil to several foreign firms. The proceeds from the sale of crude oil were distributed by the operator to the different consortium members in accordance with their respective participating interests. For SC14 Blocks A, B and B-1 consortium, the last oil produced from these areas was sold to Pilipinas Shell in March 2019.

(4) Status of any new product or service - There are NO new products or services.

(5) Competition-For SC14C-1, crude oil production for 2021 was sold to foreign firms, Trafigura Pte Ltd.,Vitol Asia Pte., Ltd. continued to act as a marketing agent for the SC14C-1 consortium. Competition for market of petroleum does not have a significant bearing in the operations of the Company. Crude oil production from SC14 A, B & B-1 (Nido, Matinloc and North Matinloc) were all sold to Pilipinas Shell. The Company's crude sales agreement with Pilipinas Shell was in effect up to the first quarter of 2019, when the final lifting for Nido field was made last March 2019.

In the upstream local industry, group of companies form consortiums to explore certain areas. The DOE awards SCs to technically and financially capable companies based on competitive bidding. The Company competes in the acquisition of exploration rights with foreign firms and local exploration companies namely, PNOC-EC, Oriental Petroleum and Minerals Corporation, PetroEnergy Resources Corporation, NPG Pty. Ltd., Forum Energy Phils. Corporation. Competition in the acquisition of exploration rights also gives opportunities for partnership between local and foreign companies.

The Company is a recognized leader in the local petroleum industry. The Company is financially strong and the technical expertise of its staff is recognized by the DOE. The Company remains a strong player in the local exploration and production industry.

(6) Sources and availability of raw materials - Not applicable

(7) Dependence on One or a Few Major Customers and Identification of Such-

a) Petroleum Revenue - production from Galoc which is 75% of the total gross revenues were sold to foreign firm Trafigura Pte Ltd..Vitol Asia Pte., Ltd. continued to act as a marketing agent for the SC14C-1 consortium.

b) Investment Income - the Company's equity share in associates' earnings is dependent on the financial performance of its investee company, PCIC, PCHI and ACMDC.

(8) Transactions with and/or Dependence on Related Parties - the information required is contained on Note 16 to the Company's 2021 Audited Consolidated Financial Statements.

(9) Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts, including Duration-The Company is a member of the following valid and subsisting Petroleum SCs, either in its capacity as Operator or Consortium Member:

Service Contract No.	*Location*	*Expiry*	*Company's Capacity (as of December 31, 2021)*
6A Octon Block*	NorthWest Palawan	February 2024	Operator
6B Bonita Block**	NorthWest Palawan	February 2024	Operator

14A Nido Block* *(surrendered)*	NorthWest Palawan	December 2025	Operator
14B Matinloc Block* *(surrendered)*	NorthWest Palawan	December 2025	Operator
14B-1 North Matinloc* *(surrendered)*	NorthWest Palawan	December 2025	Operator
14 Tara Block* *(surrendered)*	NorthWest Palawan	December 2025	Consortium Member
14C-1 Galoc Block	NorthWest Palawan	December 2025	Consortium Member
14C-2 West Linapacan	NorthWest Palawan	December 2025	Operator
14D Retention Block* *(surrendered)*	NorthWest Palawan	December 2025	Operator
53 Onshore Mindoro	Mindoro	July 2055	Operator
74 Linapacan	NorthWest Palawan	August 2063	Consortium Member

**Surrender of the SCs pending approval by the DOE*
***Operatorship of SC6B reverted to Philodrill after MOC's withdrawal in December 2021*

(10) Government Approvals – The Company is a participant in various SCs with the Philippine government through the DOE which provide for certain minimum work expenditure obligations and drilling of a specified number of wells and are covered by operating agreements which set forth the participating interests, rights and obligations of the Contractor.

(11) Effect of Existing or Probable Governmental Regulations on the Business - Existing government regulations do not adversely affect the business of the Company. We are not aware of any probable government regulation that may adversely affect the business of the Company and its subsidiary.

(12) Estimate of Amount Spent for Research and Development Activities - The Company incurs expenses in the oil exploration projects wherein the Company is a participant, expense on the evaluation and studies on these projects form part of deferred costs.

The following are the expenses incurred for the last three (3) years:

Year	Amount
2021	**P20.9M**
2020	P12.8M
2019	P15.8M

(13) Costs and Effects of Compliance with Environmental Laws - Compliance with the environmental laws has not, and is not anticipated to adversely affect the businesses and financial condition of the Company. Petroleum service contractors are mandated to comply with all environmental laws in phases of exploration and production operations. The Company did not directly incur any expenses for such activities during the last three (3) years. Any costs of compliance with environmental laws will either be charged as ordinary operating expense or capitalized as part of project investment.

(14) Employees- As at December 31, 2021, the Company had 24 employees.

Type of employee	Exploration/ Technical	Finance/ Administration

		Legal/Stocks
Executive Officers - Administrative	1	3
AVP, Managers - Technical/Operations	1	3
Rank and File - Clerical	6	10
Total	8	16

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

(15) Major risk/s involved in each of the business of the company and subsidiaries- Information required by this Item is contained in Note 22 to the Company's 2021 Audited Consolidated Financial Statements. Note 22 discussed the risks factors namely: credit risk, liquidity risk and market risk which includes foreign currency risk and equity price risk. In addition we would like to disclose the following risks:

Commodity price risk – The Company's petroleum revenues are based on international commodity quotations (i.e. primarily on the average Dubai oil prices) over which the Company has no significant influence or control. This exposes the Company's results of operations to commodity price volatilities that may significantly impact its cash inflows. However, the Company is exerting its efforts in reducing operating costs in order to counteract any decrease in commodity price.

Production risk -The Company's crude oil production from the Galoc field may experience decline that are due to normal reserve depletion, production shutdown, adverse weather condition and problems relating to availability of vessels. In the Galoc field, the SC14C-1 consortium upgraded the mooring and riser system (M&RS) of the FPSO which involved the installation of a revolving external turret on the bow of the FPSO. The installed turret practically eliminated the need for the risky and costly disconnection of the M&RS during adverse weather conditions and its subsequent reconnection which in the past had resulted in expensive damage and prolonged operating downtimes. Because of the improved M&RS system, the Galoc operations attained close to 100% process uptime in 2021.For SC14 A&B blocks, production activities were all terminated, with the Matinloc finally stopping commercial production in February 2019 and the Nido field in March 2019.

(b) Additional Requirements as to Certain Issues or Issuers

(a) Debt issues - Not applicable
(b) Investment Company Securities - Not applicable
(c) Mining and Oil Companies -In line with its primary business purpose, the Company remains a participant in certain petroleum exploration projects. The amount of the Company's interests in these contracts and a brief description of the areas and status of

works performed therein are provided in Item 1 (a) above under the heading "Petroleum Projects".

Item 2. Properties

The information required by Item 2 is contained in Notes 7 and 8 to the Company's 2021 Audited Consolidated Financial Statements.

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

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

SC No.	The Company's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status
SC6A (Octon)	51.650	PetroEnergy Resources Corp. Anglo Phil. Holdings Corp. Ace Exenor, Inc. Forum Energy Phils.Corp. PXP Energy Corp. Alcorn Petroleum & Minerals	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC6B (Bonita)	58.182*	Oriental Pet.& Minerals Corp Nido Petroleum Phils. Pty Forum Energy Phils. Corp. Alcorn Gold Resources Corp	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC53 (Onshore Mindoro)	81.480	Anglo Phil. Holdings Corp.	The Company	July 08, 2005	Under Moratorium	Mindoro	Exploration
SC74 (Linapacan)	25.000	PXP Energy Corp. PNOC-EC	PXP Energy	Sep 03, 2013	Aug 03, 2063	Northwest Palawan	Exploration
SC41 (Sulu Sea) *under application*	60.00	PXP Energy Corp.	The Company			Sulu Sea	Submitted joint bid for Area 7

**Post MOC withdrawal (December 10, 2021)*

Item 3. Legal Proceedings

(a) The claim for special retirement pay filed by Mr. Francisco A. Navarro, former President of the Company, with the National Labor Relations Commission last February 13, 2017 was dismissed with finality by the Court of Appeals.

The Former Fifth Division of the Court of Appeals issued a Resolution promulgated on February 14, 2019, dismissing the Motion for Reconsideration on the CA Decision of August 10, 2018 filed by Mr. Francisco A. Navarro.

It was reiterated that private respondent, being the president of the corporation, was not a mere employee but a stockholder and an officer, hence, an integral part of the corporation. As a corporate officer, his complaint for the payment of the alleged "special retirement benefit" is an intra-corporate controversy which falls under the jurisdiction of the RTC and not the Labor tribunals.

Also, the CA found no merit as to Mr. Navarro's alleged entitlement to a "special retirement benefit". Said claim was only based on the marginal note made by the Company's former President on the letter sent by Mr. Navarro in 2014, during his stint as Executive Vice President. Being a mere request to "finalize" the proposed amendments to the Company's existing retirement plan, the marginal note made by the former President can in no way be regarded as an express and categorical approval of Mr. Navarro's request for additional retirement benefit as the latter requires a corporate act, which may only be discharged by the Board of Directors.

In August, 2019, Philodrill received a Notice from the Supreme Court, Third Division that a Resolution dated June 3, 2019 was issued which states, among others, *"xxx...After deliberating on the petition for review on certiorari assailing the Decision and Resolution dated August 10, 2018 and February 14, 2019, respectively, of the Court of Appeals, Manila in C.A.-G.R. SP No. 155889, the Court, without necessarily giving due course thereto, resolves to require respondent to COMMENT thereon (not to file a motion to dismiss) within ten (10) days from notice."*

Philodrill submitted on August 30, 2019 its Comment to the Petition for Review on Certiorari filed by Mr. Navarro. The Company received Mr. Navarro's Reply to the Comment on October 9, 2019.

On March 22, 2022, Philodrill was notified by its external counsel, Tan Venturanza Valdez (TVV), that the Supreme Court (SC) First Division has issued a **Resolution** dated October 6, 2021 *denying the Petition for Review on Certiorari* (under Rule 45 of the Rules of Court) filed by Mr. Francisco Navarro.

The SC finds that Mr. Navarro's claim for Special Retirement benefit cannot be considered a simple labor claim, but an intra-corporate controversy that lies within the jurisdiction of the regular courts (i.e., special commercial courts) and not the NLRC.

The SC, by holding that the NLRC does not have jurisdiction to rule on Mr. Navarro's claim, made its ruling denying his petition without prejudice to Mr. Navarro filing the proper case before the correct forum ("proper tribunal"). The SC did not rule on the merits of the issue, as the denial was based on lack of jurisdiction.

On March 16, 2022 Mr. Navarro, through counsel, filed a Motion to reconsider and set aside the SC Resolution dated October 6, 2021. The Motion essentially raised the same arguments mentioned in the earlier Petition and adds a prayer to have the case elevated to the Supreme Court En Banc and to calendar the case for oral arguments.

Philodrill is awaiting the Supreme Court's decision on the MR.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and RelatedStockholders Matters

(a) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two (2) years 2021 and 2020 and the first quarter of the current year 2022, expressed in Philippine Peso, are as follows:

Stock Prices:		High	Low
2022	First Quarter	0.0110	0.0088
2021	First Quarter	0.0280	0.0100
	Second Quarter	0.0130	0.0110
	Third Quarter	0.0120	0.0099
	Fourth Quarter	0.0100	0.0087
2020	First Quarter	0.0110	0.0064
	Second Quarter	0.0088	0.0070
	Third Quarter	0.0100	0.0075
	Fourth Quarter	0.0120	0.0077

(2) Holders

There were 8,543 shareholders of record as of December 31, 2021. Common shares outstanding as of December 31, 2021 totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of October 16, 2008.In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on September 24, 2008.On May 26, 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on September 18, 2008. Additional information required is also contained in Note 14 to the Company's 2020 Audited Consolidated Financial Statements.

Top 20 stockholders as of December 31, 2021:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	173,726,315,766	90.54
2. PCD NOMINEE CORPORATION NON FILIPINO	1,600,384,884	0.83
3. ALFREDO C. RAMOS	690,088,350	0.36
4. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.30
5. MARGARET S. CHUA CHIACO	530,000,000	0.28
6. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	0.19
7. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	0.17
8. CHRISTINE C. CHUA	254,097,005	0.13
9. RCBC TA# 32-314-4	190,900,000	0.10
10. PHIL. REMNANTS CO., INC.	188,247,468	0.10
11. AYALA CORPORATION	188,068,125	0.10
12. CARMENCITA O. REYES	176,415,750	0.09
13. INDEPENDENT REALTY CORPORATION	165,807,000	0.09
14. ANSELMO C. ROQUE	150,000,000	0.08
15. PAULINO G. PE	135,490,200	0.07
16. JOSEPH D. ONG	121,595,829	0.06
17. ANSALDO GODINEZ & CO., INC.	112,188,084	0.06
18. J.A. GONZALEZ	110,400,000	0.06
19. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06
20. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	0.06

(3) Dividends

For the years 2021, 2020 and 2019, the Board of Directors approved the declaration of the following cash dividends:

Cash Dividend	Amount	Declared on	Record Date	Payment Date
2021- none	**N/A**	**N/A**	**N/A**	**N/A**
2020- none	N/A	N/A	N/A	N/A
2019- none	N/A	N/A	N/A	N/A

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

(4) Recent Sales of Unregistered Securities
NO unregistered securities were sold during the past three (3) years. All of the Company's issued and outstanding shares of stock are duly registered in accordance with the provisions of the Securities Regulation Code.

(a) Securities Sold - not applicable; NO securities were sold
(b) Underwriters and Other Purchases - not applicable; NO securities were sold
(c) Consideration - not applicable; NO securities were sold
(d) Exemption from Registration Claimed - not applicable; NO securities were sold

Item 6.Management's Discussion and Analysis or Plan of Operation.

(a) Management's Discussion and Analysis or Plan of Operation

Audited Consolidated Financial Statements for Years 2019 to 2021

(In thousands of Pesos)	**As at 31 Dec 2021**	As at 31 Dec 2020	**As at 31 Dec 2019**
Income Statement			
Petroleum Revenues	**207,127**	90,399	246,488
Operating Income (Loss)	**25,831**	(266,613)	(123,049)
Net Income (Loss)	**36,325**	(251,881)	(63,218)
Assets			
Current Assets	**606,731**	573,998	693,735
Non-Current Assets	**2,487,086**	2,500,240	2,660,844
Total Assets	**3,093,817**	3,074,238	3,354,580
Liabilities			
Current Liabilities	**38,388**	46,307	79,568
Non-Current Liabilities	**41,725**	52,599	43,721
Stockholders' Equity	**3,013,703**	2,975,332	3,231,290
Earnings Per Share	**0.0002**	-	-

(1) Plan of Operation

(A) The Company expects to be able to satisfy its working capital requirements for the next twelve (12) months. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:

Issuing subscriptions call on the balance of the Subscriptions Receivable as of December 31, 2021; collecting a portion of Accounts Receivables as of December 31, 2021; Selling a portion of its existing investments and/or assets; and or Generating cash from loans and advances.

(B) The Company continues to consider farm-in proposals from local and foreign oil companies which have offered to undertake additional exploration/development work and implement production enhancement measures at no cost to the Filipino companies in exchange for equity in the projects that they will be involved in.

(C) The Company does not expect to make any significant purchase or sale of any plant and equipment within the next twelve (12) months.

(D) The Company does not expect any significant change in the number of its employees in the next twelve (12) months.

(2) Management's Discussion and Analysis

Financial highlights for the years 2021, 2020 and 2019 are presented below:

(in thousands of pesos)	**2021**	2020	2019
Petroleum Revenues	**207,127**	90,399	246,488
Investment Income	**38,046**	17,313	42,040
Interest Income	**11,516**	14,252	20,125
Net Income (Loss)	**36,325**	(251,881)	(63,218)
Total Assets	**3,093,817**	3,074,238	3,354,580
Net Worth	**3,013,703**	2,975,332	3,231,290
Issued & Subscribed Capital	**1,918,688**	1,918,688	1,918,688

The key performance indicators of the Company are as follows:

	Dec. 31, 2021	**Dec. 31, 2020**	**Dec. 31, 2019**
Current Ratio	15.81:1	12.40:1	8.72:1
Current Assets	606,731,491	573,997,999	693,735,475
Current Liabilities	38,388,308	46,307,229	79,568,492
Debt to Equity Ratio	0.03:1	0.03:1	0.04:1
Total Liabilities	80,113,989	98,906,075	123,289,829
Stockholders Equity	3,013,703,269	2,975,331,588	3,231,289,998
Equity to Debt Ratio	37.62:1	30.08:1	26.21:1
Stockholders Equity	3,013,703,269	2,975,331,588	3,231,289,998
Total Liabilities	80,113,989	98,906,075	123,289,829
Book Value per Share	0.01571	0.01551	0.01684
Stockholders Equity	3,013,703,269	2,975,331,588	3,231,289,998
Outstanding shares	191,868,805,358	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	0.0002	(0.0013)	(0.0003)
Net Income (Loss)	36,324,916	(251,881,144)	(63,218,421)
Weighted Average shares outstanding	191,868,805,358	191,868,805,358	191,868,805,358

Current Ratio is 15.81:1 as of December 31, 2021; 12.40:1 as of December 31, 2020; and 8.72:1 as of December 31, 2019. As of December 31, 2021, December 31, 2020 and December 31, 2019, current assets exceeded the current liabilities by P568.3 million, P527.7 million and P614.2 million, respectively. However, a portion of the "Investments" account in the statements of financial position consists mainly of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P77.8 million as of December 31, 2021, P79.5million as of December 31, 2020 and P68.3 million as of December 31, 2019. If these shares would be considered part of Current Assets, the recomputed current ratio would be 17.83:1 as of December 31, 2021; 14.11:1 as of December 31, 2020; and 9.58:1 as of December 31, 2019.

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

	December 31, 2021
Current Ratio	***190.0:1***
Current Assets	**8,511,974**
Current Liabilities	**44,800**
Debt to Equity Ratio	***0.0053:1***
Total Liabilities	**44,800**
Stockholders' Equity	**8,467,174**
Equity to Debt Ratio	***189.0:1***
Stockholders' Equity	**8,467,174**
Total Liabilities	**44,800**
Book Value per Share	***0.0007***
Stockholders' Equity	**8,467,174**
Average shares outstanding	**12,505,000,000**
Income per Share	***-0-***
Net Income (Loss)	**(65,693)**
Average shares outstanding	**12,505,000,000**

(i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 22 to the Company's 2021 Audited Consolidated Financial Statements.

(ii) The Company's internal source of liquidity comes from revenues generated from operations. The Company's external sources of liquidity come from stock subscriptions, loans and advances.

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

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 11 and 22 to the Company's 2021 Audited Consolidated Financial Statements.

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

a) Total assets increased by P19.6 million from P3.07 billion as of year-end 2020 to P3.09 billion as of year-end 2021.

- Cash account increased by P11.4 million from P273.3 million as of December 31, 2020 to P284.7 million as of December 31, 2021 mainly due to the restatement of dollar denominated short term placements and collection of receivables.

- Receivables account increased by P14.0 million from P283.7 million as of December 31, 2020 to P297.7 million as of December 31, 2021 due to trade receivable accrued at year-end 2021.

- Crude oil inventory increased by P7.6 million from P14.5 million as of December 31, 2020 to P22.1 million for the Company's share in inventory for the SC14 Galoc crude as of December 31, 2021. The increase was due to higher crude price at year-end 2021.

- Other current assets decreased from its December 31, 2020 balance of P2.6 million to December 31, 2021 balance of P2.3 million. The decrease was due to the amortizations booked during the year.

- Property and equipment decreased by P57.8 million from its December 31, 2020 balance of P389.0 million to December 31, 2021 balance of P331.1 million. The decrease was mainly due to depletion expense booked during the year.

- Investments in associates increased by P25.5 million from the year-end 2020 balance of P817.0 million to year-end 2021 balance of P842.5 million due the equity share in associates' earnings, adjustment in the other comprehensive income of associates net of cash dividend booked during the period. Additional information is also contained in Note 9 of the Audited Consolidated Financial Statements for 2021.

- Financial assets at Fair Value through OCI remain at P82.0 million level from its 2020 balance to year-end 2021 balance. Additional information is also contained in Note 10 of the Audited Consolidated Financial Statements for 2021.

- Deferred oil exploration costs increased by P20.9 million from its year-end 2020 balance of P0.988 billion to year-end 2021 balance of P1.008

billion. The increase of P20.9 million was due to the additional costs incurred for the various petroleum exploration projects.

- Deferred tax asset (DTA) increased from its year-end 2020 balance of P201.4 million to P211.2 million as of year-end 2021 due the adjustment on recognized DTA mainly on net operating loss carryover.

- Other non-current assets decreased by P11.5 million from its year-end 2020 to year-end 2021 balance of P11.7 million due to the collection of other receivable and amortization of other deferred charges booked during the year.

b) Total liabilities decreased from its balance of P98.9 million in 2020 to P80.3 million balance in 2021.

- Accounts payable and accrued liabilities decreased by P7.9 million from its year-end 2020 balance of P13.1 million to year-end 2021 balance of P5.2 million due to the payments of accrued expenses during the year.

- For year-end 2019, two (2) wells of Nido remained unplugged and for abandonment in 2020, the corresponding share in the P&A costs amounted to P39.0M. The accrued amount was subsequently paid in 2020. Additional information is also contained in Note 13 of the Audited Consolidated Financial Statements for 2021.

- Income tax payable as of year-end 2020 amounted to P48,475. As at year-end 2021, income tax liability amounted to P30,665.

- Dividends payable amounted to P33.137 million as of year-end 2020 and P33.129 million as of year-end 2021. The slight decrease of P8,520 was due to the payments made during the period.

- Beginning year-end 2016, full provision was made for the future cost of decommissioning Galoc oilfield. The company's estimated share in decommissioning liability amounted to P26.7 million as of December 31, 2020 and P25.4 million as of year-end 2021. The movements on the balances were adjustments on the revaluation of the liability. In relation to this decommissioning liability, a decommissioning fund equivalent to its current contribution to settle its share in the decommissioning costs of Galoc oilfield is also established and is reflected under "Property and equipment" account. Additional information is also contained in Note 13 of the Audited Consolidated Financial Statements for 2021.

