

COVER SHEET

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S.E.C. Registration Number

T H E P H I L O D R I L L C O R P O R A T I O N

(Company's Full Name)

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

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

Reynaldo E. Nazarea
Contact Person

8631-8151
Company Telephone Number

0 9 3 0
Month Day

SEC Form 17-Q (September 2023)
FORM TYPE

0 6 2 1
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

8 5 3 5
Total No. of Stockholders

Total Amount of Borrowings
P0.00 Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

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

1. For the quarterly period ended September 30, 2023
2. SEC Identification Number: 38683
3. BIR Tax Identification No.: 000-315-612-000
4. Exact name of registrant as specified in its charter: THE PHILODRILL CORPORATION
5. Philippines 6. _____ (SEC Use Only)
Province, Country or other Industry Classification Code
jurisdiction of incorporation or organization
7. 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of principal office Postal Code
8. (632) 631-8151/52
Registrant's telephone number, including area code
9. Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and of the RSA

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

Amount of Debt OutstandingTotal Loans Payable ₱ 0.00

11. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes 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 No
- (b) has been subject to such filing requirements for the past 90 days.
Yes No

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

1. The unaudited Consolidated Financial Statements of the Company for the 3rd quarter ended 30 September 2023 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.
2. Interim Statements of Operations for the current interim period (01 January to 30 September 2023), with comparative Statement of Operations for the comparable period (01 January to 30 September 2022) are attached to this report.
3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 30 September 2023), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 30 September 2022) are attached to this report.
4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 30 September 2023), as well as the basis of computation thereof.
5. The Company's interim financial report for the 3rd quarter 2023 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.
6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 30 September, 2023) as compared with the most recent annual financial statements (2022), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.
7. There were NO seasonal or cyclical aspects that had a material effect on the financial condition or results of interim operations of the Company.
8. There were NO unusual items during the interim period (01 January to 30 September 2023), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.
9. There were NO changes in the estimates of amounts reported in prior financial year (2022), which had a material effect in the current interim period (01 January to 30 September, 2023).
10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to September 30, 2023).

11. For the period January 1 to September 30, 2023, NO cash dividends were declared by the Board of Directors.
12. The Company does not generate revenues from a particular segment and its business is not delineated into segments, whether by business or geography. The Company is not required to disclose segment information in its financial statements.
13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to September 30, 2023) that have not been reflected in the financial statements for said interim period.
14. There were NO changes in the composition of the Company during the interim period (January 1 to September 30, 2023) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.
15. The Company has NO contingent liabilities or contingent assets as of its last annual balance sheet date (December 31, 2022) and as of end of current interim period (September 30, 2023), EXCEPT those disclosed in Note 25 to the Company's 2022 Audited Financial Statements.
16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to September 30, 2023).

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

Financial Performance

Total revenues for the first three quarters ended September 30, 2023 decreased by P50.4 million or 21% to P194.3 million from P244.7 million for the same period last year. Petroleum revenues decreased by P47.6 million or 22% to P164.3 million from P211.8 million for the same period last year. The decrease was brought mainly by the lower crude prices and production volume for the first three quarters of 2023 as compared to the same period last year. The combined gross production decreased to 378,057 barrels for the first three quarters ended September 30, 2023, from 423,006 barrels produced for the same period last year. The average price per barrel decreased to \$81.37 for the period ended September 30, 2023 as compared to \$96.07 for the same period last year. Equity in net earnings of associates decreased by P11.0 million. Interest income increased by P8.3 million.

Total costs and expenses net of foreign exchange gains increased by P28.6 million from P137.6 million for the first three quarters of 2022 to P166.2 million for the first three quarters of 2023. Foreign exchange gains amounted to P5.3 million for the first three quarters of 2023 as compared to P50.9 million for the same period last year.

The company's net income after tax amounted to P31.0 million for the first three quarters of 2023 slightly lower than the P31.9 million for the same period last year.