- Retirement benefit liability decreased by P9.6 million from its year-end 2020 balance of P25.9 million to year-end 2021 balance of P16.3 million. The decrease of P5.1 million was due to the adjustment in the recognized retirement benefit liability as of end of the period.

Additional information is also contained in Note 19 of the Audited Consolidated Financial Statements for 2021.

c) Stockholders' equity increased by P38.4 million from its year-end 2020 balance to year-end 2021 balance of P3.01 billion.

- Capital stock balance remained at P1.743 billion for the years-ended 2020 and 2021.

- The unrealized loss on the decline in value of financial assets at fair value through other comprehensive income decreased by P3.9 million from year-end 2020 balance of P32.5 million to year-end 2021 balance of P28.6 million. The decrease of P3.9 million was due to the fair value changes during the year. Additional information is also contained in Note 10 of the Audited Consolidated Financial Statements for 2021.

- Retained Earnings from year-end 2020 balance of P1.27 billion to year-end 2021 balance of P1.31 billion, reflected a net increase of P36.3 million due to the net income booked during the period.

d) Petroleum revenues in 2021 totaled P207.1 million as compared to P90.4 million in 2020 and P246.5 million in 2019. For the year 2021, the increase in revenues was mainly brought about by the increase in crude prices. Production decreased by 10% from its 2020 level of 0.69 million barrels to 0.62 million barrels in 2021. Combined average prices for 2021 and 2020 were US$73.54 and US$37.14, respectively. For 2019, total production volume was 0.76 million barrels and average price per barrel was US$59.44.

Equity in net earnings of associates amounted to P38.0 million in 2021 and P17.3 million in 2020. The increase of P20.7 million from year-end 2020 to year-end 2021 balance was due to higher level of income of ACMDC. For 2019, equity in net earnings of associates amounted to P42.0 million.

Interest income totaled to P11.5 million in 2021, P14.3 million in 2020 and P20.1 million in 2019.

Foreign exchange gains (losses) amounted to P16.5 million for 2021, (P20.6) million in 2020, and (P15.2) million for 2019.

e) Total costs and expenses totaled to P248.6 million in 2021, P369.4 million in 2020, and P417.8 million in 2019.

Share in production and plug and abandonment costs totaled to P139.5 milliom in 2021, P99.36 million in 2020, and P287.3 million in 2019. The company incurred plug and abandonment costs amounting to P39 million in 2019. These are for the plug and abandonment costs of the remaining Nido oil wells. Additional information is also contained in Note 13 of the Audited Consolidated Financial Statements for 2021.

Depletion costs amounted to P51.3 million in 2021, P61.8 million in 2020, and P64.6 million in 2019.

General and administrative expenses totaled to P60.8 million in 2021, P73.0 million in 2020, and P62.7 million in 2019.

Current provision for income taxes amounted to P0.7 million in 2021, P0.9 million in 2020, and P2.8 million in 2019. Recognition of deferred tax asset resulted to benefit from income tax amounting to P11.2 million in 2021, P15.6 million in 2020, and P62.6 million in 2019.

For 2020, provision for unrecoverable deferred oil exploration costs amounting to P132.7 million was booked at year-end for the Swan block and Retention block project costs.

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

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

(viii) There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(3) Interim Periods

No interim financial statements are included in this report.

Item 7. Financial Statements

The 2021Audited Consolidated Financial Statements of the Company is incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

Information on Independent Accountant. The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed as the external auditor of the Company in the 2019, 2020 and 2021 annual stockholders' meetings.

External Audit Fees and Services. The fees of the external auditor in the past three (3) years for the Group are as follows:

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2021	P1,100,000	-0-	-0-
2020	P1,100,000	-0-	-0-
2019	P1,100,000	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regulatory filings for years 2021, 2020 and 2019.The amounts under the caption "Audit and Audit Related Fees" for the years 2021, 2020 and 2019 pertain to these services.

The Audit Committee has an existing policy, which prohibits the Company from engaging the independent accountant to provide services that may adversely impact their independence, including those expressly prohibited by SEC regulations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. There have been NO changes in and disagreements with accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

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

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

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For year 2022, SGV will be recommended for appointment as external auditors during the stockholders' meeting.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9.Directors and Executive Officers of the Registrant

(a) Directors, Executive Officers Promoters and Control Persons

(1) Identify Directors and Executive Officers

(A) Names and Ages of all Directors and Executive Officers

Name	Age	Citizenship	Position	Period of Service	
				From	To
Alfredo C. Ramos	77	Filipino	Chairman of the Board	Dec 2, 1992	Present
			President	Apr 24, 1989	Mar 31, 2014

				Jan 1, 2017	Present
Presentacion S. Ramos	79	Filipino	Director	May 28, 1997	Present
Christopher M. Gotanco	72	Filipino	Director	Aug 17, 2005	Present
Adrian Paulino S. Ramos	43	Filipino	Director	Jan 18, 2006	Present
Gerard Anton S. Ramos	47	Filipino	Director	Dec 16, 2015	Present
Alexandra Ramos-Padilla	49	Filipino	Director	Jun 19, 2013	Present
Reynaldo E. Nazarea	70	Filipino	Director Treasurer VP Administration	Jun 21, 2017 May 1, 2005 May 1, 1992	Present Present Present
Honorio A. Poblador III	76	Filipino	Independent Director	Feb 26, 2003	Present
Nicasio I. Alcantara	79	Filipino	Independent Director	Feb 26, 2003	Present
Alessandro O. Sales	63	Filipino	VP Exploration & Production	Mar 11, 2008	Present
Isabelita L. Matela	67	Filipino	AVP Finance	Oct 1, 2009	Dec. 31, 2021
Dennis V. Panganiban	59	Filipino	AVP Exploration & Production	Sep 1, 2011	Present
Adrian S. Arias	59	Filipino	Corporate Secretary	Dec 2, 1992	Present

The Company's Independent Directors are Messrs. Honorio A. Poblador III and Nicasio I. Alcantara.

(B)Positions and offices that each person named above held with the Company

Mr. Alfredo C. Ramos has been the Chairman of the Board of the Company since December 2, 1992. He also served as President of the Company from April 24, 1989 until March 31, 2014.On January 1, 2017, he was re-elected President of the Company.

Ms. Presentacion S. Ramos has been a Director since May 28, 1997.

Mr. Christopher M. Gotanco was elected Director on August 17, 2005.

Mr. Adrian Paulino S. Ramos was elected Director on January 18, 2006.

Mr. Gerard Anton S. Ramos was elected Director on December 16, 2015.

Ms. Maureen Alexandra Ramos-Padilla was elected Director on June 19, 2013.

Mr. Reynaldo E. Nazarea was appointed Vice President for Finance in 1987. He concurrently serves as Vice President for Administration since 1992, and as Company Treasurer since May 1, 2005. On June 21, 2017, he was elected as Director of the Company.

Mr. Nicasio I. Alcantara has been a Director of the Company since 1991 and was elected Independent Director on February 26, 2003. Mr. Alcantara has all the qualifications and none of the disqualifications as an Independent Director since his election in 2003.

Mr. Honorio A. Poblador III has been a Director of the Company since 1992 and was elected Independent Director on February 26, 2003. Mr. Poblador possesses all the qualifications and none of the disqualifications as Independent Director since his election in 2003.

Mr. Alessandro O. Sales became the Vice President for Exploration on May 15, 2005, then subsequently Vice President for Exploration and Production beginning March 11, 2008.

Ms. Isabelita L. Matela was appointed Asst. Vice President for Finance on October 1, 2009. She was previously Finance Manager of the Company for 23 years prior to her assumption as AVP. She retired from the Company effective January 1, 2022.

Mr. Dennis V. Panganiban was appointed Asst. Vice President for Exploration and Production on September 1, 2011.

Atty. Adrian S. Arias has been the Company's Corporate Secretary since December 2, 1992.

(C) Term of Office as Director and Period of Service

The Directors of the Company are elected at the Annual Stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Officers are appointed or elected annually by the Board of Directors during its organizational meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified, in accordance with the Company's By Laws.

(D) Business experience of directors/officers during the past five (5) years

MR. ALFREDO C. RAMOS has been the Chairman of the Board since December 1992. He was President and Chief Executive Officer of **The Philodrill Corporation** from April 24, 1989 to March 31, 2014. On January 1, 2017, he was re-elected President of the Company. Mr. Alfredo C. Ramos concurrently serves as Chairman of the Board of Anglo Philippine Holdings Corporation; Chairman of Atlas Consolidated Mining & Development Corporation and United Paragon Mining Corporation.

Mr. Ramos maintains business interests in companies involved in printing, publication, sale and distribution of books, magazines and other printed media since 1962 (Anvil Publishing, Inc., National Bookstore, Inc., NBS Express, Inc., Power Books, Inc., Abacus Book and Card Corporation), mining since 1988 (Carmen Copper Corporation.), property development since 1991 (Shang Properties, Inc.) and transportation since 1996 (MRT Development Corp., MRT Holdings Corporation) among others.

PRESENTACION S. RAMOS is a Member of the Board of **The Philodrill Corporation** since May 1997. Mrs. Ramos also serves as Chairman of the Board of Alakor Securities Corporation and sits in the Board of Anglo Philippine Holdings Corporation (1984 to date), United Paragon Mining Corporation (1993 to date), and Philippine Red Cross. Mrs. Ramos also serves as Executive Officer of Peakpres Corporation, Abacus Book & Card Corp., National Book Store, Inc., NBS Express, Inc., Power Books, Inc., Zenith Holdings Corporation and Alakor Corporation.

GERARD ANTON S. RAMOS joined **The Philodrill Corporation** in December 2015. He is a member of the Board of Atlas Consolidated Mining & Development Corporation and Carmen Copper Corporation. He serves as Executive Vice President for Investments at Anglo Philippine Holdings Corp.; Vice President at Alakor Corporation. President and Nominee at Alakor Securities Corporation and President of United Paragon Mining Corp.; Vice President for Business Development & Corp. Secretary of National Bookstore, Inc.

ADRIAN PAULINO S. RAMOS. Apart from being a member of the Board of The Philodrill Corporation, Mr. Adrian Ramos holds key position in several listed companies: President & COO of Anglo Philippine Holdings Corporation; President of Atlas Consolidated Mining & Development Corp.; Director of Vulcan Industrial & Mining Corporation and Treasurer of United Paragon Mining Corporation. He is also the current Vice President of Alakor Corporation, Vice President and CFO of National Book Store, Inc. He also serves as Treasurer and Director at Alakor Securities Corporation.

MAUREEN ALEXANDRA RAMOS-PADILLA joined the company as Director in June, 2013. She also serves as Director of Anglo Philippine Holdings Corporation and Zenith Holdings Corporation. Her other business affiliations include, Managing Director of National Book Store, Inc. and President of Anvil Publishing Corp.

CHRISTOPHER M. GOTANCO is a Director of The Philodrill Corporation from 2006 to date. He is currently a Senior Advisor and member of the Board of Directors of Anglo Philippine Holdings Corporation.

Mr. Gotanco's current affiliations include: Vulcan Materials Corporation (Vice Chairman & Director from 2012 to date), Bataan Aggregates Corporation (Director from April 2017 to date), MRT Holdings, Inc. (Director from 1995 to date), MRT Development Corporation (Director from 1995 to date), North Triangle Development Corp. (Director from 2004-2014), (Vice Chairman & COO from 2012 to 2021) United Paragon and Mining Corporation (Director from 2006 to date), Penta Capital Investment Corporation (Director, from 2007 to date; Vice chairman, 2007-2018; Chairman, 2018-2019); Penta Capital Finance Corporation (Director from 2007 to date; Chairman, 2007-2019), and Boulevard Holdings, Inc (Director from 2007 to date).

REYNALDO E. NAZAREA joined the Company as Vice President for Finance in 1987. He was appointed Treasurer in 2005, and has concurrently been serving as Vice President for Administration since 1992. Before joining the Company, Mr. Nazarea practiced public accounting under Sycip, Gorres, Velayo & Co. and held accounting, finance, controllership and administrative positions in Vulcan Industrial & Mining Corporation and Semirara Coal Corporation (now Semirara Mining Corporation). Mr. Nazarea also serves in the Board of Anglo Philippine Holdings Corporation, PentaCapital Investment Corporation, PentaCapital Finance Corporation and PentaCapital Holdings, Inc..

NICASIO I. ALCANTARA has been an Independent Director of the Company since 2003. He is the Chairman and President of ACR Mining Corporation and Chairman of the Board of Conal Corporation. He serves as the Chairman of Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the Bank's Audit Committee and Related Party Transactions Committee. He is currently a Director of Alsons Corporation, Seafront Resources Corporation, Enderun Colleges, Inc,, Rsocal Corporation, Samal Agricultural Development Corporation, South Star Aviation Corporation, Trusto Corporation and Phoenix Petroleum Philippines, Inc..

Prior to this, Mr. Alcantara held position of Chairman and President of various corporations, namely, Alsons Development & Investment Corp., Aquasur Resources Corporation, Alsons Aquaculture Corporation, Alsing Power Holdings, Inc., Mapalad Power Corporation, Fial Corporation, Southern Philippine Power Corporation, San Ramon Power, Inc., Sarangani Energy Corporation and Sunfoods Agri Ventures Corporation. He was also the Chairman of ACR Mining Corporation, Finfish Hatcheries, Inc. and Site Group International, Ltd..

HONORIO A. POBLADOR III served as Independent Director of the company since 2003. He is currently Chairman of Elnor Investment Corporation, Pneumatic Air Corporation, F&C Realty, Asuncion Agro-Realty Corporation and President of ASMACO Inc.. Mr. Poblador holds several Directorships among them, PobCor Inc. and Alsons Consolidated Resources.

ALESSANDRO O. SALES is the Company's Vice President for Exploration since 2005. He is responsible for implementing Philodrill's oil exploration and development programs for the past seventeen (17) years. He previously served as Asst. Vice President of the Company in 1997.

ISABELITA L. MATELA was appointed Asst. Vice President for Finance on October 1, 2009. She served the Company as Finance & Administration Manager for 23 years prior to her assumption as AVP. She retired from the Company effective January 1, 2022.

DENNIS V. PANGANIBAN was appointed Asst. Vice President for Exploration and Production on September 1, 2011. Prior to joining Philodrill, he held a Managerial position in NorAsian Energy Ltd., as Joint Venture and Asset Manager for several years.

ATTY. ADRIAN S. ARIAS is the Company's Corporate Secretary. He has been in active corporate law practice for three (3) decades now and serves as a director of companies involved in investments holding (Anglo Philippine Holdings Corp.), financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.), mining and aggregates (Vulcan Industrial & Mining Corp. and Vulcan Materials Corporation), rail transport (Metro Rail Transit Corp.) and distribution support services (QFI-Central Integrated Services, Inc.).

(E) Directors with directorship(s) held in reporting companies

Alfredo C. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining &Dev't. Corp.
	Shang Properties, Inc.
	United Paragon Mining Corporation
Presentacion S. Ramos	Anglo Philippine Holdings Corporation
	United Paragon Mining Corporation
Christopher M. Gotanco	Anglo Philippine Holdings Corporation
	Boulevard Holdings, Inc.
	United Paragon Mining Corporation
Adrian Paulino S. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining &Dev't. Corp.
	United Paragon Mining Corporation
	Vulcan Industrial & Mining Corporation
Maureen Alexandra Ramos-Padilla	Anglo Philippine Holdings Corporation
Gerard Anton S. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining &Dev't. Corp.
	United Paragon Mining Corporation
Reynaldo E. Nazarea	Anglo Philippine Holdings Corporation
Nicasio I. Alcantara	Seafront Resources Corporation
Honorio A. Poblador III	Alsons Consolidated Resources

(2) Significant Employees

Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contribution to the business of the Company.

(3) Family Relationships

Mr. Alfredo C. Ramos, President and Chairman of the Board, is the husband of Ms. Presentacion S. Ramos, Director. Mr. Gerard Anton S. Ramos, Mr.Adrian S. Ramos, and Ms. Maureen Alexandra Ramos-Padilla, all Directors, are siblings, sons and daughter of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

(4) Involvement in Certain Legal Proceedings

On 22 January 2018, Mr. Navarro filed three (3) separate Petitions for Review with the Department of Justice (DOJ), assailing the November 27, 2017 Resolution of Asst. City Prosecutor Hernandez of Mandaluyong City dismissing the following cases:

- Violation of Article 183 of the Revised Penal Code/Perjury Case against Mr. Nazarea and Ms. Matela.

- Violation of Article 183 of the Revised Penal Code/Perjury Case against Mr. Nazarea and Ms. Laurente.

- Violation of Sec. 28 in relation to Sec. 144 of the Corporation Code/Corporation Code Case against Mr. Nazarea, Mr. Alfredo C. Ramos, Ms. Presentacion S. Ramos, Mr. Gerard Anton S. Ramos, Mr. ChristopherM. Gotanco, Mr. Maureen Alexandra R. Padilla, and Atty.Arias.

On February 21, 2018 the Company's Directors and Corporate Secretary filed their respective Comments/Oppositions to the said Petition for Review. The matter remain pending with the DOJ.

The Company maintains that Mr. Navarro's pending Petition for Review presents no new or substantial matter that will warrant the reversal of the Resolution of Asst. City Prosecutor Hernandez.

Other than the foregoing case, the company is not aware of:

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

(2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign excluding traffic violations and other minor offenses of any director, person nominated to become a director, executive officer, promoter, or control person of the Company;

(3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any director, executive officer, promoter or control person; and

(4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(1) Summary Compensation Table

Information as to aggregate compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Chief Executive Officer and four other most highly compensated officers as follows:

Name	Position *(as of Dec 31, 2021)*	Year	Salary	Bonus	Other annual Compensation
Alfredo C. Ramos Reynaldo E. Nazarea Alessandro O. Sales Isabelita L. Matela Dennis V. Panganiban	Chairman & President Treasurer & VP-Admin VP-Exploration & Production AVP-Finance AVP-Exploration & Production				
		2020	18,380,706	-0-	-0-
		2021	20,085,109	-0-	-0-
		2022 (estimate)	18,172,808	-0-	-0-
All Officers and directors as a group unnamed					
		2020	25,112,169	-0-	310,000
		2021	25,966,056	-0-	3,868,550
		2022 (estimate)	22,975,582	-0-	420,000

(2) Compensation of Directors

(A) Standard Arrangement

For the most recently completed year, directors received a per diem of P10,000 per month to defray their expenses in attending board meetings, which will continue to be received in the ensuing year. There are no other arrangements for compensation of directors, as such, during the last year and for the ensuing year.

(B) Other Arrangements

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

(3) Employment Contracts and Termination of Employment and Change-in-Control

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

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

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

Certain employees, including directors of the Company, receive stock appreciation right, further details of which are given in Note 12 to the Company's 2021 Audited Consolidated Financial Statements.

There are no warrants or options outstanding in favor of directors and officers of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2021 the Company is not aware of anyone who beneficially owns more than 5% of the Company's common stock, except as set forth in the table below:

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A, B and C)	Filipino	74,576,541,971	38.869%
Common	National Book Store, Inc. 4/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,735,965,802	8.723%
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp./Alakor Corporation/National Bookstore, Inc.	Filipino	30,388,193,010	15.838%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

Note A: The number of shares held by PCD Nominee Corporation (PCD) is net of the 100,750,158,679 shares held by National Book Store Inc (NBS), Alakor Corporation (AC) and Anglo Philippine Holdings Corp. (Anglo).

Note B: Of the 74,576,541,971 shares held by PCD, 73,434,085,669 shares have been fully paid and issued, while 1,142,456,302 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed. Of the 66,904,763,340 shares held (directly and indirectly) by Anglo, 66,477,529,274 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

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

(2) Security Ownership of Management

The Company's directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated executive officers (O) own the following number of voting shares as of December 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
		Direct	Indirect		
Common	Alfredo C. Ramos (D,O)	P6,900,884	P20,022	Filipino	0.361%
Common	Nicasio I. Alcantara (D)	10,000	3,622,000	Filipino	0.189
Common	Honorio A. Poblador III (D)	299,000	0	Filipino	0.016
Common	Presentacion S. Ramos (D)	1,250	770,000	Filipino	0.040
Common	Christopher M. Gotanco (D)	48,600	2,454,634	Filipino	0.130
Common	Gerard Anton S. Ramos (D)	1,000	0	Filipino	<0.000
Common	Adrian Paulino S. Ramos (D)	12,500	333,231	Filipino	0.018
Common	Alexandra R. Padilla (D)	100	800	Filipino	<0.000
Common	Reynaldo E. Nazarea (D,O)	1,000	860,563	Filipino	0.045
Common	Alessandro O. Sales (O)	0	0	Filipino	0
Common	Isabelita L. Matela (O)	2,731	6,058	Filipino	<0.000
Common	Dennis V. Panganiban (O)	0	10,000	Filipino	<0.000

As of December 31, 2021, the aggregate number of shares owned by the Company's directors, Chief Executive Officer and four (4) most highly compensated executive officers, as a group, is 1,545,071,573 shares, or approximately 0.805% of the Company's outstanding capital stock.

(3) Voting Trust Holders of 5% or More

To the extent known to the Company, there is NO PERSON holding more than 5% of any class of the Company's securities under a voting trust or similar agreement.

(4) Changes in Control

To the extent known to the Company, there are no arrangements, which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

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

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances to related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 16 to the Company's 2021 Audited Consolidated Financial Statements, a copy of which is included in this Annual Report.

(a) Business purpose of the arrangement. The business purpose of related party transaction is to address immediate working capital requirements of related parties (in case of advances to related parties).

(b) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 16 to the Company's 2021 Audited Consolidated Financial Statements.

(c) How transaction prices were determined by parties. All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction.

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

(e) Any on-going contractual or other commitments as a result of the arrangement. NONE, other than the repayment of money lent or advanced.

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

PART IV – CORPORATE GOVERNANCE

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

(b) The Company undertakes a self-evaluation process regularly in accordance with its Revised Manual on Corporate Governance (May 2017) and any deviation from the Company's corporate Governance Manual is reported to the

Management and the Board together with the proposed measures to achieve compliance.

(c) The Company is in full compliance with global best practices on good corporate governance, applicable to it, as embodied in its Revised Manual on Corporate Governance (May 2017).