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

	September 30, 2023	December 31, 2022
Current Ratio	<i>19.06 : 1</i>	<i>14.95 : 1</i>
Current Assets	705,498,506	685,618,138
Current Liabilities	37,018,000	45,858,882
Debt to Equity Ratio	<i>0.03 : 1</i>	<i>0.03 : 1</i>
Total Liabilities	71,384,961	82,047,982
Stockholders Equity	2,712,550,982	2,686,865,641
Equity to Debt Ratio	<i>38.0 : 1</i>	<i>32.75 : 1</i>
Stockholders Equity	2,712,550,982	2,686,865,641
Total Liabilities	71,384,961	82,047,982
Book Value per Share	<i>0.0141</i>	<i>0.0140</i>
Stockholders Equity	2,712,550,982	2,686,865,641
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	<i>0.0001615</i>	<i>0.0001660</i>
Net Income (Loss)*	30,981,976	31,859,450
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to September 30*

The current ratios as of December 31, 2022 and September 30, 2023 are 14.95:1 and 19.06:1, respectively. The Company's current assets exceeded its current liabilities by P668.5 million and P639.76 million as of September 30, 2023 and December 31, 2022, respectively. The "Financial assets at fair value through other comprehensive income (FVOCI)" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of P64.3 million as of September 30, 2023 and P69.6 million as of December 31, 2022. If these shares would be considered part of Current Assets, the recomputed current ratio would be 20.80:1 as of September 30, 2023 and 16.47:1 as of December 31, 2022.

Total assets increased from P2.769 billion as of December 31, 2022 to P2.783 billion as of September 30, 2023. Cash and cash equivalents reflected a net decrease of P11.5 million or 3% due to the payments of accrued liabilities. Receivables increased by P71.7 million or 30% mainly due to trade receivable accrued as of end of the interim period. Crude oil inventory decreased by P39.3 million or 69% due to lower volume of crude oil on storage as of September 30, 2023. Other current assets decreased by P1.0 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of P30.0 million to P275.7 million as of September 30, 2023 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI decreased by P5.3 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by P14.3 million due to additional project costs. Deferred tax assets increased by P5.0 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities decreased by P10.6 million from P82.0 million as of December 31, 2022 to P71.4 million as of September 30, 2023.

Stockholders' equity increased by P25.7 million from P2.687 billion as of December 31, 2022 to P2.712 billion as of September 30, 2023. For the first three quarters, an adjustment for the decline in value of financial assets at FVOCI of P5.3 million in the valuation reserve of the company's listed stock investments was booked. As of September 30, 2023, net unrealized loss on the decline in value of financial assets at FVOCI amounted to P46.3 million as compared to P41.0 million as of December 31, 2022. The company's retained earnings amounted to P1.0 billion as of September 30, 2023 as compared to P0.970 billion as of December 31, 2022.

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

	September 30, 2023	December 31, 2022
Current Ratio	269 :1	269 :1
Current Assets	8,424,689	8,424,689
Current Liabilities	31,360	31,360
Debt to Equity Ratio	0.004 :1	0.004 :1
Total Liabilities	31,360	31,360
Stockholders' Equity	8,393,329	8,393,329
Equity to Debt Ratio	268:1	268:1
Stockholders' Equity	8,393,329	8,393,329
Total Liabilities	31,360	31,360
Book Value per Share	0.0006712	0.0006712
Stockholders Equity	8,393,329	8,393,329
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	-	-
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

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

1. There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have material impact on the Company's liquidity. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:
 - a) collecting a portion of Accounts Receivables;
 - b) selling a portion of its existing investments and assets;

- c) generating cash from loans and advances; and
 - d) issuing subscriptions call on the balance of the subscriptions receivable.
2. There are NO events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
 3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, EXCEPT those disclosed in Note 25 to the Company's 2022 Audited Financial Statements.
 4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from: operations, collection of subscriptions and other receivables, and from loans/financing, or to avoid incurring these expenditures altogether by way of farm-outs.
 5. There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income of the Company from continuing operations.
 6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.
 7. There have been NO material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

Cash and cash equivalents reflected a net decrease of ₱11.5 million or 3% mainly due to the payments of accrued liabilities.

Crude oil inventory decreased by ₱39.3 million or 69% due to the lower volume of crude oil on storage as of end of the interim period.

Other current assets decreased by ₱0.9 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a decrease of ₱29.9 million to ₱275.7 million as of September 30, 2023 due to the booking of depletion and depreciation costs.

Deferred tax assets increased by ₱5.0 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Other noncurrent assets increased by ₱5.2 million or 51% due to the pension asset booked as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱8.9 million or 70% decrease due to the payments of accrued expenses during the interim period.

Retirement benefit liability decreased by ₱1.8 million or 100% due to the additional contribution made to the retirement fund during the interim period.

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2022 amounted to ₱41.0 million. For the interim period, ₱5.3 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of September 30, 2023, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱46.3 million.

The company's retained earnings amounted to ₱1.0 billion as of September 30, 2023 as compared to ₱0.970 billion as of December 31, 2022. The increase of ₱31.0 million was due to the net income booked for the first three quarters of 2023.

Petroleum revenues decreased by ₱47.6 million or 22% to ₱164.2 million from ₱211.8 million for the same period last year due to lower production volume and crude prices. The gross production decreased to 378,057 barrels for the first three quarters ended September 30, 2023 from 423,006 barrels produced for the same period last year. The average price per barrel decreased to \$81.37 for the period ended September 30, 2023 as compared to \$96.07 per barrel for the same period last year.

Equity in net earnings of associates decreased by ₱11.0 million due to the lower level of income booked by affiliates.

Interest income increased by ₱8.3 million from ₱9.3 million to ₱17.6 million for the first three quarters ended September 30, 2023.

Foreign exchange gain amounted to ₱5.3 million for the first three quarters of 2023 as compared to ₱50.9 million for the same period last year.

General and administrative expenses decreased by ₱10.8 million due to lower level of expenses incurred for the period.

Net income amounted to ₱31.0 million for the first three quarters of 2023, slightly lower than the ₱31.9 million for the same period last year.

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

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

A. Financial Instruments

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

- a. The financial assets reclassified into and from each category; - Not Applicable
- b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods;- Not Applicable
- c. For financial assets reclassified in rare circumstances, the facts that would establish such kind of circumstances; -Not Applicable
- d. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods;- Not Applicable
- e. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized;-Not Applicable
- f. As at date of reclassification, the effective interest rates and estimated cash flows that the company expects to recover. – Not Applicable

Fair Values of Financial Instruments

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

	Consolidated Unaudited September 2023	Consolidated Unaudited September 2023	Consolidated Audited December 2022	Consolidated Audited December 2022
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	370,230,108	370,230,108	381,739,397	381,739,397
Advances to related companies	231,705,564	231,705,564	230,885,564	230,885,564
Accrued interest receivables	29,581,580	29,581,580	25,944,959	25,944,959
Other noncurrent assets	10,104,179	10,104,179	10,104,179	10,104,179
Accounts with partners, others	72,965,904	72,965,904	5,732,808	5,732,808
Financial assets at FVOCI	64,335,414	64,335,414	69,632,049	69,632,049
	778,922,749	778,922,749	724,038,955	724,038,955
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	2,008,993	2,008,993	12,219,067	12,219,067
Dividends payable	33,126,610	33,126,610	33,126,610	33,126,610
	35,135,603	35,135,603	45,345,677	45,345,677

Quoted AFS investments are carried at fair value based on the quoted values of the securities.

B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

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

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

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

Credit risks

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

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

As of September 30, 2023, all of the outstanding trade receivable is from the SC14 C-1 consortium. For SC14 C-1 consortium, the operator has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production. The operator also negotiated for the sale of future Galoc cargoes to exclusive buyer Trafigura Pte Ltd. through Vitol Asia which started in May 2019.