1. The Company has adopted a Code of Conduct for the Board and its employees, and is being assessed regularly to cope with the dynamics of the business. The Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

2. Employees and officers undergo professional development programs subject to meeting the criteria set by the Company. The Corporate Governance & Nominations Committee (CG&NC) is engaged, together with the Management Committee, in the Succession Planning of the Executive officers, including the President. In the latter case, the CG&NC coordinates closely with the Chairman any and all activities involved in planning for the President's succession.

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

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - see Index to Financial Statements and Supplementary Schedules
(b) Reports on SEC Form 17-C – see List

THE PHILODRILL CORPORATION
LIST OF ITEMS REPORTED UNDER SEC FORM 17C

Date of Report	Description
January 18, 2021	List of Top 100 Stockholders as of 31 December 2020
January 22, 2021	Approval of the redistribution of participating interests among the continuing partners, and the assignment of Philodrill as the operator of SC 53 (Onshore Mindoro)
January 28, 2021	Setting of Annual Stockholders' Meeting
March 11, 2021	Annual Verification of the Department of Energy 2021
March 22, 2021	List of Stockholders as of Record Date March 17, 2021
March 25, 2021	Approval of 2020 Audited Financial Statements
April 14, 2021	List of Top 100 Stockholders as of 31 March 2021
June 16, 2021	Results of Organizational and Annual Stockholders' Meeting 2021
July 15, 2021	List of Top 100 Stockholders as of 30 June 2021
September 23, 2021	Certificate of Attendance on Corporate Governance 2021
October 14, 2021	List of Top 100 Stockholders as of September 30, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on May __, 2022.

By:

ALFREDO C. RAMOS
Principal Executive Officer/
Principal Operating Officer

REYNALDO E. NAZAREA
Principal Financial Officer/
Comptroller

ADRIAN S. ARIAS
Corporate Secretary

JENNIFER P. TOMBAGA
Principal Accounting Officer

MAY 12 2022

SUBSCRIBED AND SWORN to before me this _____ day of May 2022 affiants exhibiting to me their Passports or Driver's license, as follows:

Names	Passport/DL no.	Date of Issue	Place of Issue
ALFREDO C. RAMOS			
REYNALDO E. NAZAREA			
ADRIAN S. ARIAS			
JENNIFER P. TOMBAGA			

Notary Public

DOC. No. 109
PAGE NO. 23
BOOK NO. 5
SERIES OF 2022

MAY 12 2022

ATTY. JAMES K. ABUGAN
Notary Public
Appt. No. 0442-21
Until Dec. 31, 2022
IBP No. 175123 01/06/2022 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 4871351 / 01-06-2022
Tel. No. (02) 854-523-21
Mandaluyong City

THE PHILODRILL CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	8	6	8	3						

C O M P A N Y   N A M E

THE PHILODRILL CORPORATION AND SUBSIDIARY

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@philodrill.com	(632) 8631-8151	N / A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8,543	06/16	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Reynaldo E. Nazarea	renazarea@philodrill.com	(632) 8631-8151	N / A

CONTACT PERSON's ADDRESS

8th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

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

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

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: jptombaga@philodrill.com

Cc: jptombaga@philodrill.com

Date: Friday, May 13, 2022, 11:14 AM GMT+8

Hi THE PHILODRILL CORPORATION,

Valid files

- EAFS000315612ITRTY122021.pdf
- EAFS000315612AFSTY122021.pdf
- EAFS000315612RPTTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-VW1QZ3Y0QY1VVPVNMMS3XMX1099C8CEH9**
Submission Date/Time: **May 13, 2022 10:58 AM**
Company TIN: **000-315-612**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 8631-1801 TO 05 ; 8631-8151/52 ; WEBSITE: www.philodrill.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of The Philodrill Corporation and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders for the periods December 31, 2021 and 2020 has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

Reynaldo E. Nazarea
Chief Financial Officer

Signed this 20th day of April 2022

APR 28 2022

SUBSCRIBED AND SWORN to before me this _______ day of ______ 2022 affiants exhibiting to me their Passport/Driver's license, as follows:

NAMES	PASSPORT / DL NO.	EXPIRATION DATE	PLACE OF ISSUE
ALFREDO C. RAMOS			
REYNALDO E. NAZAREA			

Doc. No. 123
Page No. 26
Book No. 47
Series of 2022.

APR 28 2022

ATTY. JAMES K. ABUGAN
Notary Public
Appt. No. 0442-21
Until Dec. 31, 2022
IBP No. 175123 01/06/2022 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 4871351 / 01-06-2022
Tel. No. (02) 854-523-21
Mandaluyong City

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
The Philodrill Corporation
8th Floor, Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

Opinion

We have audited the consolidated financial statements of The Philodrill Corporation and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Oil Exploration Costs

As at December 31, 2021, the carrying value of the Group's deferred oil exploration costs amounted to ₱1,008.6 million, net of allowance for unrecoverable deferred oil exploration costs amounting to ₱99.4 million. These deferred exploration costs pertain to the expenditures incurred in the exploration stage of the Group's oil and gas assets. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred oil exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred oil exploration costs would depend on the commercial viability of the oil reserves.

We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred oil exploration costs are included in Notes 3 and 10 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred oil exploration costs may be impaired. We reviewed the summary of the status of each exploration project as at December 31, 2021. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. For those concession areas where impairment indicator is present, we obtained the prospective financial information for the projects. We reviewed the underlying assumptions used in each probability scenario prepared by the management. We involved our internal specialist in evaluating the methodologies and the discount rates used. We compared the key inputs and assumptions used, including forecasted oil and gas prices, inflation rate, estimated volume of reserves, capital expenditures, and production and operating costs, against the historical performance of similar projects and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of deferred oil exploration costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Editha V. Estacio.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91269-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023
PTR No. 8853492, January 3, 2022, Makati City

April 20, 2022

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱284,671,155**	₱273,272,869
Receivables (Note 5)	**297,676,638**	283,689,454
Crude oil inventory (Note 6 and 7)	**22,087,998**	14,471,776
Other current assets	**2,295,701**	2,563,900
Total Current Assets	**606,731,492**	573,997,999
Noncurrent Assets		
Property and equipment (Note 8)	**331,132,271**	388,977,488
Investments in associates (Note 9)	**842,476,859**	817,001,478
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**82,011,591**	82,014,416
Deferred oil exploration costs (Notes 7 and 11)	**1,008,620,175**	987,733,478
Deferred income tax assets - net (Note 20)	**211,193,497**	201,373,246
Other noncurrent assets	**11,651,374**	23,139,558
Total Noncurrent Assets	**2,487,085,767**	2,500,239,664
TOTAL ASSETS	**₱3,093,817,259**	₱3,074,237,663
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	**₱5,228,428**	₱13,121,019
Dividends payable (Note 22)	**33,129,215**	33,137,735
Income tax payable	**30,665**	48,475
Total Current Liabilities	**38,388,308**	46,307,229
Noncurrent Liabilities		
Noncurrent portion of provision for plug and abandonment (P&A) costs (Notes 7 and 13)	**25,396,556**	26,711,755
Retirement benefit liability (Note 19)	**16,329,125**	25,887,091
Total Noncurrent Liabilities	**41,725,681**	52,598,846
Total Liabilities	**80,113,989**	98,906,075
Equity		
Capital stock (Note 14)	**1,743,479,943**	1,743,479,943
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Share in other comprehensive income of associates (Note 9)	**26,480,535**	31,465,444
Net unrealized loss on decline in value of financial assets at FVOCI (Note 10)	**(28,635,059)**	(32,509,624)
Remeasurement loss on retirement benefit liability (Note 19)	**(38,373,698)**	(41,530,811)
Retained earnings	**1,309,127,537**	1,272,802,624
Total Equity	**3,013,703,270**	2,975,331,588
TOTAL LIABILITIES AND EQUITY	**₱3,093,817,259**	₱3,074,237,663

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
SHARE IN PETROLEUM REVENUE (Note 7)	**₱207,126,666**	₱90,399,343	₱246,487,516
COSTS AND EXPENSES			
Share in costs and operating expenses (Notes 7 and 17)	**139,477,198**	99,359,760	287,286,913
General and administrative expenses (Note 18)	**60,841,195**	73,022,926	62,661,775
Depletion expense (Notes 7 and 8)	**51,282,027**	61,849,280	64,597,385
	251,600,420	234,231,966	414,546,073
OTHER INCOME (CHARGES)			
Share in net income of associates (Note 9)	**38,045,728**	17,313,017	42,040,140
Foreign exchange gains (losses) - net (Notes 4 and 5)	**16,507,842**	(20,584,242)	(15,155,824)
Interest income (Notes 4 and 16)	**12,304,629**	14,251,810	20,125,264
Gain on sale of investment (Note 10)	**4,542,611**	–	–
Interest expense (Notes 13 and 19)	**(2,236,159)**	(2,683,927)	(2,335,309)
Dividend income (Notes 9 and 10)	**1,255,448**	1,412,013	1,255,800
Provision for unrecoverable deferred oil exploration (Note 11)	–	(99,392,028)	–
Provision for unrecoverable cost of property and equipment (Note 8)	–	(33,319,617)	–
Others - net	**(115,068)**	223,093	(920,509)
	70,305,031	(122,779,881)	45,009,562
INCOME (LOSS) BEFORE INCOME TAX	**25,831,277**	(266,612,504)	(123,048,995)
(PROVISION FOR) BENEFIT FROM INCOME TAX (Note 20)			
Current	**(679,664)**	(867,419)	(2,756,715)
Deferred	**11,173,300**	15,598,782	62,587,289
	10,493,636	14,731,363	59,830,574
NET INCOME (LOSS)	**₱36,324,913**	(₱251,881,141)	(₱63,218,421)
EARNINGS (LOSS) PER SHARE (Note 15)			
Basic/Diluted	**₱0.0002**	(₱0.0013)	(₱0.0003)

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET INCOME (LOSS)	**₱36,324,913**	(₱251,881,141)	(₱63,218,421)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive income (loss) of associates (Note 9)	**(4,984,909)**	(11,933,528)	8,063,881
Unrealized gains (losses) on financial assets at FVOCI (Note 10)	**3,874,565**	8,464,719	(9,020,821)
Remeasurement gain (loss) on retirement benefit liability, net of tax (Note 19)	**3,157,113**	(735,936)	(3,905,125)
	2,046,769	(4,204,745)	(4,862,065)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**2,046,769**	(4,204,745)	(4,862,065)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱38,371,682**	(256,085,886)	(₱68,080,486)

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 14)	Paid-in Capital from Sale of Treasury Shares	Share in Other Comprehensive Income (Loss) of Associates (Note 9)	Net Unrealized Income (Loss) on Decline in Value of Financial Assets at FVOCI (Note 10)	Remeasurement Income (Loss) on Retirement Benefit Liability (Note 19)	Retained Earnings	Total
Balances at January 1, 2019	₱1,743,353,767	₱1,624,012	₱35,335,091	(₱31,953,522)	(₱36,889,750)	₱1,587,902,186	₱3,299,371,784
Net loss	–	–	–	–	–	(63,218,421)	(63,218,421)
Other comprehensive (income) loss	–	–	8,063,881	(9,020,821)	(3,905,125)	–	(4,862,065)
Total comprehensive (income) loss	–	–	8,063,881	(9,020,821)	(3,905,125)	(63,218,421)	(68,080,486)
Cancellation of subscription (Note 14)	(1,331)	–	–	–	–	–	(1,331)
Collection of subscription (Note 14)	31	–	–	–	–	–	31
Balances at December 31, 2019	**₱1,743,352,467**	**₱1,624,012**	**₱43,398,972**	**(₱40,974,343)**	**(₱40,794,875)**	**₱1,524,683,765**	**₱3,231,289,998**
Net loss	–	–	–	–	–	(251,881,141)	(251,881,141)
Other comprehensive income (loss)	–	–	(11,933,528)	8,464,719	(735,936)	–	(4,204,745)
Total comprehensive income (loss)	–	–	(11,933,528)	8,464,719	(735,936)	(251,881,141)	(256,085,886)
Issuance of capital stock (Note 14)	252,352	–	–	–	–	–	252,352
Cancellation of subscription (Note 14)	(252,352)	–	–	–	–	–	(252,352)
Reversal of cancellation (Note 14)	1,300	–	–	–	–	–	1,300
Collection of subscription (Note 14)	126,176	–	–	–	–	–	126,176
Balances at December 31, 2020	**₱1,743,479,943**	**₱1,624,012**	**₱31,465,444**	**(₱32,509,624)**	**(₱41,530,811)**	**₱1,272,802,624**	**₱2,975,331,588**
Net income	–	–	–	–	–	36,324,913	36,324,913
Other comprehensive income (loss)	–	–	(4,984,909)	3,874,565	3,157,113	–	2,046,769
Total comprehensive income (loss)	–	–	(4,984,909)	3,874,565	3,157,113	36,324,913	38,371,682
Balances at December 31, 2021	**₱1,743,479,943**	**₱1,624,012**	**₱26,480,535**	**(28,635,059)**	**(38,373,698)**	**₱1,309,127,537**	**₱3,013,703,270**

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income (loss) before income tax	**₱25,831,277**	(₱266,612,504)	(₱123,048,995)
Adjustments for:			
Depletion and depreciation expense (Note 8)	**54,428,709**	64,968,366	67,669,078
Share in net income of associates (Note 9)	**(30,460,290)**	(17,313,017)	(42,040,140)
Unrealized foreign exchange gains (losses) - net (Notes 4 and 5)	**(16,507,842)**	20,567,842	12,939,296
Interest income (Notes 4 and 16)	**(12,304,629)**	(14,251,810)	(20,125,264)
Movement in retirement benefit liability (Note 19)	**(5,047,804)**	5,062,422	3,720,836
Gain on sale of investments (Note 10)	**(4,542,611)**	–	–
Amortization of other deferred charges	**2,009,308**	2,118,512	5,887,613
Accretion expense (Note 13)	**1,448,014**	2,683,927	2,335,309
Dividend income (Note 10)	**(1,255,448)**	(1,412,013)	(1,255,800)
Provision for unrecoverable deferred oil exploration (Note 11)	–	99,392,028	–
Provision for unrecoverable cost of property and equipment (Note 8)	–	33,319,617	–
Cancelled subscription of shares (Note 14)	–	(251,052)	(1,331)
Working capital changes:			
Decrease (increase) in:			
Receivables	**(14,137,616)**	(30,870,880)	(516,063)
Crude oil inventory	**(7,616,222)**	(6,793,134)	75,997,340
Other current assets	**(87,668)**	1,613,935	(1,380,075)
Increase (decrease) in accounts payable and accrued liabilities	**(7,892,591)**	5,947,780	(70,360,180)
Net cash used in operations	**(16,135,413)**	(101,829,981)	(90,178,376)
Income taxes paid, including creditable taxes applied	**(697,474)**	(1,032,829)	(2,585,776)
Interest received	**12,186,593**	5,917,313	37,055,615
Dividends received	**1,255,448**	14,715,014	16,558,794
Net cash flows used in operating activities	**(3,390,846)**	(82,230,483)	(39,149,743)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to:			
Deferred oil exploration costs (Note 11)	**(20,886,697)**	(12,762,781)	(15,835,658)
Other noncurrent assets	**10,018,200**	127,402	(3,407,516)
Financial assets at FVOCI	**8,420,001**	(1,042,344)	(7,277,501)
Property and equipment (Note 8)	**(2,109,920)**	(7,785,286)	(53,626,784)
Advances to related party (Note 16)	–	(9,000,000)	–
Cash flows used in investing activities	**(4,558,416)**	(30,463,009)	(80,147,459)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of stocks (Note 14)	**₱–**	₱252,352	₱–
Collection of subscription receivable (Note 14)		126,176	31
Payments of dividends (Note 14)	**(8,520)**	(5,963)	(114,323)
Cash flows used in financing activities	**(8,520)**	372,565	(114,292)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,957,781)**	(112,320,927)	(119,411,494)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**19,356,067**	(17,685,406)	(13,936,376)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**273,272,869**	403,279,202	536,627,072
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱284,671,155**	₱273,272,869	₱403,279,202

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Authorization for Issuance of Financial Statements**

   Corporate Information
   The Philodrill Corporation (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 26, 1969.

   The Parent Company and Philodrill Power Corp. (PPC, a wholly owned subsidiary, incorporated in the Philippines and has not yet started commercial operations), (collectively referred to as "the Group"), are primarily engaged in oil exploration and production and the development, exploitation, and processing of energy resources. The Parent Company is the ultimate parent company within the Group. The Parent Company is also an investment holding company with investments in financial services and mining.

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

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

   The Parent Company, which is operating in 2 business segments, has two associates engaged in financial services and one associate which has significant holdings in mineral resources in the Philippines. The Parent Company and its associates have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding these associates as at and for the years ended December 31, 2021 and 2020 is presented in Note 9.

   Continuing COVID-19 pandemic
   In a move to contain the COVID-19 outbreak, countries around the world imposed stringent social distancing measures to mitigate the impact of the outbreak. These include the Philippines where the Group is located. These measures have caused disruptions to business and economic activities, and its impact on businesses continue to evolve. These also caused macroeconomic uncertainty with regard to supply and demand for oil and gas products and volatility in terms of global crude oil prices.

   Since most of the Group's oil and gas assets are in the early or latter stage of evaluation and exploration activities, management believes that the COVID-19 pandemic will have manageable impact on the Group's earnings, cash flow and financial condition. As the pandemic resulted to a significant decline in global oil and gas prices during the first half of 2020, the oil prices moved steadily upward in 2021. The oil price rebound was also due to the gradual lifting of COVID-19 restrictions implemented towards the end of 2021. It is expected that at the point of future production of the oil and gas exploration assets of the Parent Company, the impact of COVID-19 in the oil and gas industry will normalize.

   To protect the welfare and safety of the personnel providing support for the Group, it has measures in place to reduce the risk of infection on its personnel and strictly follows government guidelines to contain the spread of the virus.

Impact of Ukraine-Russia war

Russia's invasion of Ukraine on February 24, 2022 has led to sanctions against Russian Federation which raises serious concerns about the supply of crude oil in the global market. This has resulted to spike in oil prices. It is expected that this development will have positive impact on the SC 14C1 Galoc production operations of which Philodrill has 10.17782%.

Authorization for Issuance of Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021 were authorized for issue by the Board of Directors (BOD) on April 20, 2022.

Group Information

The Parent Company's subsidiary, associates and joint operations are as follows:

	Principal activities	Country of incorporation	% equity/participating interest 2021	2020	2019
Subsidiary					
Philodrill Power Corporation (PPC)	Oil exploration and production	Philippines	100.00	100.00	100.00
Associates (Note 9)					
Atlas Consolidated Mining Development Corporation (ACMDC)	Mining	Philippines	0.53	0.53	0.53
Penta Capital & Investment Corporation (PCIC)	Finance, investments and brokerage	Philippines	40.00	40.00	40.00
Penta Capital Holdings, Inc. (PCHI) **Indirect ownership through PCIC*	Real estate, financial and securities transactions	Philippines	13.21 11.82*	13.21 11.82*	13.21 11.82*
Joint Operations (Note 7)					
SC-14 (Northwest Palawan):					
Block C-1 (Galoc)		Philippines	10.17782	10.17782	7.21495
Block C-2 (West Linapacan)		Philippines	28.07000	28.07000	28.07000
SC-6A (Octon)*		Philippines	–	51.65000	51.65000
SC-6B (Bonita)		Philippines	17.45460	17.45460	17.45460
SC-53 (Onshore Mindoro)		Philippines	81.48000	81.48000	22.00000
SC-74 (Linapacan)		Philippines	25.00000	25.00000	25.00000

**Surrendered in March 2021 and awaiting DOE's approval*

2. **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.

<u>Current versus Non-current Classification</u>
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 a*nd 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
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

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

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

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

b. Financial Liabilities

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

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

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

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

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

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

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

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

c. Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible 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, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

Depletion and depreciation ceases when an item of property and equipment is fully depleted or depreciated or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

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

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

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

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

Farm-ins and Farm-outs

In the exploration and evaluation (E&E) phase

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

Outside the E&E phase

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

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the year. The judgments, estimates and assumptions used in the preparation of the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects will be reflected in the consolidated financial statements as they become reasonably determined.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determining Future Economic Benefits from Deferred Exploration Costs
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

    - The legal form of the separate vehicle
    - The terms of the contractual arrangement
    - Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

The Group is a member in various joint arrangement operations in oil drilling. These arrangements are entered into with the Philippine Government through SCs and Geophysical Survey and Exploration Contracts (GSECs). As at December 31, 2021 and 2020, the Group's joint arrangements are in the form of joint operations (see Note 7).

Determining Whether Significant Influence Exists
The Group has investments in associates. These are shares purchased not for the purpose of trading. The Group considers that it has a significant influence in the associates as the Group is represented in the governance of the associates. In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as the Board seat representations it has in the associate's governing body. Significant influence in the associate is also established by virtue of the agreement entered.

As at December 31, 2021 and 2020, the Group has significant influence over its associates (see Note 9).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed below:

Estimating Provision for Expected Credit Losses on Trade and Other Receivables
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Total carrying value of receivables measured at amortized cost amounted to ₱298.4 million and ₱284.8 million as at December 31, 2021 and 2020, respectively. Allowance for ECL on receivables amounted to ₱20.9 million as at December 31, 2021 and 2020. In 2021 and 2020, the Group has no additional provision for allowance on ECL and has no written off receivables (see Note 5).

Estimating Oil Reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological

and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Service Contracts. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

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

An oil reserves estimate with a cut off period of December 31, 2021 was issued by the Group's competent person indicating an increase in oil reserves estimate. The increase in oil reserves resulted to a decrease in depletion costs by ₱5.2 million.

Depletion expense of wells, platforms, and other facilities amounted to ₱51.3 million and ₱61.8 million for the years ended December 31, 2021 and 2020, respectively (see Notes 7 and 8).

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

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

As at December 31, 2021 and 2020, the carrying values of wells, platforms, and other facilities amounted to ₱325.4 milloin and ₱380.2 million, respectively (see Note 8). In 2021, 2020 and 2019 depletion expense incurred by the Group amounted to ₱51.3 million, ₱61.8 million and ₱64.6 million, respectively (see Notes 7 and 8).

Assessing Recoverability of Deferred Oil Exploration Costs
The Group assesses impairment on deferred oil exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Deferred oil exploration costs are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;

- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed in full from successful development or by sale.