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

	Unaudited balances as of September 30, 2023
Loans and receivables	
Cash and cash equivalents	370,230,108
Advances to related companies	231,705,564
Accounts with contract operators and partners	72,965,904
Accrued interest	29,581,580
Other noncurrent assets	10,104,179
Financial assets at FVOCI	64,335,414
Gross maximum credit risk exposure	778,922,749

The table below shows the credit quality of the Group's financial assets by class as of September 30, 2023 based on the Group's credit evaluation process:

	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	Past due but not impaired			Impaired Financial Assets	Total
			1-30 days	31-90 days	Over 90 days		
Loans and receivables							
Cash and cash equivalents	370,230,138						370,230,108
Advances to related companies	225,575,000				1,376,801	4,753,762	231,705,564
Accounts with partners	72,965,904						72,965,904
Accrued interest	13,415,144					16,166,436	29,581,580
Other noncurrent assets	10,104,179						10,104,179
Financial assets at FVOCI	64,335,414						64,335,414
Total	756,625,750				1,376,801	20,920,198	778,922,749

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

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

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

Liquidity risk

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

The table below summarizes the aging analyses of the Group's financial assets as of September 30, 2023 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	370,230,108	0	370,230,108
Receivables			
Advances to related parties		231,705,564	231,705,564
Accounts with partners	72,965,904	0	72,965,904
Accrued interest	3,170,865	26,410,715	29,581,580
Other noncurrent assets	10,104,179	0	10,104,179
AFS financial assets	64,335,414	0	64,335,414
	520,806,469	258,116,279	778,922,748

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

	Less than three months	Three to twelve months	Total
September 30, 2023	35,135,603		35,135,603

Market Risk

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

Foreign currency risk

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

As of September 30, 2023, the exchange rate of the Philippine peso to the US\$ is ₱56.575 to US\$1.00.

Equity price risk

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

PETROLEUM PROJECTS

SERVICE CONTRACT NO. 14 C-1 (Galoc)

As of September 30, 2023, the total gross Galoc Field production reached 24,367,092 barrels with calculated oil in storage at 36,993 bbls. The last cargo lifting, Cargo #76, commenced on September 4, 2023, and was completed on September 5, 2023, using MT Bai Hai Qi Lin. The total quantity of crude offloaded was 173,844 bbls (net). Meanwhile, the operator NPG Pty, Ltd. (NPG) continues to maintain normal process plant operations.

NPG is conducting an in-depth study of West Galoc prospect located to the north of the current Galoc production field for possible drilling in the future. NPG is in coordination with Prime Infrastructure, the operator of SC 38 (Malampaya), since West Galoc straddles both the SC 38 (where 90% of the West Galoc is located) and SC14C1 (where the remaining 10% of the West Galoc is located). The two parties have to finalize first the participation arrangement before any work is conducted over the prospect.

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

In a letter dated August 30, 2023, the DOE reminded the Consortium to submit the firm 2023 Work Program and Budget. To recall, the JV submitted a provisional 2023 Work Program and Budget in December 2022 pending the completion of the farm in agreement with Nido. The JV submitted to the DOE the 2023 Work Program and Budget with firm commitment of USD 64,860 and with a contingent component of USD 50,000 or in the total amount of USD 114,860 which was approved by the JV on September 5, 2023. The DOE approved the 2023 Work Program and Budget on September 20, 2023.

In a letter dated September 20, 2023, Pitkin Petroleum Ltd. (Pitkin) informed Philodrill that the obligation to pay the historical training fund in the amount of USD 45,336.33 is the burden of RMA West Linapacan Pte Ltd. (RMA) and not of Pitkin since it was incurred during the operatorship of RMA and during the effectivity of the farm in agreement between Pitkin and RMA. The JV decided not to pursue Pitkin the case due to the cost involved in filing an arbitration case against Pitkin.

On September 25, 2023, Matahio Energy (Matahio) submitted a farm-in offer to the JV based on the potential unitization of SC 14C1 and SC 14C2 into a new service contract. Matahio is proposing to come up with a Plan of Development for the West Linapacan A to earn participating interest in the SC14C2 sub-block. The letter offer was relayed to the Partners for their assessment and consideration.

NOMINATED AREA NO. 10 (formerly SC. 6A-Octon)

At the office of the DOE Secretary, the staff required additional clarification before the Secretary endorsed the documents to the Office of the President. They noticed that the blocking system or the contract area configuration is not in conformity with the IPRA Law of 1997. Philodrill complied with the directive and submitted the amended contract area to the DOE. The DOE, through the Information Technology and Management Services, is still reviewing the submission made by Philodrill.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)

Nido Petroleum Pty, Ltd. (Nido) is trying to put the drillship, Deep Venture, back to operational status and class in accordance with the Det Norske Veritas (DNV) class standard. The vessel is still in Dong Quyen Port, Vung Tau, Vietnam, and will be sailing to Keppel's Batangas shipyard under the Flag of the Bahamas with Nassau as the Port of Registry. The schedule for the drillship to sail to Batangas from Vietnam, which is now delayed, is subject to the completion of the engine repairs. Related environment impact studies, contingency planning, and community consultations are well underway. Permits for all drilling activities are currently being undertaken.

Nido received from the Partners the duly signed copies of the Joint Operating Agreement.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)

At the Occidental side of the Cambayan CP Application, the NCIP Legal Affairs Office (LAO) requested additional information from the NCIP Occidental Mindoro prior to the confirmation of the draft of the Memorandum of Agreement. The NCIP-Provincial Office prepared and submitted the clarification letter to LAO. Without the go signal from NCIP-LAO, the signing of the MOA is held in abeyance.

On the Oriental side, the Pre-FPIC activities were suspended until and after the resolution of some issues in Occidental Mindoro.

SERVICE CONTRACT NO. 74 (Linapacan)

In a TCM held on 30 August 2023, Qaestor International, consultant for the Phase 1 study provided a presentation of the study in Linapacan B and reported that the volume of oil is highly viscous, a gas cap is present, and the reservoir is fractured which may pose a very difficult and expensive extraction process. Qaestor suggested that a polymer injection can be utilized to shut off the gas and re-identify the location of the structures, specifically the faults, which keep the gas from oil. As a way forward, their reservoir engineering team will be consulted regarding the other methods/ways that can be considered to extract the reserves.

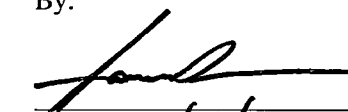
PART II – OTHER INFORMATION


There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 30 September 2023).

SIGNATURES

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

By:


 Date: 11/13/2023
 ADRIAN PAULINO S. RAMOS
 President


 Date: 11/13/23
 REYNALDO E. NAZAREA
 Treasurer & VP-Administration

THE PHILODRILL CORPORATION
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SEC FORM 17Q