Key inputs and assumptions used in the assessment are as follows:

- Estimated reserves - which are based on oil resources reports based on the information gathered from seismic and geological data, analyses and evaluation activities;
- Discount rate of of 8.69% in 2021 and 9.9% in 2020 - which represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Group's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine pre-tax rate. The WACC takes into account both debt and equity. Adjustments to discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate; and
- Oil and gas prices of $76 and $6.5 in 2021 and $65 and $5 in 2020, respectively - which are estimated with reference to external market forecasts of Brent crude prices and Asia liquefied natural gas prices.

The Group used a weighted average scenario probability in its calculation of value in use.

As at December 31, 2021 and 2020, the carrying values of deferred oil exploration costs amounted to ₱1,008.6 million and ₱987.7 million, respectively. Allowance for unrecoverable deferred oil exploration costs as at December 31, 2021 and 2020 amounted to ₱99.4 million. No impairment losses were recognized in 2021 and 2020 (see Note 11).

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amount of deferred income tax assets at each end of the reporting period and is adjusted accordingly to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. The Group has recognized deferred income tax assets amounting to ₱217.1 million and ₱202.5 million as at December 31, 2021 and 2020, respectively (see Note 20). The Group also has unrecognized deferred income tax assets amounting to nil and ₱191.6 million as at December 31, 2021 and 2020, respectively (see Note 20).

Estimating Provision for P&A Costs
Significant estimates and assumptions are made in determining the provision for P&A. Factors affecting the ultimate amount of liability include estimates of the extent and costs of P&A activities, technological changes, regulatory changes, cost increases, and changes in discount and foreign exchange rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

The provision at the end of each reporting period represents management best estimate of the present value of the future decommissioning cost required. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual P&A costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the oil field ceases to produce at economically viable rates. This, in turn, will depend upon future oil prices, which are inherently uncertain.

The Group recognized provision for P&A costs amounting to ₱25.4 million and ₱26.7 million as at December 31, 2021 and 2020, respectively (see Note 13).

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

While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement obligations. The Group recognized retirement benefit expense amounting to ₱4.2 million, ₱4.3 million and ₱3.8 million in 2021, 2020 and 2019, respectively, and related retirement benefit liability amounting to ₱16.3 million and ₱25.9 million as at December 31, 2021 and 2020, respectively (see Note 19).

4. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱32,409,267**	₱24,002,298
Short-term investments	**252,261,888**	249,270,571
	₱284,671,155	₱273,272,869

Cash in banks earn interest at prevailing bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at respective short-term investment rates.

Interest earned from cash in banks and short-term investments in 2021, 2020 and 2019 amounted to ₱2.4 million, ₱4.4 million and ₱12.0 million, respectively.

In 2021, 2020 and 2019, unrealized foreign exchange (gains) losses attributable to foreign-currency denominated cash and cash equivalents amounted to (₱19.1) million, ₱17.3 million and ₱13.3 million, respectively.

5. Receivables

	2021	2020
Advances to related parties (see Note 16)	**₱226,129,564**	₱222,832,601
Accounts with contract operators (see Note 7)	**65,476,992**	53,891,606
Accrued interest from related parties (see Note 16)	**26,031,447**	26,079,227
Accounts with partners (see Note 7)	**84,808**	1,118,107
Accrued interest from banks (see Note 4)	**488,851**	323,035
Others	**385,174**	365,077
	318,596,836	304,609,653
Less allowance for ECL	**20,920,198**	20,920,198
	₱297,676,638	₱283,689,455

The receivables are generally collectible on demand. These are non-interest bearing except for advances to related parties (see Note 16).

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

Accrued interest is earned from advances to related parties, bank placements and short-term investments.

The Group makes advances for the operating expenses of the consortiums wherein it is the operator. The Group records this under the "accounts with partners" account which represent receivables from these consortium's members.

6. Crude oil inventory

The crude oil inventories carried at NRV amounted to ₱22.1 million and ₱14.5 million as at December 31, 2021 and 2020, respectively (see Note 7). The cost of petroleum inventories recognized as expense and included in "Share in costs and operating expenses" amounted to ₱127.9 million, ₱89.9 million and ₱131.7 million in 2021, 2020 and 2019, respectively (see Note 17).

7. Interests in Joint Operations

The Group's participating interests (in percentage) in the different SCs as at December 31, 2021 and 2020 are as follows:

	Participating Interest (in percentage)	
Area	**2021**	2020
SC-14 (Northwest Palawan):		
Block C-1 (Galoc)	**10.17782**	10.17782
Block C-2 (West Linapacan)	**28.07000**	28.07000
SC-6A (Octon)*	**51.65000**	51.65000
SC-6B (Bonita)	**58.18200**	17.45460
SC-53 (Onshore Mindoro)	**81.48000**	81.48000
SC-74 (Linapacan)	**25.00000**	25.00000

**Surrendered in March 2021 and awaiting DOE's approval*

SC-14 C1 Galoc Block

Phase 2 Development

For SC-14 C1 Block (Galoc), discussion traces back to the period when Galoc Production Company (GPC) drilled the Phase 2 development wells in the Galoc Central Field Area in 2013. Using the semi-submersible rig "Ocean Patriot", GPC drilled Galoc 5 and Galoc-6 wells back-to-back from June to September 2013. Both wells drilled a combined total of 3,177 meters through horizontal reservoir sections within which about 1,650 meters of net oil pay has been encountered. These wells were immediately put on production in December 2013 at an initial combined rate of 12,000 barrels of oil per day.

By the end of 2015, the Galoc Field had already produced a cumulative total of 16.8 million barrels of oil since it was first put on stream in October 2008. In that year, Nido Petroleum formally took control and ownership of the field from erstwhile operator Otto Energy. Earlier in September 2014, the majority share of Nido Petroleum was bought by Thailand-based Bangchak Petroleum.

Galoc Mid Area Exploration

GPC first recommended in 2015 the drilling of an appraisal and sidetrack well in the Galoc Mid Area aimed to prove reservoir presence and quality and provide crucial data to optimize the placement of the succeeding horizontal production wells. The programmed Galoc appraisal and sidetrack well program and budget were approved in October 2016, paving the way for the drilling preparation, contracting, services and equipment procurement. GPC carried out their 2-well drilling campaign in late-March to early May using the drillship Deepsea Metro I. Galoc-7 drilled through the reservoir objective which was found to contain hydrocarbons while Galoc-7ST, a sidetrack from Galoc-7, drilled through the prognosed hydrocarbon-charge Galoc Clastic Unit. The 2 wells encountered 7 to 12 meters of net sand which was below the prognosed thickness. With these results, GPC decided to temporarily suspend all activities related to a possible Phase 3 development.

Change in management and block operatorship

In July 2018, Tamarind Galoc Pte Ltd (Tamarind), a subsidiary of Singapore-based Tamarind Resources, acquired Nido Petroleum's subsidiaries GPC and Nido Production (Galoc) Pte Ltd, giving Tamarind majority equity and operatorship of the Galoc Field. GPC plans to install a Condensate Recovery Unit (CRU) onboard the FPSO Rubicon Intrepid that is capable of recovering 15 to 20 barrels of oil condensate for every 1 million cubic feet of gas produced.

In 2021 and 2020, the field produced around 0.63 million and 0.69 million barrels of oil, respectively.

Production operations at the Galoc field maintained a high level of efficiency throughout 2020 despite the operational challenges presented by the COVID 19 pandemic. The production operations achieved 0% unplanned downtime resulting in 694,673 barrels of oil produced at year-end against the 688,000 barrels that were forecasted in the 2020 WP&B. Three offtakes with a total cargo of 750,000 BBLS were delivered. Stable production was received from the G3, G5, and G6. The G3 well, which has been on cyclic production, was effectively managed and continued to contribute an average of 150 to 200 BPD to the field's total production output. The G4 well remained offline since January 2019.

The effect of the low oil price environment that followed the oil price crash in the latter part of 1st Quarter was successfully addressed by renegotiating key contracts resulting in significant cost savings for the consortium. The organizational restructuring of the Galoc Production Company (GPC)/Tamarind group resulted in lowering the GPC OPEX cost.

The premature termination of the FPSO vessel contract with Rubicon Offshore International (ROI), which could have led to field production operation cessation/suspension was likewise mitigated. On March 17, 2020, ROI served notice to GPC that it was terminating the FPSO contract with production to cease on September 24, 2020. The implementation of a new FPSO operating model with a new operator, Three60 Energy, and new vessel owner was able to prevent the suspension of production and in the process lowered the field's break-even oil price at 1,900 BPD from $48.00/BBL to less than $35/BBL towards the last quarter of 2020. Separate resolutions for the continued Galoc production operations beyond September 24, 2020, and to authorize GPC to execute a new bareboat charter agreement for the FPSO Intrepid with the new owner were approved by the SC-14 C1 (Galoc) JV.

Galoc Production Company (GPC) 2 (Kufpec) withdrew its interest in SC-14 C1 on September 14, 2020 which resulted in realignment of participating interests. GPC and Oriental did not take their pro-rata interest resulting to the Company's increase in PI from 7.21495% to 10.17782%.

The Galoc Field maintained reliable production with 99% uptime throughout 2021. The average daily production rate was at 1,727 bopd resulting in a year-end total of 629,964 barrels. Three offtakes with a total cargo of 632,056 bbls were delivered. Stable production was achieved from the G3, G5, and G6. The G3 well, which has been in cyclic production since January 2019, was continuously managed and contributed at a monthly average of 50 to 100 BPD to the field's total production output. The G4 well remained offline since January 2019.

The N_2 gas injection operations to induce well flow in G4 by gas lift assistance were carried out from September to early October 2021. The gas lifting via the umbilical was achieved and the bull heading allowed successful access to some oil-bearing strata. However, production is dominated by the influx of water, both before and after bull heading, from what is believed to be a water-saturated reservoir layer. It was eventually concluded that the G4 well will not flow without continuous gas lift, and even when it flows the watercut will remain very high.

Change in oil reserve estimate
An oil reserves estimate with a cut off period of December 31, 2021 was issued by the Group's competent person indicating an increase in oil reserves estimate. The change in estimated oil reserve decreased the 2021 depletion expense by ₱5.2 million.

<u>SC-14 C-2 West Linapacan Block</u>
As of December 31, 2021, the Joint Venture proceeded to implement the West Linapcan B study with a third-party service provider as the work program for the remainder of the contract year.

<u>SC-14 D Retention Block</u>
In relation to the joint consideration approved by the SC-14 consortia for the abandonment and surrender of SC-14 Blocks A, B, B1 and D, a surrender notice was submitted to DOE last March 4, 2021. As at April 20, 2022, the DOE is still in the process of the review of the surrender of the SC and is yet to provide its formal approval. The Group has recognized an allowance for unrecoverable costs for Retention block amounting to ₱33.3 million as at December 31, 2021 (see Note 8).

<u>SC-6A</u>
Following the withdrawal of ACE Enexor (formerly Transasia) from the SC on the 27th of January 2021 and with the looming expiration of the SC's 50-year term on February 2024, the majority of the remaining joint venture partners (JVP) decided that the only viable way forward was to surrender the contract and apply for a new Service Contract (SC) by nomination under the DOE's Philippines Conventional Energy Contracting Program (PCECP). This has had several precedents and will allow the JVP to reconstitute and have sufficient time to drill and develop any future discoveries in the area.

The Notice of Surrender of the SC was submitted on March 31, 2021. The DOE subsequently directed Philodrill, as the operator, to submit all the necessary reports and to settle all the SC's outstanding financial obligations before it can proceed with the processing of the SC relinquishment.

The Technical Evaluation of the LMKR Reservoir Characterization Study report and project deliverables were submitted to the DOE on the 21st of July 2021 to complete the remaining technical obligation under the 2020 WP&B.

Philodrill remitted to the DOE two (2) separate checks, amounting to ₱9.1 million ($0.2 million) and ₱1.0 million ($0.02 million) on December 02, 2021 for the remaining Training Fund and Scholarship Fund commitments to complete the process of clearing the financial obligations of SC 6A, respectively. The DOE's final approval of the relinquishment of the SC is currently being awaited. The application documents for the nomination of a new SC in the area will be submitted to the DOE once the SC6A is approved and the area is cleared for nomination.

SC-6B

In August 2016, the SC-6B joint venture requested for the amendment of SC-6B (Bonita) to include the Cadlao field as most of the partners can only support a forward program for SC-6B with the Cadlao Field appended to it. While the request was still pending, the Parent Company received from a potential Europe-based company a farm-in offer premised on the DOE approving the inclusion of Cadlao Field. A farm-in agreement was eventually signed in September 2017, with the indicative work program geared towards reviving production from the Cadlao Field. The DOE formally approved the joint venture request on March 18, 2018 subject to the execution of the Amendment to SC-6B which defines the geographical coordinates of SC-6B with Cadlao Block appended to it. The DOE approved on June 1, 2018, the First Amendment to Petroleum Service Contract 6B.

The DOE approved on October 17, 2019, the transfer of participating interests in SC-6B and the operatorship of the block to Manta Oil Company (MOCL) with the condition that MOCL will be required to submit additional documents proving their capability to continue the execution phase of the Cadlao Field Development within 18 months period after the receipt of the approval. Following the DOE's approval, the JV partners and MOCL, in its first OCM, discussed the various activities for the block, including the need for securing government approvals and policy directives.

MOCL undertook several tender processes to select potential service providers for the Cadlao Redevelopment Project in 2020. Major service contractors were identified based on competitive bids submitted for the Phase 1 work (well design and planning), facilities design that includes Simultaneous Operations (SIMOPS) planning and installation execution plan, and for the 3D seismic Pre-Stack Depth Migrated (PSDM) reprocessing.

MOC intends to follow through with the execution of its Cadlao Redevelopment activities in 2021as contemplated under the 2021 WP&B with an estimated total cost of $3.028 million. The 2021 WP&B was submitted on the 6th of November 2020.

The dramatic oil price collapse in 2020 and the general lack of engagement from suppliers and contractors as well as the slowdown in commercial discussions with third parties due to the COVID 19 situation resulted in a significant delay in the preparation of the new Plan of Development (POD) for Cadlao. The targeted delivery of the new POD, originally contemplated for submission in March of 2021 did not materialize as MOC was unable to establish the necessary funding to proceed with the Cadlao Redevelopment and withdrew from the SC on 10 December 2021.

Following MOC's withdrawal, the relinquished participating interest was distributed pro-rata to the remaining JVP and the operatorship reverted to the Parent Company. Nido was subsequently designated as the Technical Operator to progress a phased redevelopment of the Cadlao Field with the mandate to prepare and implement a 2022 WP&B that will entail the drilling of one or possibly 2 appraisal/exploration wells and Extended Well Tests (EWT) in the latter part of 2022.

SC-53

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC-53 due to the operator's continued failure to comply with their reportorial obligations. The non-operator partners, through a letter on July 8, 2019, and during a meeting with the DOE on July 12, 2019, have manifested to reconstitute the JV and agreed to continue the service contract and deliver the SC-53 commitments.

On February 28, 2020, Basic notified the DOE of its withdrawal from the MR. On March 10, 2020, the partners received a letter concerning the settlement of their remaining liabilities to the consortium. Basic's withdrawal resulted in the increase of the Parent Company's participating interest to 81.48% once the MR is approved by the DOE and the JV was reconstituted.

On August 25, 2020, a compendium of updated legal, technical, and financial documentation as proof of capability to pursue the remaining work commitments of SC-53 was submitted to the DOE. A Participation Agreement executed by the remaining parties in the JV formed part of the submission including the proposed forward work program and budget for the Onshore Mindoro Block. The proposed forward program for the block has a budget estimate of $5.2 million.

In a letter dated January 11, 2021, which the Group received on January 13, 2021, the DOE advised that after thorough review of the technical, legal, and financial qualifications of the continuing partners, and the assignment of the Group as the operator, is approved. As a result, the participating interests of the SC-53 Continuing Parties are 81.48% for the Group and 18.52% for of APHC. With a secure title to the SC, the JV can now work on obtaining the Certificate of Precondition (CP) from the National Commission on Indigenous People (NCIP) and move forward with the necessary works for the appraisal of the Progreso gas discovery.

Towards the 4th quarter of 2021, Philodrill was able to establish communication with the NCIP Region IV-B Office undergo the process of applying for a CNO/CP for the Barangay San Isidro area in San Jose, Occidental Mindoro and an area in Bulalacao, Oriental Mindoro for the drilling of the Progreso-2 well and future activity within the Cambayan Prospect, respectively. In the last part of November, the application documents including the endorsement letter provided b the DOE were submitted to the NCIP Region IV-B office in Mindoro via courier. Delivery was confirmed through the courier service but the receipt of the documents has yet to be acknowledged by the NCIP Region IV-B office.

A seismic reprocessing and image enhancement project on key seismic lines at the Progresoand Cambayan prospectswas commenced in the latter part of September. The project aims to Improve the subsurface imaging in these lines for the subsequent planning of the appraisal well(s) in the prospect areas. Since this project was not originally contemplated in the 2021 WP&B, Philodrill submitted a WP&B amendment on the 14th of September 2021 which the DOE subsequently approved. The WP&B amendment reallocated a portion of the Permitting budget under the Exploration/Appraisal Drilling (Progreso-2) into the reprocessing project. As of December 31, 2021, the project is still on going.

SC 74
In December 2019, the DOE approved the submitted work program and budget for 2020. PXP Energy Corporation's (PXP's) request for a one-year extension of the current Sub-Phase (SP) 3until December 13, 2020, was approved by the DOE on March 12, 2020. The extension was requested to enable the JV to complete the on-going technical evaluation works before deciding to enter the succeeding SP4 that requires a well commitment.

The JV completed the Phase 2 Joint Impedance Facies Inversion (JiFi) of the Quantitative Interpretation (QI) work with IKON Science in mid-June 2020. The project completion was delayed for 1.5 months because of the challenges from working remotely during the COVID-19 lockdown and restrictions on office operations. Despite the challenges encountered, the JiFi process managed to adequately predict lithological facies at the wells and allowed a porosity model to be derived over the area. The project for the biostratigraphic and geochemistry analyses of rock samples from the Calamian Islands fieldwork was likewise progressed and completed, despite delays due to the COVID 19 pandemic. Because of the delays in the completion of the work programs, a request was submitted to the DOE for the imposition of a Force Majeure over SC-74 for nine (9) months starting from 13 March 2020 to 12 December 2020, citing the negative impact of the COVID-19 pandemic on business operations and implementation of SC-74 work activities. The request was approved in July 2020, resulting in an extension of the current sub-phase to September 2021.

PXP, in May 2021, submitted a formal request to the DOE for a 12-month regular Force majuere over SC74 starting April 13, 2021 considering the ongoing COVID19 pandemic hampering the accomplishment of their work commitments. The request was eventually approved by the DOE on October 29, 2021, effectively extending the current sub-phase, Sub-Phase (SP) 3 of the SC to September 13, 2022.

The Group's interest in the joint arrangements in the various SCs and GSECs, and any assets and liabilities incurred jointly with the other partners, as well as the related revenues and expenses of the joint operation, which are included in the consolidated financial statements, are as follows:

	2021	2020
Current assets:		
Receivables (Note 5):		
Accounts with contract operators	**₱65,476,992**	₱53,891,606
Accounts with partners	**84,808**	1,118,107
Crude oil inventory (Note 6)	**22,087,998**	14,471,776
	87,649,798	69,481,489
Noncurrent assets:		
Property and equipment (Note 8):		
Wells, platforms, and other facilities	**1,161,253,641**	1,450,009,240
Accumulated depletion	**(802,520,744)**	(1,036,495,170)
Allowance for unrecoverable costs	**(33,319,617)**	(33,319,617)
	325,413,280	380,194,453
Deferred oil exploration costs (Note 11)	**1,008,620,175**	987,733,478
	1,334,033,455	1,367,927,931
Current liabilities:		
Accounts with partners (Note 12)	**(1,548,974)**	(1,256,560)
	(1,548,974)	(1,256,560)
Noncurrent liability:		
Noncurrent portion of provision for P&A costs (Note 13)	**(25,396,556)**	(26,711,755)
	(26,945,530)	(27,968,316)

	2021	2020	2019
Revenue:			
Share in petroleum revenue	**₱207,126,666**	₱90,399,343	₱246,487,516
Cost of petroleum operations:			
Share in costs and operating expenses (Note 17)	**(139,477,198)**	(99,359,760)	(287,286,913)
Depletion (Note 8)	**(51,282,027)**	(61,849,280)	(64,597,385)
Other income (loss):			
Foreign exchange gains (losses) - net	**(2,848,225)**	(2,882,434)	(1,215,448)
	₱13,519,216	(₱73,692,131)	(₱106,612,230)

8. **Property and Equipment**

December 31, 2021	**Wells, Platforms, and other Facilities (see Note 7)**	**Office Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost:					
Beginning of year	**₱1,450,009,240**	**₱18,961,929**	**₱13,887,100**	**₱7,932,376**	**₱1,490,790,645**
Additions	**2,027,281**	**–**	**–**	**82,640**	**2,109,921**
Reclass/ Write-off	**(285,256,452)**	**–**	**–**	**–**	**(285,256,452)**
Adjustment to remeasure decommissioning asset (Note 13)	**(5,526,428)**	**–**	**–**	**–**	**(5,526,428)**
End of year	**1,161,253,641**	**18,961,929**	**13,887,100**	**8,015,016**	**1,202,117,686**
Accumulated depletion and depreciation:					
Beginning of year	**1,036,495,169**	**13,205,747**	**11,273,667**	**7,518,958**	**1,068,493,541**
Depletion and depreciation (Notes 7 and 18)	**51,282,027**	**547,109**	**2,412,400**	**187,173**	**54,428,709**
Reclass/ Write-off	**(285,256,452)**	**–**	**–**	**–**	**(285,256,452)**
End of year	**802,520,744**	**13,752,856**	**13,686,067**	**7,706,131**	**837,665,798**
Allowance for unrecoverable costs (Note 7)	**33,319,617**	**–**	**–**	**–**	**33,319,617**
Net book values	**₱325,413,280**	**₱5,209,073**	**₱201,033**	**₱308,885**	**₱331,132,271**

December 31, 2020	Wells, Platforms, and other Facilities (see Note 7)	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:					
Beginning of year	₱1,440,672,014	₱18,961,932	₱13,887,100	₱7,735,525	₱1,481,256,571
Additions	7,588,436	–	–	196,850	7,785,286
Adjustment to capitalized cost of decommissioning asset	1,748,790	–	–	–	1,748,790
End of year	1,450,009,240	18,961,932	13,887,100	7,932,375	1,490,790,647
Accumulated depletion and depreciation:					
Beginning of year	974,645,890	12,658,638	8,861,267	7,359,381	1,003,525,176
Depletion and depreciation (Notes 7 and 18)	61,849,280	547,109	2,412,400	159,577	64,968,366
End of year	1,036,495,170	13,205,747	11,273,667	7,518,958	1,068,493,542
Allowance for unrecoverable costs (Note 7)	33,319,617	–	–	–	33,319,617
Net book values	₱380,194,453	₱5,756,185	₱2,613,433	₱413,417	₱388,977,488

For SC-14 C1 Galoc, depletion rates used in 2021, 2020 and 2019 are ₱777.4 per barrel, ₱858.4 per barrel and ₱1,179.8 per barrel, respectively.