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

THE PHILODRILL CORPORATION
Consolidated Statement of Financial Position

	(Unaudited) September 30	(Audited) December 31
	2023	2022
ASSETS		
Current Assets		
Cash & cash equivalents	370,230,108	381,739,397
Receivables	313,332,849	241,643,133
Crude oil inventory	17,885,484	57,229,468
Other current assets	4,050,065	5,006,140
Total Current Assets	705,498,506	685,618,138
Noncurrent Assets		
Property and equipment - net	275,745,814	305,664,288
Investments - Associates	905,126,918	899,335,155
Financial assets at fair value through other comprehensive income	64,335,415	69,632,048
Deferred oil exploration and development costs - net	618,618,122	604,283,335
Deferred tax assets	199,315,096	194,276,481
Other noncurrent assets	15,296,072	10,104,178
Total Noncurrent Assets	2,078,437,437	2,083,295,485
TOTAL ASSETS	2,783,935,943	2,768,913,623
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	3,798,879	12,732,272
Current portion of provision for plug and abandonment costs	0	0
Income tax payable	92,511	0
Dividends payable	33,126,610	33,126,610
Total Current Liabilities	37,018,000	45,858,882
Noncurrent Liability		
Non current portion of provision for plug and abandonment costs	34,366,961	34,366,961
Retirement benefit liability	0	1,822,139
Total Noncurrent Liabilities	34,366,961	36,189,100
TOTAL LIABILITIES	71,384,961	82,047,982
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,271,834	1,568,271,834
Subscribed	350,416,220	350,416,220
Subscriptions receivable	(175,208,110)	(175,208,110)
Paid in capital from sale of treasury	1,624,012	1,624,012
Share in other comprehensive income of an associate	55,497,116	55,497,116
Unrealized loss on decline in value of financial assets at FVOCI	(46,311,236)	(41,014,602)
Remeasurement loss on retirement benefit liability	(42,514,811)	(42,514,812)
Retained Earnings	1,000,775,957	969,793,983
Total Equity	2,712,550,982	2,686,865,641
TOTAL LIABILITIES AND EQUITY	2,783,935,943	2,768,913,623

THE PHILODRILL CORPORATION

Consolidated Statement of Comprehensive Income

	Jan 1 to Sep 30 2023	Jan 1 to Sep 30 2022	Jul 1 to Sep 30 2023	Jul 1 to Sep 30 2022
PETROLEUM REVENUE	164,247,923	211,798,333	60,709,410	66,337,810
COSTS AND EXPENSES				
Share in costs and operating	(133,378,948)	(139,559,043)	(40,443,295)	(46,590,561)
General and administrative	(38,148,546)	(48,955,793)	(11,335,573)	(15,862,730)
	(171,527,494)	(188,514,836)	(51,778,868)	(62,453,291)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates - net	11,112,961	22,101,950	4,203,469	7,984,681
Interest income	17,588,987	9,288,914	7,079,776	3,341,035
Foreign exchange gains (losses)	5,283,877	50,883,314	9,889,158	25,141,627
Others	1,300,248	1,485,973	1,257,826	1,231,198
	35,286,073	83,760,151	22,430,229	37,698,541
INCOME (LOSS) BEFORE INCOME TAX	28,006,502	107,043,648	31,360,771	41,583,060
PROVISION FOR INCOME TAX	(2,975,474)	75,184,198	8,210,221	26,369,263
NET INCOME (LOSS)	30,981,976	31,859,450	23,150,550	15,213,797
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in unrealized losses on financial assets at financial value through other comprehensive income	(5,296,634)	(11,791,649)	(4,691,734)	(12,289,729)
TOTAL COMPREHENSIVE INCOME (LOSS)	25,685,342	20,067,801	18,458,816	2,924,068

Earnings (loss) per share was computed as follows:

Net income (loss)	30,981,976	31,859,450	23,150,550	15,213,797
Weighted average no. of shs	191,868,805,358	191,868,805,358	191,868,805,358	191,868,805,358
Income (Loss) per share	0.00016	0.00017	0.00012	0.00008

THE PHILODRILL CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

	January 1 September 30 2023	January 1 September 30 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	30,981,976	31,859,450
Adjustments for:		
Depletion, depreciation and amortization	33,031,301	34,749,868
Equity in net losses (earnings) of associates - net	(11,112,961)	(22,101,950)
Operating loss before working capital changes	52,900,316	44,507,368
Decrease (increase) in:		
Receivables	(75,877,136)	55,458,445
Crude oil inventory	39,343,985	(72,102,954)
Other current assets	1,403,456	917,998
Retirement benefits assets	(7,014,032)	(11,787,235)
Increase in accounts payable and accrued expenses	(4,253,962)	11,994,922
Net cash from (used in) operating activities	6,502,626	28,988,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	5,321,198	5,321,198
Reductions in (additions to):		
Property and equipment	(3,112,827)	(2,868,598)
Deferred oil exploration costs and other inv	(14,334,787)	(19,572,386)
Advances to affiliated companies - net	(846,881)	(7,672,501)
Other noncurrent assets	(5,038,616)	74,663,028
Net cash from (used in) investing activities	(18,011,914)	49,870,741
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/Adjustments (Payments) of:		
Dividends payable	0	(1,380)
Net cash from (used in) financing activities	0	(1,380)
NET INCREASE (DECREASE) IN CASH	(11,509,289)	78,857,904
CASH, BEGINNING	381,739,397	284,671,154
CASH, ENDING	370,230,108	363,529,058

THE PHILODRILL CORPORATION
Consolidated Statements of Changes in Equity

	Unaudited	
	Sept 2023	Sept 2022
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,271,834	1,568,270,502
Issuances for the period	(0)	(13,220)
Balance at end of second quarter	1,568,271,834	1,568,257,282
Subscribed		
Balance at the beginning of year	350,416,220	350,417,551
Issuances for the period	(0)	13,220
Balance at end of second quarter	350,416,220	350,430,771
Subscriptions receivable		
Balance at the beginning of year	(175,208,110)	(175,208,110)
Collection of subscriptions receivable	0	0
Adjustment		
Balance at end of second quarter	(175,208,110)	(175,208,110)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Movements during the period	0	0
Balance at end of second quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(41,014,602)	(28,635,059)
Adjustment during the period	(5,296,634)	(11,791,649)
Balance at end of second quarter	(46,311,236)	(40,426,708)
Share in other comprehensive income of associates		
Balance at the beginning of year	55,497,116	26,480,535
Movements during the period	0	0
Balance at end of second quarter	55,497,116	26,480,535
Remeasurement loss on retirement benefit liability		
Balance at the beginning of year	(42,514,811)	(38,373,698)
Movements during the period		
Balance at end of second quarter	(42,514,811)	(38,373,698)
Retained Earnings		
Balance at the beginning of year	969,793,983	1,309,127,536
Cash dividend declared	0	0
Net income (loss) for the period	30,981,976	31,859,450
Balance at end of second quarter	1,000,775,959	1,340,986,986
Total Stockholders' Equity	2,712,550,982	3,033,771,070

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	865,304	448,874	407,443		906,735		906,735
	865,304	448,874	407,443	0	906,735	0	906,735

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITIES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Name of Issuing Entity and Description of Investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/ Accrued from Investments Not Accounted for by the Equity Method
	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	
Investments in associates:									
Penta Capital Investment Corp.	1,600,000	354,839,990	1,060,410				1,600,000	355,900,400	
Penta Capital Holdings, Inc.	300,000	80,303,976	289,745				300,000	80,693,721	
Atlas Consolidated Mining and Development Corporation	19,000,000	465,779,483	2,853,313				19,000,000	468,632,796	
		900,923,449	4,203,468	0	0	0		905,126,918	0
Amount shown under the caption "Available For Sale Investments"									
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
Vulcan Industrial & Mining Corp.	3,200,000	4,080,875				0	3,200,000	4,080,874	
Oriental Petroleum & Mining Corp	2,460,800,000	31,230,745					2,460,800,000	31,230,745	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
Shang Properties	202,000	651,076					202,000	651,076	
		110,646,651	0	0	0	0		110,646,650	0
less-allowance for decline in market value		(41,619,502)				(4,691,734)		(46,311,236)	
		69,027,149	0	0	0	(4,691,734)	0	64,335,414	0
		969,950,598	4,203,468	0	0	(4,691,734)	0	969,462,332	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	169,000,000	169,000,000
National Book Store, Inc.	55,200,000	56,575,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,376,801	1,376,801
	230,330,563	231,705,563
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	225,576,801	226,951,801