As at December 31, 2021 and 2020, the carrying values of decommissioning assets amounted to ₱0.9 million and ₱6.0 million, respectively.

The depletion expense recognized amounted to ₱51.3 million , ₱61.8 million and ₱64.6 million in 2021, 2020 and 2019, respectively (see Note 7), while total depreciation expense related to general and administrative expenses amounted to ₱3.1 million , ₱3.1 million and ₱3.1 million in 2021, 2020 and 2019, respectively (see Note 18).

As at December 31, 2021 and 2020, the Group continues to utilize fully depreciated and depleted property and equipment with an aggregate acquisition cost of ₱17.7 million and ₱17.1 million, respectively.

9. **Investments in Associates**

	2021	2020
Penta Capital Investment Corporation (PCIC)	**₱347,039,060**	₱340,003,218
Penta Capital Holdings, Inc. (PCHI)	**78,331,860**	74,680,890
Atlas Consolidated Mining and Development Corporation (ACMDC)	**417,105,939**	402,317,370
	₱842,476,859	₱817,001,478

The Group's associates include PCIC, PCHI, ACMDC, companies incorporated in the Philippines, where the Group holds 40.00%, 13.21%, and 0.53% ownership interest, respectively. PCIC also has 29.54% ownership interest in PCHI, making the Group's effective ownership in PCHI at 25.03%. These investments are accounted for using the equity accounting method.

PCIC is primarily engaged in business of financing, investing and brokering of loans and securities, real estate and providing financial services such as underwriting, financial advisory and management consultancy.

PCHI is engaged primarily in real estate, financial and securities transactions.

ACMDC, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite concentrate.

On December 18, 2015, the Group entered into a Joint Voting Agreement with Alakor Corporation (Alakor), National Book Store, Inc. (NBS) and Anglo Philippine Holdings Corporation (APHC), collectively known as the Ramos Group, to jointly vote their shares in ACMDC in all matters affecting their rights as stockholders effective January 1, 2015. The combined interest of the parties to the agreement represents 43.01% interest in ACMDC. By virtue of this agreement, significant influence in the associate is established.

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

	2021	2020
Acquisition costs	**₱633,485,090**	₱633,485,090
Accumulated equity in net earnings:		
Beginning of year	**152,050,944**	148,040,922
Share in net income	**38,045,728**	17,313,017
Dividends	**(7,585,438)**	(13,302,995)
End of year	**182,511,234**	152,050,944

(Forward)

	2021	2020
Accumulated share in OCI:		
Beginning of year	**₱31,465,444**	₱43,398,972
Share in OCI of associates	**(4,984,909)**	(11,933,528)
End of year	**26,480,535**	31,465,444
	₱842,476,859	₱817,001,478

Summarized financial statement information of ACMDC, PCIC and PCHI, based on their PFRSs financial statements, and a reconciliation with the carrying amount of the investment in the group's consolidated financial statements as at and for the years ended December 31, 2021 and 2020 (in thousands) are set out below:

	2021			2020			2019		
	ACMDC	**PCIC**	**PCHI**	ACMDC	PCIC	PCHI	ACMDC	PCIC	PCHI
Revenue from contract with customers	**₱17,937,583**	**₱112,471**	**₱68,958**	₱17,509,200	₱132,284	₱47,588	₱16,162,945	₱215,513	₱30,121
Costs and expenses	**(12,281,339)**	**(74,157)**	**(29,321)**	(13,366,206)	(89,044)	(17,666)	(14,111,377)	(105,225)	(10,991)
Other income (charges)	**(1,230,621)**	–	**(5,660)**	(3,029,626)	–	(3,055)	(1,900,971)	–	22,723
Provision for (benefit from) income tax	**(564,038)**	**(7,822)**	**(3,337)**	(998,709)	(10,177)	(559)	(715,783)	(11,274)	(602)
Net income (loss)	**3,861,585**	**30,492**	**30,640**	114,659	33,063	26,308	(565,186)	99,014	41,251
Group's share in net income	**₱1,345**	**₱29,064**	**₱7,637**	₱612	₱13,225	₱3,475	(₱3,015)	₱39,606	₱5,449
Other comprehensive income (loss)	**₱1,094,033**	**₱2,097**	**₱–**	(₱849,627)	(₱17)	₱–	(₱692,403)	₱10,920	₱–
Group's share in OCI	**₱5,798**	**₱839**	**₱–**	(₱11,927)	(₱7)	₱–	₱3,696	₱4,368	₱–

	2021			2020		
	ACMDC	**PCIC**	**PCHI**	ACMDC	PCIC	PCHI
Total current assets	**₱3,671,713**	**₱279,395**	**₱341,186**	₱3,606,533	₱409,845	₱430,618
Total noncurrent assets	**62,521,801**	**663,670**	**195,278**	64,795,622	715,641	147,986
Total current liabilities	**6,739,856**	**160,858**	**63**	11,120,336	209,130	24,389
Total noncurrent liabilities	**20,849,647**	**21,521**	–	23,664,243	25,570	–
Total equity	**38,604,011**	**908,375**	**571,133**	33,617,574	890,785	554,216
Proportion of net assets	**206,069**	**363,350**	**75,447**	179,451	356,314	73,212
Carrying amount of the investment	**417,106**	**347,039**	**78,332**	402,317	340,003	74,681

The difference between the Group's proportion of net assets and the carrying amount of the investment represents goodwill.

The financial statements of the associates are prepared under the same reporting period as the Group.

The associates had no contingent liabilities and capital commitments as at December 31, 2021 and 2020.

10. **Financial Assets at FVOCI**

	2021	2020
Quoted shares of stock	**₱110,646,650**	₱114,524,040
Net unrealized loss	**(28,635,059)**	(32,509,624)
	₱82,011,591	₱82,014,416

In 2020, the Parent Company acquired an additional investment in the shares of Oriental Petroleum and Minerals Corporation (OPMC) and Shang Properties, Inc. with a total carrying value of ₱1.0 million. In 2021, the Parent Company sold 300 million shares of investment in OPMC with a total carrying amount of ₱3.8 million for ₱8.4 million, which resulted to a gain on sale of ₱4.5 million. The Parent Company received cash dividends from OPMC and Shang Properties totaling to ₱1.2 million and ₱1.4 million in 2021 and 2020, respectively.

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

	2021	2020
Beginning of year	**₱32,509,624**	₱40,974,343
Fair value changes during the year	**(3,874,565)**	(8,464,719)
End of year	**₱28,635,059**	₱32,509,624

11. **Deferred Oil Exploration Costs**

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

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

	2021	2020
Beginning of year	**₱1,087,125,506**	₱1,074,362,725
Additions	**20,886,697**	12,762,781
End of year	**1,108,012,203**	1,087,125,506
Allowance for impairment loss	**(99,392,028)**	(99,392,028)
Net book value	**₱1,008,620,175**	₱987,733,478

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

However, if the Contractors fail to comply with their work obligations, they shall pay the government the amount they should have spent in direct proportion to their work obligations.

The Contractors have Operating Agreements among themselves which govern their rights and obligations under these contracts.

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

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

SWAN Block
Despite the inclusion of the SWAN Block in NW Palawan in the first edition of the Philippine Energy Contracting Round in 2004, the SWAN Block consortium did not receive any notification from the DOE rescinding the GSEC application which the consortium later converted into a full-service contract application. However, the DOE granted instead new service contracts that both partially covered the area being applied for. PNOC-EC's SC-57 and SC-58 were awarded in September 2005 and January 2006, respectively.

From 2007 and up to the time of writing, the Parent Company's continued attempt to acquire equity in SCs 57 and 58 by swap or farm-in has so far been unsuccessful. Philodrill's exploration group believes that the Company should now focus its resources on its more prospective and potentially less costly projects. The Group recognized an impairment loss of ₱99.4 million in 2020.

Philippine Conventional Energy Contracting Program (PCECP) Area 7 Sulu Sea
In 2012, the Parent Company and Philex Petroleum Corporation (Philex) submitted a joint bid for Area 15 that DOE offered for bidding under the 4th Philippine Energy Contracting Round (PECR4). Area 15 covers the old SC-41 block previously operated by Tap Oil Limited. Back then, the bid of the Parent Company/Philex was reportedly chosen based on the proposed work program, but for some reason, the result of the bidding for Area 15 was not released by the DOE.

A new bidding round, PECR5, was launched by the DOE in May 2014. Unfortunately, the Sulu Sea area was not included among the blocks on offer as the area is within the contemplated regions proposed to be covered by the Bangsamoro Basic Law. The Parent Company, PXP and APHC would have likely participated in the PECR5 bidding if Area 15 was again offered.

The DOE launched in November 2018 the PCECP for petroleum and coal. Under the PCECP, awarding of new service contracts is conducted either through a competitive bidding process or via nomination whereby the PCECP would allow participants to nominate prospective areas other than the 14 pre-determined areas on offer. The Company, together with bid partner PXP, submitted last August 15, 2019, a joint bid over PCECP Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer under PCECP. The joint application was found to be in order and satisfied the criteria set forth by the DOE. This was confirmed in writing by the DOE in September that the joint bid qualified for further substantive legal, financial, and technical evaluation.

The DOE has put in abeyance the awarding of SC for areas under the jurisdiction of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order is signed by the President. The EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM. In 2020 the Group continued to await the DOE advice on the awarding of PCECP Area 7 and all other areas covered by the BARMM.

As of Apil 20, 2022, the Group continues to await DOE's advice on the awarding of PCECP Area 7 and all other areas covered by the BARMM.

12. Accounts Payable and Accrued Liabilities

	2021	2020
Accounts with partners (see Note 7)	**₱1,548,974**	₱1,256,560
Accruals for:		
Year-end expenses	**1,198,228**	–
Professional fees	**1,187,200**	1,232,000
SARs	–	8,390,362
Others	**233,927**	121,845
Withholding taxes	**995,668**	993,169
Share-based liability	–	622,989
Others	**122,047**	504,094
	₱5,228,428	₱13,121,019

Accrued liabilities include accrual for bonus, salaries and other employee benefits and are usually settled within 30 days.

Accounts with partners represent payables arising from transactions of the consortium and varies in timing with regards to settlement. The Group sends out its billing within 30 days.

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

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

Share-based liability pertains to the SAR plan.

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

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

The following list of inputs were used to determine the fair value as at December 31, 2020:

Assumptions	2020
Weighted average fair value at measurement date	₱0.0008
Exercise price	₱0.0143
Expected volatility	71.76%
Expected life of SARs	10 years
Dividend yield	0.00%
Risk-free rate	1.12%
Model used	Binomial

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. There have been no modifications or cancellations in 2021 and 2020.

The following table illustrates the number of SARs and weighted average exercise price during the year:

	Number	**Weighted Average Exercise Price**
	2020	2020
Balances and exercisable as at January 1 and December 31	816,500,000	₱0.0008

The following illustrates the movement of SAR as at December 31, 2021 and 2020:

	2021		2020	
	Number	**Amount**	Number	Amount
Beginning of year	**816,500,000**	**₱622,990**	816,500,000	₱2,613,857
Exercised during the year	**(426,500,000)**	**(325,373)**	–	–
Expired during the year	**(390,000,000)**	**(297,617)**	–	–
Fair value adjustments	–	–	–	(1,990,867)
End of year	–	**₱–**	816,500,000	₱622,990
Exercisable at December 31	–	**₱–**	816,500,000	₱622,990

Fair value adjustments are included under “Personnel costs” under general and administrative expenses.

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

In January 2021, the Group’s qualified employees and officers have exercised their SARs in accordance with the SAR plan approved on May 2, 2011. The number of exercised SARs were 426,500,000, which amounted to ₱6.5 million and were paid in cash. The rest of the outstanding SARs of 390,000,000 expired on May 1, 2021.

13. Provision for Plug and Abandonment Costs

Non-current portion
As at December 31, 2021 and 2020, the noncurrent provision for P&A is as follows:

	2021	2020
Beginning of year	**₱26,711,755**	₱23,948,006
Accretion of interest	**1,448,014**	1,889,354
Effect of translation adjustment	**2,763,215**	874,395
Effect of change in estimate (Note 8)	**(5,526,428)**	–
End of year	**₱25,396,556**	₱26,711,755

SC-14 Block C1 (Galoc)
Beginning October 1, 2016, the Group makes full provision for the future cost of decommissioning Galoc oil field on a discounted basis. The provision represents the present value of P&A costs relating to Galoc oil field, which are expected to be incurred up to 2022. This provision has been created based on the estimates and assumptions stated in the Revised Decommissioning Plan and Budget of the Galoc Oil field approved by the DOE last October 3, 2016. Assumptions, based on the current economic environment, have been made which management believes, are reasonable basis upon which to estimate the future liability.

The final P&A costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of decommissioning activities, technological changes, regulatory changes and changes in discount rates of 1.84% and 3.83% as at December 31, 2020 and 2019, respectively. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provision established, which could affect future financial results. In 2021, based on the Management's assessment, the Galoc oil field will still operate until year 2025 as compared to the original expectation of plug and abandonment in year 2022, this assumption resulted to a change in estimate amounting to ₱5.5 million.

In relation to the decommissioning liability, the Parent Company established a decommissioning fund equivalent to its current contribution to settle its share in the P&A costs of Galoc oil field. As at December 31, 2021 and 2020, the fund has a balance of ₱9.2 million and ₱8.7 million, which is recognized under "Other noncurrent assets". Foreign exchange loss on revaluation of the decommissioning fund was ₱0.54 million and ₱0.47 million in 2021 and 2020, respectively.

14. Equity

Capital Stock

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Capital stock - ₱0.01 par value				
Authorized – 200,000,000,000 shares				
Issued and subscribed	**191,868,805,358**	**₱1,918,688,053**	191,868,805,358	₱1,918,688,053
Subscription receivable	**(17,520,811,006)**	**(175,208,110)**	(17,520,811,006)	(175,208,110)
	174,347,994,352	**₱1,743,479,943**	174,347,994,352	₱1,743,479,943

The rollforward analysis of the common shares follows:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Issued capital stock				
At beginning of year	**156,827,050,247**	**₱1,568,270,502**	156,801,815,022	₱1,568,018,150
Issued shares	–	–	25,235,225	252,352
At the end of year	**156,827,050,247**	**1,568,270,502**	156,827,050,247	1,568,270,502
Subscribed capital stock				
At beginning of year	**35,041,755,111**	**350,417,551**	35,066,857,236	350,668,572
Cancelled shares	–	–	(25,235,225)	(252,352)
Reversal of cancellation	–	–	133,100	1,331
At the end of year	**35,041,755,111**	**350,417,551**	35,041,755,111	350,417,551
Subscription receivable				
At beginning of year	**(17,520,811,006)**	**(175,208,110)**	(17,533,425,505)	(175,334,255)
Collection of subscription	–	–	12,617,599	126,176
Reversal of cancellation	–	–	(3,100)	(31)
At the end of year	**(17,520,811,006)**	**(175,208,110)**	(17,520,811,006)	(175,208,110)
	174,347,994,352	**₱1,743,479,943**	174,347,994,352	₱1,743,479,943
Total number of shares issued and subscribed	**191,868,805,358**		191,868,805,358	

On December 16, 2020, the BOD approved that the 50% balance on subscriptions to the Parent Company's 2009 stock rights offering shall be called for payment by the BOD no later than December 31, 2021 instead of December 31, 2020.

In 2019, the Group cancelled 133,100 shares amounting to ₱1,331, of which 130,000 shares or ₱1,300 and 3,100 shares or ₱31 were issued and subscribed, respectively. These shares were not sold through auction last February 2008. These were reversed in 2020.

In 2020, the Group has a collection of ₱126,176 which is a 50% of final payment of 25,235,225 shares.

On August 6, 1969, the Parent Company's common shares were listed and traded on the PSE at an initial offer price of ₱0.01 per share. Subsequent listing of shares were made by the Parent Company as follows:

Type of Shares	Number of shares registered	Number of shares licensed	Issue Price/ Par value	Date of Approval
	2,500,000,000	2,000,000,000	₱0.01	August 6, 1969
	7,500,000,000	5,295,151,100	0.01	February 2, 1971
Class A shares	7,032,105,679	7,032,105,679	0.01	December 8, 1987
Class B shares	2,967,894,321	2,967,894,321	0.01	December 8, 1987
Class A shares	21,096,317,037	20,012,278,687	0.01	August 15, 1988
Class B shares	8,903,682,963	–	0.01	August 15, 1988
Class A shares	28,000,000,000	21,000,000,000	0.01	May 30, 1989
Class B shares	12,000,000,000	9,000,000,000	0.01	May 30, 1989
Class A shares	7,000,000,000	7,000,000,000	0.01	June 26, 1991
Class B shares	3,000,000,000	3,000,000,000	0.01	June 26, 1991
Class A shares	33,000,000,000	14,690,079,374	0.01	March 9, 1994
Class B shares	22,000,000,000	22,692,570,213	0.01	March 9, 1994
	–	42,367,016,498	0.01	December 9, 1994
	45,000,000,000	38,373,761,071	0.01	September 18, 2008

As at December 31, 2021, the Group has 8,543 shareholders.

Retained Earnings
As at December 31, 2021, 2020, and 2019, undistributed earnings of associates amounting to ₱182,511,234, ₱152,050,944, and ₱148,040,922, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries, associates, and joint operations.

As at December 31, 2021 and 2020, the Group has unpaid dividends amounting to ₱33.1 million.

15. Earnings (Loss) Per Share

	2021	2020	2019
Net income (loss)	**₱36,324,913**	(₱251,881,141)	(₱63,218,421)
Weighted average number of common shares issued and outstanding during the year (see Note 14)	**191,868,805,358**	191,868,738,808	191,868,672,258
Basic/Diluted Loss per share	**₱0.0002**	(₱0.0013)	(₱0.0003)

There were no dilutive shares as at December 31, 2021 and 2020.

There have been no other transactions involving common shares between the end of the financial reporting period and the date of authorization of the consolidated financial statements.

16. Related Party Transactions

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

a. As at December 31, 2021 and 2020, the Group's advances to related parties and the corresponding interest income from these advances are as follows:

Related Party		Volumes	Advances to related parties (see Note 5)	Accrued interest receivable (see Note 5)	Terms	Condition
Stockholder						
Alakor	**2021**	**₱**	**₱169,000,000**	**₱9,845,178**	To be settled in cash; collectible on demand; 3.58% interest; 4.75% from September 28, 2019 onwards	Unsecured, no impairment
	2020	₱9,000,000	₱169,000,000	₱9,898,784		

(Forward)

Related Party		Volumes	Advances to related parties (see Note 5)	Accrued interest receivable (see Note 5)	Terms	Condition
Under common stockholders						
Fil-Energy Corporation	**2021**	**₱–**	**₱4,753,762**	**₱16,166,436**	To be settled in cash; collectible on demand; non-interest bearing	Unsecured, fully impaired
	2020	–	4,753,762	16,166,436		Unsecured, no impairment
United Paragon Mining Corporation	**2021**	**320,963**	**1,376,802**	**–**	To be settled in cash; collectible on demand; non-interest bearing	Unsecured, no impairment
	2020	–	1,055,839	–		
National Bookstore, Inc. (NBS)	**2021**	**2,976,000**	**50,999,000**	**19,833**	To be settled in cash; collectible on June 30, 2022; interest-bearing	Unsecured, no impairment
	2020	–	48,023,000	14,007		
Total	**2021**	**₱3,296,963**	**₱226,129,564**	**₱26,031,447**		
	2020	₱9,000,000	₱222,832,601	₱26,079,227		

On September 27, 2019, Alakor borrowed ₱160 million from the Company with an interest rate of 4.75% per annum, fixed until full payment of the loan. On January 23, 2020, the Company made additional loan to Alakor amounting to ₱9.0 million with the same interest rate. The term of the loans are collectible upon demand.

In June 2019, NBS borrowed $1.0 million from the Group with an interest rate of 3.5% per annum, fixed until the full payment of loan, for a term of 90 days. The loans maturity was subsequently extended by virtue of BOD resolution. The new maturity date of the loan is on June 30, 2022.

In 2021, 2020 and 2019, unrealized foreign exchange losses attributable to foreign-currency denominated related party transactions amounted to ₱2.9 million, ₱2.6 million, and ₱0.7 million, respectively.

As at December 31, 2021 and 2020, intercompany receivables and payables eliminated during consolidation amounted to ₱8.6 million and ₱8.6 million, respectively. This pertains to non-interest-bearing advances made by the Parent Company to PPC, its wholly owned subsidiary.

b. The interest income earned by the Group from its advances to related parties follow:

	2021	2020	2019
Alakor	**₱8,138,993**	₱8,133,979	₱7,231,444
National Bookstore	**1,751,764**	1,761,006	913,586
	₱9,890,757	₱9,894,985	₱8,145,030

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

	2021	2020	2019
Short-term employee benefits	**₱20,085,109**	₱18,380,706	₱17,480,031
Post-employment benefits	**5,326,420**	6,371,571	5,915,225
	₱25,411,529	₱24,752,277	₱23,395,256

Key management personnel are those individuals having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group.

d. Material related party transactions refer to any related party transaction/s, either individually or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

   All individual material related party transactions shall be endorsed by the Related Party Transactions Committee for approval by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital.