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,187,013,953			476,848	1,187,490,800
Office condominium units and improvements	18,961,929		0		18,961,929
Office furniture, fixtures and equipment	8,309,990	249,646			8,559,636
Transportation equipment	8,919,200			0	8,919,200
	1,223,205,072	249,646	0	476,848	1,223,931,566

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	905,766,903	10,796,224			916,563,127
Office condominium units and improvements	14,573,519	136,778			14,710,297
Office furniture, fixtures and equipment	8,006,595	53,117			8,059,712
Transportation equipment	8,848,622			3,995	8,852,617
	937,195,639	10,986,119	0	3,995	948,185,752

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs-net	613,440,190				5,177,932	618,618,122
	613,440,190	0	0	0	5,177,932	618,618,122

THE PHILODRILL CORPORATION
 SCHEDULE M - CAPITAL STOCK
 FOR THE QUARTER ENDED SEPTEMBER 30, 2023

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	200,000,000,000	156,827,050,247	35,041,755,111	0	472,002,111	191,396,803,247

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & items in litigation
a) Trade receivables									
1) Account with contract operator	72,260,576	72,260,576	0						
less allowance for doubtful accounts	0								
2) Account with partners	244,248		244,248						
Net Trade Receivables	72,504,824	72,260,576	244,248	0	0	0	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	29,581,580	833,969	2,336,896	2,006,875	8,138,993	98,411		16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Advances to related companies	231,705,564			56,575,000		169,000,000		6,130,564	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
3) Others	431,674	66,599				365,075			
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	240,798,620	900,568	2,336,896	58,581,875	8,138,993	169,463,486	0	1,376,802	0
Net Receivables	313,303,444	73,161,144	2,581,144	58,581,875	8,138,993	169,463,486	0	1,376,802	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

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

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
SEPTEMBER 30, 2023

Profitability Ratios:	September 2023	December 2022
Return on assets	1.11%	-12.26%
Return on equity	1.14%	-12.63%
Gross profit margin	18.79%	35.30%
Net profit margin	17.05%	-134.79%
Liquidity Ratios:		
Current ratio	19.06 :1	14.95 :1
Quick ratio	18.47 :1	13.59 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.03 :1	1.03 :1
Debt to equity ratio	0.03 :1	0.03 :1

Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

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

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

Basis of Consolidation

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Business Combination and Goodwill

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

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

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognized separately 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 2022. 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.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of

potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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. Unless otherwise indicated, 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, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their "material" accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Effective beginning on or after January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

Current versus Non-current Classification

The Group presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term investments made for varying periods of up to 3 months or less depending on the immediate cash requirements of the Group that are readily convertible to a known amount of cash and subject to an insignificant risk 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

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

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

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

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

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

Determining the stage for impairment

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

Staging assessment

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 PFRS 9 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, 2022 and 2021.

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 consolidated statements of financial position if there is a currently enforceable legal right in the normal course of business, event of default and insolvency or bankruptcy of the Group and all of the counterparties 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 but is 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:

<u>Category</u>	<u>Number of Years</u>
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 associate 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 associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of the associate 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 associate 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, and 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.

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.

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 wells, platforms, and other facilities. Other than license costs, no amortization is charged during the exploration and evaluation phase. For exchanges/swaps or parts of exchanges/swaps that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognized.

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

Farm-ins and Farm-outs

In the exploration and evaluation (E&E) phase

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

Outside the E&E phase

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

Impairment of Nonfinancial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using

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

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

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

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

Deferred Oil Exploration Costs

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

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

Capital Stock

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

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

Subscription Receivable

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

Retained Earnings

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

Earnings (Loss) per Share

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

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

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

Dividends on Capital Stock

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

Revenue Recognition

Revenue from Contracts with Customers

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

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's P&A liability where it has a present legal or constructive obligation as a result of past events, and it is possible that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. 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 "Interest expense". Additional disturbances or changes in P&A costs will be recognized as additions or charges to the corresponding assets and P&A liability 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 financial position.

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 not 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.