   Aggregate related party transactions within a 12-month period that breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

17. Share in Costs and Operating Expenses

	2021	2020	2019
Petroleum operations	**₱134,884,214**	₱94,766,776	₱282,075,830
Personnel costs	**4,592,984**	4,592,984	5,211,083
	₱139,477,198	₱99,359,760	₱287,286,913

Share in petroleum operations consist of the Group's share in the production costs, lifting and marketing fees, and other operating expenses of the SC-14 Nido, Matinloc, and North Matinloc and SC-14 C1 Galoc oil fields for 2019. For 2020, the sole source of the share in costs and operating expenses is from SC-14 C1 Galoc oil fields. The cost of petroleum inventories recognized as expense in 2021, 2020 and 2019 amounted to ₱127.9 million, ₱89.9 million and ₱131.7 million, respectively (see Note 6).

Personnel costs are time charges of the exploration group for work done of the fields mentioned above.

18. General and Administrative Expenses

	2021	2020	2019
Personnel costs	**₱34,688,807**	₱44,778,768	₱32,789,290
Entertainment, amusement and recreation	**6,267,631**	6,228,968	6,297,679
Transportation and travel	**4,946,605**	4,892,599	5,287,366
Depreciation (see Note 8)	**3,146,682**	3,119,086	3,071,693
Supplies	**2,989,481**	3,015,717	3,013,453
Outside services	**2,537,283**	2,852,551	2,827,842
Insurance	**1,472,709**	1,585,510	1,691,287
Dues and subscriptions	**1,416,821**	1,510,805	1,822,760
Utilities	**1,566,282**	1,495,976	1,578,770
Repairs and maintenance	**723,890**	664,386	575,210

(Forward)

	2021	2020	2019
Rent	**₱382,448**	₱363,815	₱372,647
Taxes and licenses	**236,071**	188,006	2,795,984
Software licenses and maintenance fees	**188,733**	2,074,884	333,269
Advertising	**180,992**	251,855	154,525
Commission expense	**46,760**	–	–
Others	**50,000**	–	50,000
	₱60,841,195	₱73,022,926	₱62,661,775

Personnel costs include the following:

	2021	2020	2019
Salaries, allowance and bonuses	**₱24,756,272**	₱26,898,912	₱24,024,227
Employees, facilities and benefits	**3,832,098**	12,946,511	4,478,331
Pension expense (Note 19)	**4,164,051**	4,267,849	3,720,836
Provision for year-end expenses	**1,198,228**	–	–
SSS, Med. and HDMF Prem. -ER	**738,158**	665,496	565,896
	₱34,688,807	₱44,778,768	₱32,789,290

19. Retirement Benefit Liability

The Group has a funded, non-contributory defined benefit retirement plan covering its regular permanent employees. Retirement benefit expenses are based on each employee's number of years of service and final covered compensation.

Republic Act (RA) No. 7641 ("Retirement Pay Law") an Act amending Article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in the net defined benefit liability in 2021 and 2020 follow:

	2021									
		Net Benefit Cost in Profit or Loss				**Remeasurements in Other Comprehensive Income**				
	January 1, 2021	**Current Service Cost**	**Net interest Cost (Income)**	**Subtotal**	**Benefits Paid**	**Actuarial Gain on Defined Benefit Obligation**	**Remeasurement Loss on Plan Asset**	**Subtotal**	**Contributions**	**December 31, 2021**
Present value of defined benefit obligation	**₱112,382,234**	**₱4,164,051**	**₱2,611,938**	**₱6,775,989**	**(₱44,763,627)**	**(₱5,497,287)**	**₱–**	**(₱5,497,287)**	**₱–**	**₱68,897,309**
Fair value of plan asset	**(86,495,143)**	**–**	**(1,823,793)**	**(1,823,793)**	**44,763,627**	**–**	**987,125**	**987,125**	**(10,000,000)**	**(52,568,184)**
Net plan assets	**₱25,887,091**	**₱4,164,051**	**₱788,145**	**₱4,952,196**	**₱–**	**(5,497,287)**	**₱987,125**	**(₱4,510,162)**	**(₱10,000,000)**	**₱16,329,125**

	2020									
		Net Benefit Cost in Profit or Loss				Remeasurements in Other Comprehensive Income				
	January 1, 2020	Current Service Cost	Net interest Cost (Income)	Subtotal	Benefits Paid	Gains (Losses) on Return on Plan Assets	Remeasurement Loss on Plan Asset	Subtotal	Contributions	December 31, 2020
Present value of defined benefit obligation	₱108,725,417	₱4,267,849	₱3,580,306	₱7,848,155	(₱7,854,900)	₱3,663,562	₱–	3,663,562	₱–	₱112,382,234
Fair value of plan asset	(88,952,086)	–	(2,785,733)	(2,785,733)	7,854,900	–	(2,612,224)	(2,612,224)	–	(86,495,143)
Net plan assets	₱19,773,331	₱4,267,849	₱794,573	₱5,062,422	₱–	₱3,663,562	(2,612,224)	₱1,051,338	₱–	₱25,887,091

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Company is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Company's discretion.

The Group's plan is a noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service.

The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Committee is responsible for the investment strategy of the plan.

Retirement benefit expense is composed of current service cost which is shown as “Personnel costs” under general and administrative expenses while net interest is shown under “Interest expense” in the consolidated statements of income:

	2021	2020	2019
Current service cost	**₱4,164,051**	₱4,267,849	₱3,720,836
Net interest	**788,145**	794,573	534,162
	₱4,952,196	₱5,062,422	₱4,254,998

Cumulative remeasurement loss amounting to ₱38.4 and ₱41.5 million in December 31, 2021 and 2020, respectively, as presented in the statement of financial position are net of tax.

The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2021	2020
Cash	**₱1,858**	₱1,020
Fixed income securities:		
Corporate bonds	**2,105,679**	5,976,533
Government securities	**45,638,324**	76,548,779
Mutual funds	**4,347,959**	3,173,391
Equity securities	**70,000**	70,000
Accrued income receivables	**468,054**	835,882
Liabilities	**(63,690)**	(110,462)
	₱52,568,184	₱86,495,143

The plan assets have diverse investments in equity and debt securities, and do not have any concentration risk.

The principal assumptions used in determining retirement benefits costs and retirement benefit liability for defined benefit plan shown below.

	2021	2020
Discount rate	**4.72%**	3.37%
Salary increase rate	**2.00%**	2.00%
Mortality rate	**2017 Philippine Intercompany Mortality (PCIM) Table**	2017 Philippine Intercompany Mortality (PCIM) Table
Disability rate	**The Disability Study, Period 2 Benefit 5 (Society of Actuaries)**	The Disability Study, Period 2 Benefit 5 (Society of Actuaries)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	**2021**	2020	2019
Discount rates	**+1%**	**₱66,992,700**	₱109,393,578	₱105,436,276
	-1%	**71,034,430**	115,714,263	112,369,381
Salary increase rate	**+1%**	**71,312,040**	116,232,089	112,879,014
	-1%	**66,701,740**	108,842,692	104,891,239

The Group contributed ₱10.0 million to the defined benefit pension plan in 2021 and is expected to contribute ₱4.6 million in 2022.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2021:

Within the next twelve (12) months	₱29,750,282
Between one (1) and five (5) years	29,212,676
Between five (5) and ten (10) years	18,500,984
Between ten (10) and fifteen (15) years	6,307,971
Between fifteen (15) and twenty (20) years	8,307,701
More than twenty (20) years	17,176,957
Total expected payments	₱109,256,571

The average duration of the defined retirement benefits liability as at December 31, 2021 and 2020 are 8.23 and 6.47 years, respectively.

20. Income Taxes

Republic Act (RA) 11534 or Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Based on the provisions, of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, in 2020, the Company is subjected to a transitory lower RCIT of 27.5% and transitory MCIT of 1.5%. For the year ended, December 31, 2021, the Company's applicable tax rate is 25% for RCIT and 1% for MCIT.

Current income tax
The details of provision for current income tax are as follows:

	2021	2020	2019
MCIT	**₱106,807**	₱211,122	₱737,289
Final taxes	**572,857**	656,297	2,019,426
	₱679,664	₱867,419	₱2,756,715

The reconciliation of provision for (benefit from) income tax computed using the statutory income tax rate with provision for (benefit from) income tax in the consolidated statements of income is as follows:

	2021	2020	2019
Provision for (benefit from) income tax computed at the statutory income tax rate	**₱6,457,819**	(₱79,983,751)	(₱36,914,699)
Add (deduct) tax effect of:			
Nontaxable income	**(17,220,465)**	(11,625,349)	(24,715,866)
Nondeductible expenses	**1,308,000**	1,733,090	2,694,666
Income subjected to final tax	**(1,831,984)**	(1,414,968)	(3,183,639)
Final taxes	**572,857**	656,297	2,019,426
Expired portion of excess MCIT over RCIT	**220,137**	931,256	249,837
Unrecognized NOLCO	**–**	57,453,496	–
Expired NOLCO	**–**	17,498,503	–
Movement in unrecognized deferred tax assets	**–**	20,063	19,701
Provision for (benefit from) income tax	**(₱10,493,636)**	(₱14,731,363)	(₱59,830,574)

Deferred income tax
Net deferred income tax assets represent the following:

	2021	2020
Deferred income tax assets on:		
Net operating loss carry-over (NOLCO)	**₱152,316,148**	₱129,158,096
Provision for impairment on deferred oil exploration cost	**39,813,493**	39,813,493
Retirement benefits	**7,214,150**	7,331,543
Unamortized past service cost	**1,036,567**	1,474,191
Provision for P&A costs	**7,488,889**	7,488,889
Provision for impairment of receivables	**6,276,059**	6,276,059
Unrealized foreign exchange loss	**1,947,407**	7,105,684
Excess of MCIT over RCIT	**1,055,218**	1,168,549

(Forward)

	2021	2020
Accrued expenses	**₱–**	₱2,544,125
SAR expense	–	186,897
	217,147,931	202,547,526
Deferred income tax liabilities on:		
Unrealized forex gain	**(4,780,154)**	–
Decommissioning asset	**(1,174,280)**	(1,174,280)
	(5,954,434)	(1,174,280)
	₱211,193,497	₱201,373,246

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's NOLCO and excess MCIT that can be claimed as deduction from future taxable income and future income tax due are as follows:

	NOLCO		MCIT	
Year incurred	Year of Expiry	Amount	Year of Expiry	Amount
2018	2021	₱191,511,653	2021	220,137
2019	2022	235,029,959	2022	737,289
2020	2025	195,497,024	2023	211,123
2021	2026	92,299,622	2024	106,807
		714,338,258		1,275,355
Expired during the year		(191,511,653)		(220,137)
		₱522,826,605		₱1,055,218

As at December 31, 2021 and 2020, the Group has unrecognized deferred income tax asset amounting to nil and ₱191,578,529, respectively, which pertains to the Group's NOLCO, which expired in 2021.

21. Fair Value Measurement

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in forced or liquidation sale.

The carrying amounts of financial assets (except financial assets at FVOCI and advances to a related party) and financial liabilities approximate their fair values because of their short-term nature. Financial assets at FVOCI are carried at fair value based on the quoted values of the securities. Advances to a related party are long-term and interest-bearing, thus, fair value is equal to the carrying value.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
Financial assets at FVOCI	**₱77,761,591**	**₱4,250,000**	**₱–**	**₱82,011,591**

2020	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Financial assets at FVOCI	₱79,464,416	₱2,550,000	₱–	₱82,014,416

As at December 31, 2021 and 2020, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised mainly of cash and cash equivalents, receivables, financial assets at FVOCI, other noncurrent assets, accounts payable and accrued liabilities (except withholding taxes) and dividends payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital-intensive projects. The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

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

Foreign Currency Risk
Foreign currency risk is the risk that the value of the Group's financial instruments will fluctuate because of changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents and receivables. The Group's foreign currency-denominated monetary assets as at December 31, 2021 and 2020 follow:

	2021		2020	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Cash and cash equivalents (Note 4)	**$4,825,494**	**₱246,095,353**	$8,625,788	₱453,543,954
Receivables (Note 5)	**2,297,405**	**117,165,358**	1,645,737	86,532,829
Monetary assets	**$7,122,899**	**₱363,260,711**	$10,271,525	₱540,076,783

In translating the foreign currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are US$1.0 to ₱50.99 and ₱₱48.02 to $1.00 as at December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity of the Group's income before income tax (solely from foreign currency revaluation) to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax due to changes in the carrying value of financial assets and liabilities. The sensitivity range is based on the historical volatility of the foreign exchange rate for the past year. The analysis is based on the assumption that last year's foreign currency rate volatility will be the same in the following year.

	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Income Tax
2021	**₱0.42**	**₱2,981,681**
	0.86	**6,120,481**
2020	(₱0.11)	(₱1,129,868)
	0.41	4,211,325

Foreign currency risk has no other impact on the Group's equity other than through profit or loss.

Credit Risk

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, financial assets at FVOCI and 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. Of the total trade receivables of the Group, 100.0% and 92.0% are concentrated with the Galoc Production Company as at December 31, 2021 and 2020, respectively.

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:

	2021	2020
Amortized costs:		
Cash in banks and cash equivalents	**₱284,641,975**	₱273,243,264
Receivables:		
Advances to related parties	**221,375,801**	218,078,839
Accounts with contract operators	**65,476,992**	53,891,606
Accrued interest from related parties	**9,865,011**	9,912,791
Accrued interest from banks	**488,851**	323,035
Others	**469,983**	1,483,183
Financial assets at FVOCI	**82,011,591**	82,014,416
Decommissioning fund under "Other noncurrent assets"	**9,242,274**	8,702,950
	₱673,572,478	₱647,650,084

In determining the credit risk exposure, the Group has established probability of default rates based on available credit ratings published by third-party credit rating agencies. The credit ratings already considered the forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics.

While these financial assets are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

The aging analysis of financial assets follows:

			2021			
			Days Past Due			
	Current	**60 Days**	**180 Days**	**More than 180 Days**	**ECL**	**Total**
Cash and cash equivalents*	**₱284,641,975**	**₱–**	**₱–**	**₱–**	**₱–**	**₱284,641,975**
Receivables:						
Advances to related parties	**219,999,000**	–	–	**1,376,801**	**4,753,762**	**226,129,563**
Accounts with contract operators	**65,476,992**	–	–	–	–	**65,476,992**
Accrued interest	**508,684**	**675,207**	**1,328,115**	**7,841,856**	**16,166,436**	**26,520,298**
Others	**369,053**		–	**100,930**	–	**469,983**
Financial assets at FVOCI	**82,011,591**	–	–	–	–	**82,011,591**
Other noncurrent assets	**9,242,274**	–	–	–	–	**9,242,274**
	₱662,249,569	**₱675,207**	**₱1,328,115**	**₱9,319,587**	**₱20,920,198**	**₱694,492,676**

**Excluding cash on hand of ₱29,180*

			2020			
			Days Past Due			
	Current	60 Days	180 Days	More than 180 Days	ECL	Total
Cash and cash equivalents*	₱273,243,264	₱–	₱–	₱–	₱–	₱273,243,264
Receivables:						
Advances to related parties	217,023,000	–	–	1,055,839	4,753,762	222,832,601
Accounts with contract operators	53,891,606	–	–	–	–	53,891,606
Accrued interest	337,043	675,207	1,328,115	7,895,461	16,166,436	26,402,262
Others	1,118,107	365,077	–	–	–	1,483,184
Financial assets at FVOCI	82,014,416	–	–	–	–	82,014,416
Other noncurrent assets	8,702,950	–	–	–	–	8,702,950
	₱636,330,386	₱1,040,284	₱1,328,115	₱8,951,300	₱20,920,198	₱668,570,283

**Excluding cash on hand of ₱29,605*

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding debtors.

Credit risk under general and simplified approach

			2021		
		General Approach		Simplified	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
Cash and cash equivalents*	**₱284,641,975**	**₱–**	**₱–**	**₱–**	**₱284,641,975**
Receivables:					
Advances to related parties	**221,375,801**	–	**4,753,762**	–	**226,129,563**
Accounts with contract operators	–	–	–	**65,476,992**	**65,476,992**
Accrued interest	**10,353,862**	–	**16,166,436**	–	**26,520,298**
Others	**469,983**	–	–	–	**469,983**
Financial assets at FVOCI	**82,011,591**	–	–	–	**82,011,591**
Other noncurrent assets	**9,242,274**	–	–	–	**9,242,274**
	₱608,095,486	**₱–**	**₱20,920,198**	**₱65,476,992**	**₱694,492,676**

**Excluding cash on hand of ₱29,605*

			2020		
		General Approach		Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents*	₱273,243,264	₱–	₱–	₱–	₱273,243,264
Receivables:					
Advances to related parties	218,078,839	–	4,753,762	–	222,832,601
Accounts with contract operators	–	–	–	53,891,606	53,891,606
Accrued interest	10,235,826	–	16,166,436	–	26,402,262
Others	1,483,184	–	–	–	1,483,184
Financial assets at FVOCI	82,014,416	–	–	–	82,014,416
Other noncurrent assets	8,702,950	–	–	–	8,702,950
	₱593,758,479	₱–	₱20,920,198	₱53,891,606	₱668,570,283

**Excluding cash on hand of ₱29,605*

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

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets that are used to manage the liquidity risk of the Group.

2021	**Less than three months**	**Three to twelve months**	**More than twelve months**	**Total**
Financial liabilities				
Accounts payable and accrued liabilities*	**₱–**	**₱–**	**₱–**	**₱–**
Dividends payable	**33,129,215**	**–**	**–**	**33,129,215**
	₱33,129,215	**₱–**	**₱–**	**₱33,129,215**

**Excluding government payables*

2021	**Less than three months**	**Three to twelve months**	**More than twelve months**	**Total**
Financial assets				
Cash on hand and in banks and cash equivalents	**₱284,641,975**	**₱–**	**₱–**	**₱284,641,975**
Receivables	**297,676,638**	**–**	**20,920,198**	**318,596,836**
Financial assets at FVOCI	**82,011,591**	**–**	**–**	**82,011,591**
Other noncurrent assets	**9,242,274**	**–**	**–**	**9,242,274**
	₱673,572,477	**₱–**	**₱–**	**₱694,492,676**

2020	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	₱12,037,183	₱-	₱–	₱12,037,183
Dividends payable	33,137,735	–	–	33,137,735
	₱45,174,918	₱–	₱–	₱45,174,918

**Excluding government payables*

2020	Less than three months	Three to twelve months	More than twelve months	Total
Financial assets				
Cash in banks and cash equivalents	₱273,243,264	₱–	₱–	₱273,243,264
Receivables	272,369,758	11,319,697	20,920,198	304,609,653
Financial assets at FVOCI	82,014,416	–	–	82,014,416
Other noncurrent assets	8,702,950	–	–	8,702,950
	₱636,330,388	₱11,319,697	₱20,920,198	₱668,570,283

Changes in liabilities arising from financing activities

	2021			
	January 1	**Cash flows**	**Others**	**December 31**
Dividends	**₱33,137,735**	**(₱8,520)**	**₱–**	**₱33,129,215**

	2020			
	January 1	Cash flows	Others	December 31
Dividends	₱33,143,698	(₱5,963)	₱–	₱33,137,735

	2019			
	January 1	Cash flows	Others	December 31
Dividends	₱33,258,021	(₱114,323)	₱–	₱33,143,698

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 exchanges rates and equity price.

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 Group, which are classified in the consolidated statements of financial position as financial assets at FVOCI.

The following table shows the sensitivity of the Group's equity (through OCI) from changes in the carrying value of the Group's financial assets at FVOCI due to reasonably possible changes in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through OCI) due to changes in the carrying value of the Group's financial assets at FVOCI. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through the adjusted betas of each individual stock. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be the same in the following year.

	Percentage Change in PSEi	Effect on Equity
2021	**+18.60%**	**₱14,093,109**
	-18.60%	**(14,093,109)**
2020	+178.61%	₱107,424,280
	-178.61%	(107,424,280)

The impact of equity price risk on the Group's equity excludes the impact on transactions affecting profit or loss.

23. **Capital Management**

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and the earnings potential of the Group's resources, ensuring that the Group complies with externally imposed, legal or contractual, capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

No significant changes have been made in the objectives, policies and processes of the Group from the previous years. In addition, there were no restrictions as to the capital of the Group.

The following table summarizes the total capital considered by the Group:

	2021	2020
Capital stock	**₱1,745,103,955**	₱1,745,103,955
Net unrealized loss on decline in value of available-for-sale financial assets	**(28,635,059)**	(32,509,624)
Share in other comprehensive income of associate	**26,480,535**	31,465,444
Remeasurement of Retirement in OCI	**(38,373,698)**	(41,530,811)
Retained earnings	**1,309,127,537**	1,272,802,624
	₱3,013,703,270	₱2,975,331,588

The Company monitors capital on the basis of the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt pertains to accounts payable and other current liabilities. Equity comprises all components of equity.

The Company's debt-to-equity ratios are as follows:

	2021	2020
Total liabilities	**₱91,166,845**	₱98,906,075
Equity	**3,013,703,270**	2,975,331,588
Debt-to-Equity Ratio	**0.03:1**	0.03:1

24. **Segment Information**

Currently, the Group has 2 business segments. The Parent Company is primarily involved in oil exploration and production while PPC, pre-operating segment, is primarily engaged in production, supply, trading and generation of electric power using various energy sources. Revenue generated consists solely of revenue from petroleum operations. Other income is derived from equity in net earnings of associates. PPC has not yet started commercial operation since its incorporation therefore, expenses were only incurred during the year.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chairman of the Parent Company who makes strategic decisions.

	2021			
	Oil and Gas	**Power**	**Elimination**	**Total**
Consolidated revenue				
External customers	**₱207,126,666**	**₱–**	**₱–**	**₱207,126,666**
Share in costs and operating expenses	**(139,477,198)**	**–**	**–**	**(139,477,198)**
General and administrative expenses	**(60,777,412)**	**63,783**	**–**	**(60,713,629)**
	(200,254,610)	**63,783**	**–**	**(200,190,827)**
Share in net income of associates	**38,045,728**	**–**	**–**	**38,045,728**
Foreign exchange gains - net	**16,507,842**	**–**	**–**	**16,507,842**
Dividend income	**1,255,448**	**–**	**–**	**1,255,448**
Gain on sale of investment	**4,542,611**	**–**	**–**	**–**
Other charges - net	**(113,158)**	**(1,910)**	**–**	**(111,248)**
Income before interest, taxes, depreciation and depletion	**67,110,527**	**(65,693)**	**–**	**67,044,834**
Interest income	**12,304,629**	**–**	**–**	**12,304,629**
Interest expense	**(2,236,159)**			**(2,236,159)**
(Forward)				
Depreciation and depletion	**(51,282,027)**	**–**	**–**	**(51,282,027)**
Income (loss) before income tax	**25,896,970**	**(65,693)**	**–**	**25,831,277**
Benefit from income tax	**(10,493,636)**	**–**	**–**	**(10,493,636)**
Net income (loss)	**₱36,390,606**	**(₱65,693)**	**₱–**	**₱36,324,913**
Segment assets	**₱3,102,752,333**	**₱8,511,974**	**(₱17,447,048)**	**₱3,093,817,259**
Segment liabilities	**(₱88,581,163)**	**(₱44,800)**	**₱8,511,974**	**(₱80,113,989)**
Other disclosures:				
Investment in associates	**₱842,476,859**	**₱–**	**₱–**	**₱842,476,859**
Capital expenditure	**22,996,617**	**–**	**–**	**22,996,617**

	2020			
	Oil and Gas	Power	Elimination	Total
Consolidated revenue				
External customers	₱90,399,343	₱–	₱–	₱90,399,343
Share in costs and operating expenses	(99,359,760)	–	–	(99,359,760)
General and administrative expenses	(72,957,780)	(65,146)	–	(73,022,926)
	(172,317,540)	(65,146)	–	(172,382,686)
Share in net income of associates	17,313,017	–	–	17,313,017
Foreign exchange losses - net	(20,584,242)	–	–	(20,584,242)
Dividend income	1,412,013	–	–	1,412,013
Provision for unrecoverable deferred oil exploration	(132,711,645)	–	–	(132,711,645)
Other charges - net	224,822	(1,729)	–	223,093
Losses before interest, taxes, depreciation and depletion	(216,264,232)	(66,875)	–	(216,331,107)

(Forward)

	2020			
	Oil and Gas	Power	Elimination	Total
Interest income	₱14,251,810	₱–	₱–	₱14,251,810
Interest expense	(2,683,927)			(2,683,927)
Depreciation and depletion	(61,849,280)	–	–	(61,849,280)
Loss before income tax	(266,545,629)	(66,875)	–	(266,612,504)
Provision for income tax	14,731,363	–	–	14,731,363
Net loss	(₱251,814,266)	(₱66,875)	₱–	(₱251,881,141)
Segment assets	₱3,083,172,737	₱8,577,667	(₱17,512,741)	₱3,074,237,663
Segment liabilities	₱107,438,942	₱44,800	(₱8,577,667)	₱98,906,075
Other disclosures:				
Investment in associates	₱817,001,478	₱–	₱–	₱817,001,478
Capital expenditure	20,548,067	–	–	20,548,067

	2019			
	Oil and Gas	Power	Elimination	Total
Consolidated revenue				
External customers	₱246,487,516	₱–	₱–	₱246,487,516
Share in costs and operating expenses	(287,286,913)	–	–	(287,286,913)
General and administrative expenses	(62,596,609)	(65,166)	–	(62,661,775)
	(349,883,522)	(65,166)	–	(349,948,688)
Share in net income of associates	42,040,140	–	–	42,040,140
Foreign exchange gains – net	(15,155,824)	–	–	(15,155,824)
Dividend Income	1,255,800	–	–	1,255,800
Other income (charges) – net	(920,009)	(500)	–	(920,509)
Losses before interest, taxes, depreciation and depletion	(76,175,899)	(65,666)	–	(76,241,565)
Interest income	20,125,264	–	–	20,125,264
Interest expense	(2,335,309)	–	–	(2,335,309)
Depreciation and depletion	(64,597,385)	–	–	(64,597,385)
Loss before income tax	(122,983,329)	(65,666)	–	(123,048,995)
Benefit from income tax	59,830,574	–	–	59,830,574
Net loss	(₱63,152,755)	(₱65,666)	₱–	(₱63,218,421)
Segment assets	₱3,363,580,567	₱8,644,542	(₱17,645,282)	₱3,354,579,827
Segment liabilities	₱131,955,237	₱44,800	(₱8,710,208)	₱123,289,829
Other disclosures:				
Investment in associates	₱824,924,984	₱–	₱–	₱824,924,984
Capital expenditure	69,462,442	–	–	69,462,442

25. **Contingent Liability**

On May 23, 2011, Vulcan Industrial and Mining Company (VIMC) assigned its participating interest in SC-6 Block A to the Parent Company by executing a Deed of Assignment and Assumption in exchange for the Parent Company's receivable from VIMC and cash. This was approved by the DOE on October 17, 2011. In relation to this, the Parent Company is contingently liable for ₱25,499,000 ($500,000) which is payable within 60 days from the date of commercial discovery in the contract area. Last March 31, 2021, the joint venture submitted to the DOE the Notice of Surrender of the SC with the intention to reapply for a new SC.

26. **Events after the Reporting Period**

There have been no events, including events related to the COVID-19 pandemic and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Russia's invasion of Ukraine on February 24, 2022 has led to sanctions against Russian Federation which raises serious concerns about the supply of crude oil in the global market. This has resulted to spike in oil prices. It is expected that this development will have positive impact on the SC 14C1 Galoc production operations of which Philodrill has 10.17782%.

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
The Philodrill Corporation
8th Floor, Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of The Philodrill Corporation as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated April 20, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91269-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023
PTR No. 8853492, January 3, 2022, Makati City

April 20, 2022

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INDEPENDENT AUDITOR'S REPORT
ON COMPONENTS OF FINANCIAL
SOUNDNESS INDICATORS

The Board of Directors and Stockholders
The Philodrill Corporation
8th Floor, Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of The Philodrill Corporation as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated April 20, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91269-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023
PTR No. 8853492, January 3, 2022, Makati City

April 20, 2022

THE PHILODRILL CORPORATION AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

SCHEDULE I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2021

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning of the year*		₱941,464,943
Add: **Net income actually earned/realized during the period**		
Net income during the period closed to Retained Earnings	5,930,313	
Less: **Non-actual/unrealized income net of tax:**		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(19,120,616)	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Increase in deferred tax assets	(13,247,356)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	(26,437,659)	
Add: **Non-actual losses**		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period		**(26,437,659)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱915,027,284**

SCHEDULE II

THE PHILODRILL CORPORATION AND SUBSIDIARY
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

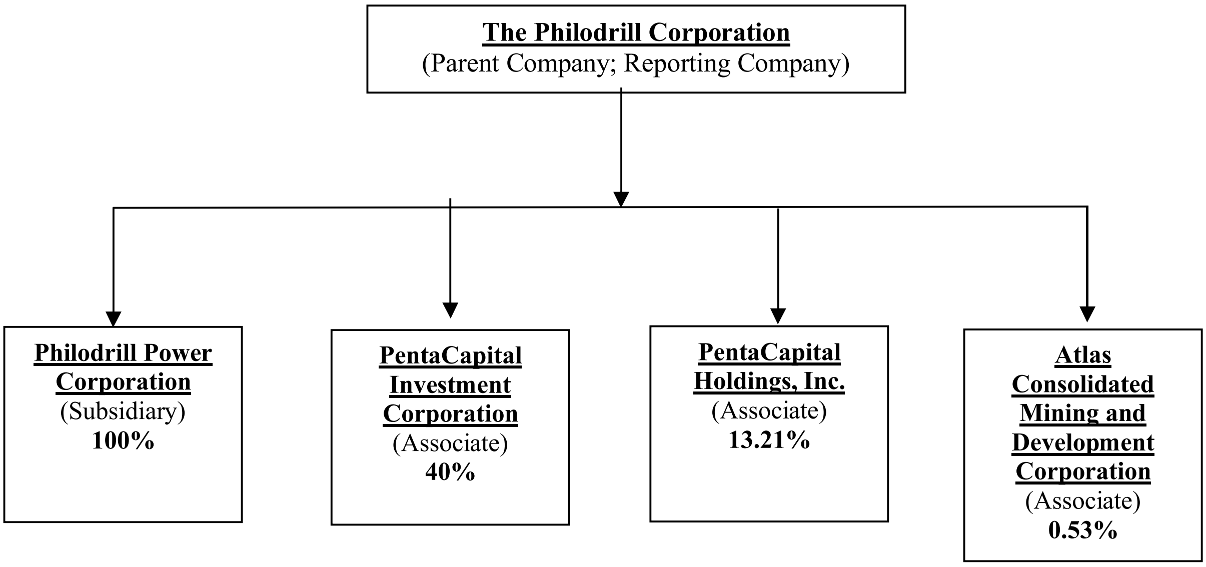
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2021 and 2020:

	Formula	2021	2020	2019
Profitability Ratios:				
Return on assets	Net income/(loss) Total assets 36,324,913 3,093,817,259	1.17%	(8.19%)	(1.88%)
Return on equity	Net income/(loss) Total equity 36,324,913 3,013,703,270	1.21%	(8.47%)	(1.96%)
Gross profit margin	Gross Profit: (Share in petroleum revenue – share in costs and operating expenses – depletion expense) Share in petroleum revenue 16,367,441 207,126,666	7.90%	(78.33%)	(42.76%)
Net profit margin	Income (loss) before income tax Share in petroleum revenue 36,324,913 207,126,666	12.47%	(294.93%)	(49.92%)
Liquidity Ratios:				
Current ratio	Current assets Current liabilities 606,731,492 38,388,308	15.81:1.00	12.40:1.00	8.72:1.00
Quick ratio	Cash and cash equivalents + receivables Current liabilities 582,347,793 38,388,308	15.17:1.00	12.08:1.00	8.62:1.00

Financial Leverage Ratios:				
Asset to equity ratio	Total assets / Total equity 3,093,817,259 / 3,013,703,270	1.03:1.00	1.03:1.00	1.04:1.00
Debt to equity ratio	Total liabilities / Total equity 80,113,989 / 3,013,703,270	0.03:1.00	0.03:1.00	0.04:1.00

SCHEDULE III

**THE PHILODRILL CORPORATION AND SUBSIDIARY
MAP OF THE RELATIONSHIPS OF THE
COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2021**



SCHEDULE IV-A

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE A. FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
Cash			
Cash in banks and cash equivalents	N/A	₱284,671,155	₱2,362,163
Receivables			
Advances to related parties	N/A	226,129,564	9,890,757
Advances with contract operators	N/A	65,476,992	–
Accrued interest	N/A	26,520,298	26,520,298
Others	N/A	469,982	–
Financial assets at FVOCI			
Vulcan Industrial and Mining Company	3,100,000	2,976,000	–
United Paragon Mining Corporation	6,839,068,254	47,189,571	–
Camp John Hay Golf Club	17	4,250,000	–
Oriental Petroleum and Minerals Corporation	2,460,800,000	27,068,800	–
Shang Properties, Inc.	202,000	527,220	–
Decommissioning fund under "Other noncurrent assets"	N/A	9,242,274	–

<u>**SCHEDULE IV-B**</u>

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off/Fair Value Adjustment	Current	Noncurrent	Balance at end period
Advances to related parties							
Alakor Corporation	₱169,000,000	–	–	–	169,000,000		169,000,000
Fil-Energy Corporation (San Jose Oil)	20,920,198	–	–	–	20,920,198		20,920,198
United Paragon Minerals Corporation	1,376,802	–	–	–	1,376,802		1,376,802
National Bookstore	50,999,000	–	–	–	50,999,000		50,999,000

SCHEDULE IV - C

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE C. AMOUNTS RECEIVABLES/PAYABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Amounts Written off	Current	Noncurrent	Balance at end period
Philodrill Power Corp. (Wholly-owned subsidiary)	₱8,577,667	₱–	₱66,876	₱–	₱8,510,791	₱–	₱8,510,791

SCHEDULE IV - D

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE D. LONG-TERM DEBT

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
-None-			

SCHEDULE IV - E

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)

Name of Related Party	Balance at beginning of period	Balance at end of period
- None -		

SCHEDULE IV - F

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
- None -				

<u>SCHEDULE IV - G</u>

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	200,000,000,000	191,868,805,358		100,859,094,943	1,545,071,573	1,024,136

Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	THE PHILODRILL CORPORATION
Location of Headquarters	8[TH] F, Quad Alpha Centrum Bldg., 125 Pioneer St., Mandaluyong
Location of Operations	with active Service Contracts in NW, Palawan and Mindoro, Phils.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	THE PHILODRILL CORPORATION
Business Model, including Primary Activities, Brands, Products, and Services	Oil and Gas Exploration and Production
Reporting Period	2021
Highest Ranking Person responsible for this report	ALFREDO C. RAMOS Chairman & President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
The Philodrill Corporation recognizes the value of sustainability reporting as a useful risk management tool that will generate savings for the Company and help attain its goal of increased shareholder value. Philodrill is committed to providing access to affordable, reliable and sustainable energy that is essential to fuel our economy and improve living conditions. Material topics were determined through the engagement of stakeholders (both internal and external) and rationalize the factors that have the most impact, where it occurs or how such factors affected the respondents' lives. This Report will provide insight on the Company's risk management policies and governance practices and what it does to manage social, environmental, and economic sustainability.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	207,126,666.00	Php
Direct economic value distributed:		
Operating costs	139,477,198.00	Php
Employee wages and benefits	33,490,579.00	Php
Payments to suppliers, other operating costs	37,045,792.00	Php
Dividends given to stockholders and interest payments to loan providers	0	
Taxes given to government	10,552,394.00	Php
Investments to community (e.g. donations, CSR)	316,353.55	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The impact of economic performance is on the primary business operations of the Company. As the upstream O&G industry is a capital intensive business, strong economic performance means more projects are carried out. The impact is directly caused by the company as it is the measure of its performance in operating the business.	Strong economic performance means that value is delivered to our **shareholders**, value is delivered through our services to **society**, **employees** are offered competitive salaries and benefits, obligations to **suppliers and creditors** are met, **custome**r orders are fulfilled, **Government** gains revenues and the **local communities** receive investment.	The Company implements Enterprise Risk Management (ERM). ERM provides reasonable assurance regarding the achievement of the Company's objectives. Philodrill can identify, assess, respond and monitor the outcomes of the industry's leading risk factors with an Enterprise Risk Management system in place.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
In the oil and gas industry, managing capital projects, in particular large capital projects, in a global environment is becoming increasingly complex. Oil and gas companies need to make strategic decisions about which projects	The Company itself, employees, suppliers and creditors, contractors	Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to the risks and opportunities

should be developed first to ensure their company's best performance. 1. **Price Risk**. The price of oil and gas is the primary factor in deciding whether a reserve is economically feasible. Basically, the higher the geological barriers to easy extraction, the more price risk a given project faces. This is because unconventional extraction usually costs more than a vertical drill down to a deposit. 2. **Supply and Demand Risk.** Operations take a lot of capital and time to get going, and they are not easy to shut down when prices go south or to ramp up when they go north. The uneven nature of production is part of what makes the price of oil and gas so volatile. Other economic factors also play into this, as financial crises and macroeconomic factors can dry up capital or otherwise affect the industry independently of the usual price risks. 3. **Cost Risk**. The more onerous the regulation and the more difficult the drill, the more expensive a project becomes. 4. **Operational Risk.** Companies struggle to find and retain the qualified workers that they need to operate the field.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Good economic performance opens opportunities for the Company to participate in more exploration projects and enter into Joint Venture agreements. Provides the Company resources	The stockholders, employees, National Government and the local community	Management implements rationalization of exploration projects, prioritizing those within the medium-term prospects. In all its undertakings, tighter measures are employed to ensure efficient utilization of resources to minimize cost and dependence on outsourced services that

to offer competitive compensation package and benefits for its employees, and share profit to its stockholders. But more importantly, the Government gains more revenues and better investments are returned back to the local communities.		are more costly.

Climate-related risks and opportunities[15]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	*Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material*	*Disclose how the organization identifies, assesses, and manages climate-related risks*	*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material*
The Philodrill's Board of Directors ensures that a comprehensive, corporate-wide climate change mitigation or adaptation strategy is in place. Executive Management must identify adaptation measures and opportunities to mitigate energy cost, carbon and carbon related regulatory measures. The most cost effective measures the Company can take to adapt to physical risks (to build resilience for climate changes which can no longer be avoided) and mitigate energy costs and carbon risks (reduce exposure) are then described based on observation of global best practices. These measures should	Philodrill is committed to protecting the environment. It works hard to cause no harm to people. The Company as Operator sets environmental standards in accordance with global best practices, which meet all regulatory requirements. The company's standards cover its environmental performance including: managing emissions of greenhouse gases, using less energy more efficiently, flaring and burning off less gas during oil production, preventing spills and leaks of hazardous materials, using less fresh water and conserving biodiversity wherever we operate. It encourages the Partners in the consortium to comply	The Company adheres to processes that assess and mitigate risks and support decision making. These processes include the following: *Enterprise Risk Management.* ERM process provides corporate oversight for identifying major risks to the Company and ensuring mitigation plans are in place. The ERM process includes risk review with executive management and the Board of Directors that identifies risks inherent in our business. Risks assessed through this process include financial, operational, geopolitical, commodity pricing, security, geological and technological as well as climate change risks.	The Company has not set targets for emissions reduction for the most recent years as most of its major assets are still in the exploration stage while Greenhouse Gas (GHG) emissions at the office has minimal impact to the environment. However, for the Galoc Operations, wherein Philodrill has a participating interest, GHG emission and gas flaring are being monitored and measured. The Company, once producing again will actively engage in direct and indirect monitoring of GHG emissions.

not be considered in isolation but within the capital planning cycle of the Company.	with the best standards. The Company works in partnership with the government (DOE, PCSD), Academics (UP Geological Society) and local community (El Nido) to maintain and sustain its high standards.	*Strategic and business planning processes*. The Mancom is responsible for managing the strategic and business planning processes at the Board's direction. These processes are designed to ensure that our business remains resilient under a variety of circumstances, and they include examination of external points of view, ongoing assessment of the dynamics of the energy sector, monitoring of policy and regulatory developments, and examination of trends, such as advancements in technology and evolution of consumer preferences. *Portfolio management.* The Company manages its portfolio of assets to meet objectives in accordance with its strategic and/ or business plans. A decision to invest in an asset and add it to the Company's portfolio is made based on the then-current view of factors, including anticipated future cost, NPVs, market, pricing and regulatory conditions.	
Recommended Disclosures			
Describe the board's oversight of climate-related risks and opportunities	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Describe the organization's processes for identifying and assessing climate-	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

The Philodrill Corporation, through its Board of Directors, is committed to its goal of energy sufficiency, but remains focused on operating responsibly and safely. The Board meets regularly, on a monthly basis to discuss updates of company assets which includes climate-related concerns. During these meetings, decision-making issues that require top-level approval are presented. The management assures that the impacts on the environment (i.e., climate change) are carefully considered in the choices presented to the board. Updates on policies implemented, actions undertaken, and effects of these decisions are discussed with the board.	As most the assets are still in the exploration stage, the bulk of the workload is tied in office works. Production of paper wastes is the most common short-term environmental risk the Company is facing. By going electronic, not only is the Company reducing paper wastes but also operational expenses. The more intense extreme rainfall events and other natural disasters were identified as affecting its employees in a short- term period. The flaring of natural gases in the Galoc asset emits tonnes of GHG into the atmosphere thus causing medium-term health hazards to the employees onboard the platform and long-term effect on global warming.	During the last meeting for the year, Management discusses with the Board the work program and budget (WP&B) plans for the succeeding year. The Exploration program such as Geological & Geophysical activities are strategically scheduled all throughout the coming year. Management identifies possible environmental (including climate-related) risks that may impede the accomplishment of the said activities or cause any disruption in the operations. Guidance from the Board is sought on the implementation of cost-effective adaptation strategies. Previously collected data such as rainfall quantity, ocean current pattern, and gas emissions helps in forecasting risks that may arise during the implementation of G&G activities. The occurrence probability of these risks and the object which it will directly and indirectly affect are considered carefully.	Philodrill's operated blocks are strictly complying with RA 8749 or the Philippine Clean Air Act of 1999 which has the Department of Environment and Natural Resources (DENR) as the lead agency. The quality and quantity of gas emissions during operations are compared to the standard limits set by the DENR. Philodrill adheres to the DOE standards concerning regulations in the energy industry. The Company regularly submits quarterly and annual operations reports and results of exploration activities of the Company's operated service contract. The Company's plans are also aligned with the department's mission to be globally-competitive while improving the quality of life of Filipino communities.
Describe management's role in assessing and managing climate-related risks and opportunities	Describe the impact of climate-related risks and opportunities on the organization's businesses,	Describe the organization's processes for managing climate-related risks	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

	strategy and financial planning.		
Management provides the link between its employees and the host communities that are directly exposed to climate-related risks to the Board which is the decision-making body of the Company. Management is also responsible in providing immediate sound decisions and actions toward these risks. Management oversees all operations and assesses possible environmental impacts of the Company's activities.	Philodrill is exposed to many weather related climate change risks that could result in construction delays, production downgrades or blow outs to decommissioning costs, if not managed well. Company activities are planned and scheduled accordingly to lessen climate-related risks (e.g., weather pattern) that will incur additional expenses. Environmental factors, such as the reuse of materials and appropriate disposal, are considered when closing down a site.	During the initial planning stages of our major projects, a screening process is implemented to identify potential environmental and social impacts. These may include impacts on sensitive areas and freshwater resources, as well as the prevalence of bribery and corruption in the LGU, local employment and community health and safety. The results are used to identify actions and mitigation measures and then implement these in project design, construction and operations. The Management team works hard to understand environmental and social sensitivities in the areas where we operate with the aim of avoiding, minimizing and mitigating any potential impacts.	The primary target of the Company is to lessen carbon footprint and the negative environmental impact of its exploration activities. Recycling is practiced in the office premises. Reusable items such as papers, newspapers, carton boxes, plastic bags, and plastic/glass bottles are either reused or if unrecyclable are sold and proceeds distributed to the staff. These measures that not only aid the employees in work but also benefits the Company by lessening operational expenses and providing additional income. Conservation of electricity and water is also a constant practice. The Company is contributing less air pollutants with the efficient use of GHG-emitting equipment. Management ensures that the facilities of producing oil fields are in good condition so that emissions of hazardous matters are at the minimum or acceptable limits.
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

	The Company's management and staff plan and create scenario analysis prior to implementation of projects. A contingency plan is always included in the programs presented to the board. Usually, an additional 10-20% of the total project budget and total number of working days is allocated as contingent measures.	Management practices a holistic approach in doing the Company's overall risk management. After identification, assessment, and action preparation for the climate-related risks, integration with the other risks are done. A cause-and-effect relationship is established on the risks associated with each other. G&G activities are undertaken during favorable weather window periods taking into consideration weather downtime, thus limiting risks and expenses and ensuring the safety of operations.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Php35,769,343.00	97%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Localizing supply chain represents an opportunity to help reduce emissions and energy usage. Local supplies do not create large carbon footprints through overseas plane travel or long truck trips. This cuts down on fuel consumption and air pollution.	Suppliers	Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inability of local suppliers to meet the demand.	suppliers	Management assesses the availability and competency of local suppliers. Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		

The Company reduces shipping and storage cost while increasing revenue of the local economy by involving local suppliers. This presents opportunity to the Company to be more competitive in terms of its pricing of local crude oil produce and sold to refineries or end users.	Suppliers and other oil and gas companies	The Company seeks and maintains mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.

ENVIRONMENT

Resource Management

Energy consumption within the organization: (*Annual Consumption at the Principal office)*

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	N.A.	GJ
Energy consumption (diesel)	58.74	GJ
Energy consumption (electricity)	51,480 (4,290/month)	kWh

**Electricity consumption at the principal office for 2021*

Energy consumption on site: *(average monthly consumption)*

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	N.A.	GJ
Energy consumption (diesel)	6,8050.26	GJ
Energy consumption (electricity)	N/A (off grid)	kWh

** Galoc*

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	N.A.	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	N.A.	GJ

** no reduction from previous year's consumption as operations begin to normalize in 2021.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Energy directly impacts the Company's operations. Energy resources are vital and necessary to the daily operations of the oil fields. Rationalization of energy consumption involves the Company, its employees and contractors both onsite (field operations) and offsite (office site). Continuous reduction of energy consumption is being done through implementation of energy conservation measures.	*Employees, contractors, JV partners, community*	Philodrill is committed to using less energy and more efficiently, flaring and burning off less gas during oil production. It encourages Partners in joint ventures to comply with global standards and best practices. The Company is also implementing cost-cutting measures resulting to the proper monitoring of and reduction in general & administrative expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inefficient use of equipment resulting to higher energy consumption.	Employees, personnel working on site	Continuous monitoring and constant reminder to company employees of efficient use of office equipment. Orient maintenance staff on the schedule of switching on and off of lights, aircon, workstations, and other electrical equipment. Encourage employees to car pool, if possible, to save on gasoline/diesel Facilities at site are well maintained and kept at best condition to work efficiently.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

The Company will assess the impact of implementing alternative work scheme including an option to work from home to decrease operational costs and increase employees' productivity by minimizing travel time.	Employees	Continuous assessment of practicality and viability of implementing alternative work scheme.

Water consumption within the organization (off site – Office)

Disclosure	Quantity	Units
Water withdrawal	No data	Cubic meters
Water consumption	321.60	Cubic meters
Water recycled and reused	0	Cubic meters

Water consumption on site (Palawan)

Disclosure	Quantity	Units
Water withdrawal	n/a (with own desalination/water maker)	Cubic meters
Water consumption	4/day	Cubic meters
Water recycled and reused	0	Cubic meters

**Note that we are manufacturing/making our own fresh water that was converted from the sea water within the area.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
As the country experienced water crisis in 2019, the Company has been prioritizing water management, so as not to contribute further to the depletion of our water resources. At the Platform, we use reverse osmosis in seawater desalination to produce clean water that can be used for drinking, bathing, food preparation, and other general purposes.	Community, Employees, and personnel working in the platforms	The Company educates and constantly reminds its employees on the efficient use of water. Reprocessing of seawater to produce clean, safe, and fresh water to be self-sufficient, instead of relying on water tank refilling by supply vessels, which will entail additional logistical processes is continuously being implemented.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify risk/s related to material topic of the organization		
Within the office premises, some personnel are unaware that they irresponsibly use water facilities resulting to higher consumption.	Employees	The Company constantly reminds its employees to practice water conservation. Management lowered the water pressure in the comfort rooms, to control water flow and avoid spillage. Also, management ensures that there are no faucet and toilet leaks to avoid water wastage by conducting regular inspections
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Efficient water consumption leads to financial savings, which can be appropriated by the Company for other purposes. Additionally, water conservation helps the community as a whole in prolonging the water supply especially during dry seasons from March to May wherein the water in reservoirs falls below normal level.	Employees and Building Management	The Company constantly reminds employees to use water responsibly.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Galoc FPSO (Intrepid Balanghai) Location: Location: West Philippine Sea, 87km north of El Nido town 11° 58' 37.2" N 119° 18' 43.2" E	
Habitats protected or restored	None	ha
IUCN17 Red List species and national conservation list species with habitats in areas affected by operations	(list)	

**Note that we have a full copy of the Marine Protected Areas (MPA) for the whole Occidental Mindoro and Palawan with given locations and areas. Species are generally referred to as fishes, corals, seaweeds and the like*

What is the impact and where organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company ensures strict compliance with environmental laws and policies by securing required permits from the DOE, DENR-EMB. Philodrill supports the conservation and preservation of protected areas that house our country's rich natural resources (both flora and fauna).	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company secures a Certificate of Non Coverage (CNC) or Environmental Compliance Certificate (ECC), whichever is applicable, from the Environmental Management Bureau (EMB) of the DENR to cover all its exploration activities, as well as Strategic Environmental Plan Clearance (SEPC) from Palawan Council for Sustainable Development (PCSD). 1. Service Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016 2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016 3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project

		on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
For the fieldworks, marine and land seismic and gravity surveys, drilling and production activities, the risk include the disturbance of local ecosystem in the area (i.e. cutting of trees, oil spill, improper disposal of large volumes of saline water, and gas flaring).	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company strictly abides with Environmental laws and policies. The exploration, production and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment, soils, surface, ground, and marine waters. Regular Health, Safety, Security and Environment (HSSE) meetings are being conducted during onshore and offshore operations. The Company conducts Bathymetric Survey to determine the shallow water areas or pinnacles to be avoided during seismic surveys. The P&A of production wells in SC 14A and SC 14B in 2018 and 2019 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later disposal. With regard to the SC 14C-1, Galoc field operations, Oil Spill Contingency Plans are in place in case of any untoward incidents. Produced water and petroleum wastes are being monitored in compliance with the standard acceptable

		amount defined by the DENR. Used diesel is being monitored to ensure that there is no spillage.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		
Decrease of negative environmental impact while minimizing incurred operational cost by partnering with other companies that provide exploration services within adjacent areas. In the office, decrease environment impact and CO2 imprint by going paperless/electronic. In offshore operations, JV partners devise ways to repurpose old platforms (they were converted as defense outpost of the government) instead of building or manufacturing a new one.	Local communities adjacent or within the SCs, Employees, and Third Party Contractors	The SC 14 JV turned over the Nido and Matinloc platforms to the DOE in December 2019 so that they can be used by the DND-AFP for national defense, instead of creating a new outpost.

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Environmental impact management

Air Emissions

GHG

Air Pollutants:

Emission Rate Estimates

For the flaring facility, emission rate estimates of the GFAD Floating Production Storage Offloading (FPSO) Vessel for the year 2021 are presented in the table below:

Pollutant	Emission Factor [1]0 (tons pollutant/tons gas)	Emission for the Year 2021 (tons)
CO2	2.8	258,360.85
CO	0.0067	616.22
NOx	0.0012	110.73
N2O	0.000081	7.49
SO2	0.0000128	1.18
CH4 n atural gas	0.018	1,660.89
VOC natural gas	0.002	184.55
Gas Quantity Emitted		

Volume of Gas, ft3	3,128,284,800
Equivalent Weight, tons	92,271.74

For fuel combustion, emission rate estimates of the FPSO for the Year 2021 are presented below:

Pollutant	**Emission Factors**		**Year 2021 (tons)**
	lb/MMBTU	*kg/MMBTU*	
CO2	165	74.80	542.39
CO 0.85 0.39 2.81			
NOx (controlled) [2]	1.9	0.86	6.24
SOx	1.01 S	0.458 S	0.011
TOC	0.09	0.04	0.295
PM	0.1	0.05	0.328

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
At the office, usage of air conditioning (AC) systems that release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs) which are GHGs that trap heat and cause depletion of the ozone layer. Natural gases (i.e. methane (CH4), ethane, propane, butane, and other heavier components), which are GHG and VOCs, produced in the Galoc field are flared out as these are not economical to be developed and also pose safety and health hazards (i.e. major blowout accident leading to destruction and fatality) if not attended properly. Flaring natural gases results to byproducts or GHGs such as CO, CO2, VOCs, NOX, SOX, and other air pollutants	Employees of Philodrill and personnel onboard the platform, and nearby communities	The Company regulates its AC systems to lessen its power consumption. Out of twenty two (22) AC systems pre-installed in the office, only twelve (12) are regularly in operation during work hours (9:00- 16:00). These units are those near work desks occupied by the Company's employees. As an alternative, Management has opted to purchase AC systems with HFCs refrigerants instead of CFCs, since the former have lesser detrimental effects to the environment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify risk/s related to material topic of the organization		
Emission of GHG into the environment HFCs represent only a small portion of the total GHG emissions. However, they trap heat in the atmosphere as much as CO2. Although flaring/burning of natural gases emits a number of pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases/GHGs may cause health hazards to the platform's crew and contribute to ozone destruction and global warming.	Employees of Philodrill and personnel onboard the platform, and nearby communities	Together with the reduced usage of AC units in the office, routine check and maintenance are also being implemented to ensure efficiency of the AC systems. To prevent major blowout accidents, flaring is favored by the management than venting off natural gases.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		
In the office, decrease environment impact and CO2 footprint by going electronic. Less electricity consumption brought about by the minimal use of AC units and the cost-effective performance resulting from the regular maintenance will lead to savings that can be allocated to other company expenses. At the site, proposal to use a device which could reduce the gas flaring is seriously being considered.	Employees	The Company is practicing energy conservation measures. Philodrill is implementing paperless approach to certain transactions to minimize paper consumption and CO2 emission during printing and photocopying. Although the abovementioned energy conservation measures can be considered basic with minimal effect to the environment, Philodrill believes that this effort will still be beneficial to the community and environment in the long run.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

linked to impacts through its business relationship)		
NOx, SOx, VOCs, and PMs are products of fuel combustion and ship emissions. These are released into the atmosphere and affect the ozone layer and contribute to global warming. In SC 14C-1, flaring of natural gases (i.e. methane (CH4), ethane, propane, butane and other heavier petroleum components) results to by-products or air pollutants such NOx, SOx, VOCs, and PM. Ethane and propane are the most abundant non-methane hydrocarbon compounds found in natural gas.	Employees onboard the platform, FPSO, and nearby communities	In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Abundant NOX and SOX released into the environment from ship emission/fossil fuel combustion causes acid deposition. These gaseous pollutants are the major components of acid rain and smog apart from its contribution to greenhouse effect and global warming. Although flaring/burning of gases emits certain pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases may cause health hazards to the platform crew.	Employees onboard the platform, FPSO, and nearby communities	Strict implementation of the MARPOL guidelines to decrease ship emissions. FPSO/Ship engines are also properly maintained to avoid machine failures that could increase the ship's intake of fossil fuel which in turn leads to an increase in combusted fuel. The management opted to do gas flaring rather than venting to minimize health hazards and accidents.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Strict compliance with the laws governing air and seas/water will enable the Company and Galoc JV to operate without interruption. Fines and penalties will also be avoided. A healthier and more conducive environment for the employees onboard the platform and FPSO.	Employees onboard the platform/FPSO and nearby communities	Strict compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines.

Effluents

<table>
<tr><th>TYPE</th><th>YEAR 2021</th><th colspan="3">WATER MANAGEMENT</th></tr>
<tr><td></td><td></td><td colspan="2">If contained in FPSO specify containment details</td><td rowspan="2">If discharged to the sea, specify the manner of discharge</td></tr>
<tr><td></td><td></td><td colspan="2">Water not considered as waste</td></tr>
<tr><td>Produced formation water</td><td></td><td>Stored in Slop Tank (Oily Water Tank) a : 1,889 bbls (300.32 m3)</td><td>Diverted to Cargo Tank (as part of crude product)a : 628.79 bbls (99.97 m3)</td><td>Discharged Overboard b : 124,200.91 (19,745.77 m3)</td></tr>
<tr><td></td><td></td><td>Re-processed Produced Formation Water* : NA</td><td></td><td></td></tr>
<tr><td>Wash water (vessel washings)</td><td>0.25 m3/day x 365 days = 91.25 m3</td><td colspan="2">Contained in slop tank (oily water tank)*</td><td></td></tr>
<tr><td>Cooling Water for the Engine Room</td><td></td><td colspan="2"></td><td>Subsea discharge</td></tr>
<tr><td>Cooling Water for Process Area</td><td></td><td colspan="2"></td><td>Overboard discharge</td></tr>
<tr><td colspan="5">*Produced water with >15 ppm oil content is either diverted to the cargo tank (if oil content is very high) and/or directed to the oily water tank (slop tank). In due time, oil in the slop tank separates and floats on top of the water layer. The relatively oil-free water is flowed to the clean water slop tank and is re-processed for overboard disposal, while the accumulated oil is flowed to the cargo tank (as part of crude product). b Produced water that is discharged overboard has less than 15 ppm oil content as tested on board. An alarm system or a full-time technician diverts the produced water to the slop tank if oil content is greater than 15 ppm</td></tr>
</table>

Disclosure	**Quantity**	**Units**
Total volume of water discharges	5,074,578.59	Cubic meters
Percent of wastewater recycled	>1	%

**Note that majority of waste water produced from extraction of crude oil was treated before discharging overboard based on the accepted level of effluents set by the international standards and EMB.*

Only 253.69 m3 of wastewater was recycled as per Galoc report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Offshore International and National Guidelines for Wastewater Discharges to the surface and bottom of the sea should be followed, as to control pollution and to have minimal impact to the marine environment and ecosystem. Maximum defined contamination levels should be followed.	Personnel at the platform, Fishermen, and Community	In offshore petroleum operations of the Company, subsidiaries, and JV partners, the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
The effluents with oil and other toxic waste contents exceeding the acceptable amount set by the MARPOL guidelines will contaminate the sea and sea bottom. This will cause damage to marine flora and fauna and can possibly cause related health implications to the community.	Personnel at the platform, Fishermen, and Community	Strict implementation of safety and environmental standards of the JV consortium. In case of untoward incidents, mitigation procedures are in place. At the FPSO vessel and platforms, produced water is analyzed and discharged overboard if it has less than 15 ppm of oil content. If the produced water exceeds the 15 ppm allowable limit, procedures under the Oil Spill Contingency Plan are carried out to treat the water before disposal.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Some produced formation water or effluent is being reprocessed and used onboard.	Marine crew at the FPSO, Fishermen, and Community	Reprocessed or treated water discharges onboard by Galoc consortium can be utilized for other general purposes in the vessel or platform.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Philodrill is serious in complying with Environmental Laws and Policies	Employees and Community adjacent or within the SCs	Philodrill acquired CNC/PCC from EMB-DENR to cover its exploration activities, as well as SEPC from PCSD as follows: 1. Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016 2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016 3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan

		Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Non-compliance with environmental laws and regulations might lead to imposition of penalties and fines, or even to the extent of cancellation of the SC	Employees and Company	The Company continues strict adherence to environmental laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Philodrill management consistently maintains an environmentally, ergonomically, and legally compliant operations	Employees and Community	The Company adheres strictly to environmental laws and regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]	24	#
a. Number of female employees	16	#
b. Number of male employees	9	#
Attrition rate[19]	0	rate
Ratio of lowest paid employee against minimum wage	2:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	37.5%	37.5%
PhilHealth	Y	0	0
Pag-ibig	Y	12.5%	37.5%
Parental leaves	Y	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	29.41%	12.5%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	6.25%	25%
Further education support	Y	-	-
Company stock options	Y	-	-
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	18%	44%
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Provides assistance in facilitating and processing of the applications. The Company ensures regular and timely remittance of the employee's monthly premiums. Philodrill provides assistance to employees in facilitating and processing of the applications when availing other SSS and Pag-Ibig benefits.	The Company considers its people its greatest asset. Employees are provided with benefits packages (i.e. Maternity Benefit, Sickness Benefit and, Salary Loans) along with a wide range of learning and professional development opportunities to help them achieve their full potential. Benefits provided for the employees are as follows: 1. Base Salary; 2. Medical Coverage for Employees and their spouses and dependents; 3. Employees' Annual Medical Check-Ups and HMO; 4. Life and Accident Insurance; 5. Educational assistance; 6. Annual Vacation Leave – 15 days; 7. Annual Sick Leave – 15 days; and 8. Other allowances (transportation, rice, mobile phone). The Company also promotes work-life balance and the welfare of the employees. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Magna Carta of Women (RA 9710) and Solo Parent Welfare Act of 2000 (RA 8972).
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Non-adherence to providing benefits mandated by the government is a violation of the law and will subject the Company to civil and criminal liabilities in addition to revocation of license to operate.	All employees enter into labor contracts for legal employment with the Company. The Company exercises check-and-balance practices to ensure that various policies are properly implemented.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
The Company is considering telecommuting or work from home arrangements. Work from home arrangement decreases operational expenses of the Company and increases employees' work efficiency.	The Company prioritizes management of its employees to ensure that it maintains a high performing workforce that is at par with the best in the industry.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	211	hours
b. Male employees	70	hours
Average training hours provided to employees		
a. Female employees	53	hours/employee
b. Male employees	35	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets,* *responsibilities, resources, grievance mechanisms,* *and/or projects, programs, and initiatives do you* *have to manage the material topic?*
Philodrill exerts effort to attract, motivate, develop and retain the best local talent and equip our people with the right skills for the future. The Company's performance and ability to thrive in this environment depend on it. The onshore and offshore petroleum competency requirement is complex and requires high standard of safety and proficiency. Philodrill believes that its employees are the main asset of the Company and continuous training and development should be implemented.	Technical personnel are attending SEAPEX meetings/seminars both local and abroad, as well as annual Philippine Geological Conferences. A Basin Analysis training course was attended by a Philodrill geologist, together with other geoscientists from local petroleum operators. HSSE trainings such as First Aid and Basic Life Saving Trainings are attended by assigned personnel every two years. Earthquake and fire drills are also implemented by the Company
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Globally, the petroleum industry is experiencing a downturn, which caused a slowdown in overall operations and sustenance of personnel training and development.	The training and development budget will be realigned in response to the oil price crash. Our personnel are encouraged to take advantage of free webinar courses provided by technical experts.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
While petroleum operations are slowing down, the Company should take this opportunity to avail of training which is much cheaper if done locally with other	Cooperation with other Petroleum Exploration Companies in organizing an international training course but is conducted

petroleum operators. Also, online trainings are cheaper as they will not require travel and accommodation costs. HSSE trainings should be attended by all personnel with different definitions of safety standards.	locally. First aid training by the Red Cross should be attended by employees. The Company looks for opportunities for inexpensive local or online training if available. Additionally, technical personnel are participating on free online courses offered by petroleum experts.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	16	66.67%
% of male workers in the workforce	8	33.33%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Company activities such as hiring, promotion, and compensation are conducted without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, marital status, dependents, genetics, disability, age, social class, or political views.	The management of Philodrill is committed to respecting people's differences and creating an inclusive workplace culture. It does not tolerate any kind of harassment or prejudice. In order to respect and value the diversity of the employees and all with whom the Company do business, managers are required to ensure that the working environment is free from any form of harassment and discrimination. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Solo Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277). The company's board diversity policy can be found in the Company's website through this link:

	https://philodrill.com/documents14/ov_diversity_policy.pdf
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
The Company has not identified any violation relating to diversity and equal opportunity.	All employees are provided with equal career opportunities and recognize that people bring different skill qualities to the work place.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
As at March 31 2020, the Company has 27 employees comprising 16 females and 11 males. The Company will continue to encourage: - greater female participation; and - executive senior professional employees to look for mentoring opportunities for more junior employees to gain valuable insights into the Company and the oil & gas industry, generally. Diversity creates goodwill within the community and within the industry.	The Company will continue to promote inclusiveness to help break down barriers and reduce the fear of being rejected, not only for who the employees are, but also for the ideas they voice. Continuous hiring of both local and foreign consultants for the company's exploration projects.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	179,148	Man-hours
No. of work-related injuries	1	#
No. of work-related fatalities	none	#
No. of work related ill-health	none	#
No. of safety drills	48	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company and its Subsidiaries consistently foster a safe working environment. Philodrill implements employee health and safety measures and training programs that protect people from occupational hazards by preventing injury, illness, and fatality.	The Company strictly complies with all relevant occupational health and safety laws and regulations. Philodrill aims to achieve a zero injury and fatality rate for its entire staff. Same is true with offshore operations of subsidiaries, which adhere to international HSSE policies. At the work site, first aid kits and fire extinguishing equipment are conspicuously located and properly maintained. To ensure

	emergency preparedness, staff participates in regular fire and earthquake evacuation drills. Regular first aid and lifesaving trainings are being attended by assigned safety officer at the office.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the Organization	
No fatal cases, occupational injuries or incidents were recorded during the year at the office as well as in the field. Failure to manage workplace safety would negatively impact employee health and productivity.	The Company enforces occupational health and safety protocols for the benefit of the employees, contractors, and host communities.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
By properly managing and implementing health and safety trainings, employees and contractors can handle their jobs safely for the benefit of the organization and all stakeholders. The Company aims to be up-to-date with current best practices in HSSE.	The Company will continue to provide the necessary equipment, training, and resources to enable employees and contractors to work safely. Philodrill will consistently encourage and empower employees by letting them attend safety trainings and retake training sessions, if necessary, to refresh their memory.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Oil & Gas Exploration & Production	Economic growth	Environmental damage associated with field operations.	Strict compliance to government laws and regulations on health and environmental safety.
Oil & Gas Exploration & Production	Decent work	Health & Safety	Conduct IEC campaign prior to the fieldwork.
Oil & Gas Exploration & Production	Welfare of vulnerable groups	Traditional lifestyle of indigenous people are affected	Careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

* *None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*