COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Josephine C. Lafiguera-Ilas

Contact Person

8631-8151

Company Telephone Number

1 2	3 1	**Definitive Information Statement**	0 6	3rd Wed
Month	*Day*	**FORM TYPE**	*Month*	*Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, 1550 Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080
E-mail: info@philodrill.com
Website: www.philodrill.com

Information Statement
Annual Stockholders' Meeting
13 August 2020

SEC Number ***38683***
File Number ____

THE PHILODRILL CORPORATION

(Company's Full Name)

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

(Company's Address)

631-1801 to 05; 631-8151 to 52

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 20-IS
Definitive Information Statement

Form Type

Amendment Designation (If applicable)

June 30, 2019

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[ ] Preliminary Information Statement
[✓] Definitive Information Statement

2. Name of Registrant as specified in its charter:
THE PHILODRILL CORPORATION

3. Jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **38683**

5. BIR Tax Identification Code: **000–315–612–000**

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

7. Registrant's telephone number, including area code: **(632) 86318151-52; (632) 86311801-05**

8. **August 13, 2020 at 2:30 p.m., 8th Floor Quad Apha Centrum, 125 Pioneer Street, Mandaluyong City 1550**
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through alternative mode of distribution through the Corporation's website and PSE Edge: **July 21, 2020**

10. Name of Person Filing the Statement/Solicitor: **The Philodrill Corporation**
Address: **8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550**
Telephone No.: **(632) 86318151-52; (632) 86311801-05**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

12. Are any or all of registrant's securities listed in a Stock Exchange?
YES, Philippine Stock Exchange, Common Shares

THE PHILODRILL CORPORATION
8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City 1550, Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

INFORMATION STATEMENT

PART I

A. General Information

Item 1. Date, time and place of meeting of stockholders

(a) In light of the current conditions and in support of the measures to prevent the spread of COVID-19, there will be no physical meeting for the Annual Stockholders' Meeting (ASM). The 2020 ASM of **The Philodrill Corporation** (the *"Company"*) will be held on ***August 13, 2020 (Thursday), 2:30 p.m. by remote communication***. The meeting will be presided at the principal office at Quad Apha Centrum, 125 Pioneer Street, Mandaluyong City, 1550. The complete mailing address of the Company is 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

(b) The approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through alternative mode of distribution through the Corporation's website and PSE Edge will be on July 21, 2020

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Item 2. Rights of Shareholders; Dissenters' Right of Appraisal

The Corporation recognizes the right of all shareholders to be treated fairly and equally whether they are controlling, minority, local or foreign. The Corporation respects the rights of shareholders as provided under the Revised Corporation Code and other laws, and as stated in its Articles of Incorporation and By-laws.

A stockholder has the right to dissent and demand payment of the fair value of his share; (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) in case of any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (3) in case of any merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Revised Corporation Code of the Philippines.

There are no matters to be taken up at the Annual Stockholders' Meeting to be held on August 13, 2020 that may warrant the exercise of the appraisal right.

Item 3. Interest or Opposition of Certain Persons in Matters to be Acted Upon

(a) **NO** director, officer, or associate of such director or officer has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the Meeting, except election of directors.

(b) As of the time this Information Statement is first filed and approved by the Commission, **NO** director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

(a) Class and Number of Shares. The Company has only one (1) class of shares – Common Shares – which are issued and transferable to both Philippine and non-Philippine nationals; *provided,* that the Company's Common Shares shall not be issued to non-Philippine nationals in excess of 40% of the Company's outstanding capital stock. As of Record Date, the Company's outstanding capital stock is 191,868,805,358 shares. Each share is entitled to one (1) vote.

(b) Record Date. The Record Date for purposes of the Meeting is March 18, 2020. Only stockholders of record as at the close of business on March 18, 2020 are entitled to notice of, and to vote at, the Meeting.

(c) Cumulative Voting. Stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one (1) nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; *provided*, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

(d) Proxies for the annual stockholders' meeting.

All stockholders who will not participate in the meeting via remote communication may vote through the Chairman of the Meeting (as Proxy) and/or submit duly accomplished proxies by email to the Office of the Corporate Secretary at ***2020asm@philodrill.com*** for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, or on/before *August 6, 2020*. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received.

Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time. No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of such customer.

Any stockholder may revoke or cancel his proxy and attend the annual stockholders' meeting via remote communication, provided he has complied with the Registration procedures and requirements.

(e) Owners of 5% or More. The following persons are known to the Company to be directly or indirectly the owner of more than 5% of the Company's voting securities as of June 30, 2020.

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A, B and C)	Filipino	73,156,862,567	38.128%
Common	National Book Store, Inc. 4/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,735,965,802	8.723%
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp./Alakor Corporation/National Bookstore, Inc.	Filipino	31,685,293.010	16.514%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

Note A: The number of shares held by PCD Nominee Corporation (PCD) is net of the 102,047,258,679 shares held by National Book Store Inc (NBS), Alakor Corporation (AC) and Anglo Philippine Holdings Corp. (Anglo).

Note B: Of the 73,156,862,567 shares held by PCD, 71,989,171,040 shares have been fully paid and issued, while 1,167,691,527 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed. Of the 66,904,763,340 shares held (directly and indirectly) by Anglo, 66,477,529,274 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

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

(f) Voting Trust Holders of 5% or more. To the extent known to the Company, there is **NO** person holding more than 5% of the Company's voting stock under a voting trust or similar agreement.

(g) Stock Ownership of Management. The Company's Directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated officers (O) own the following number of shares as of June 30, 2020:

		Number/Nature of Beneficial Ownership			
		Issued			
Class	**Name of Beneficial Owner**	**Direct**	**Indirect**	**Citizenship**	**Ownership**
Common	Alfredo C. Ramos (D/CEO)	690,088,350	2,002,205	Filipino	0.361%
Common	Presentacion S. Ramos (D)	125,000	77,000,000	Filipino	0.040%
Common	Christopher M. Gotanco (D)	4,860,025	245,463,375	Filipino	0.130%
Common	Adrian S. Ramos (D)	1,250,000	33,323,125	Filipino	0.018%
Common	Maureen Alexandra R. Padilla (D)	10,000	80,000	Filipino	<0.000%
Common	Gerard Anton S. Ramos (D)	100,000	0	Filipino	< 0.000%
Common	Reynaldo E. Nazarea (D/O)	100,000	86,056,250	Filipino	0.045%
Common	Nicasio I. Alcantara (D)	1,000,000	362,200,000	Filipino	0.189%
Common	Honorio A. Poblador III (D)	29,900,000	0	Filipino	0.016%
Common	Alessandro O. Sales (O)	0	0	Filipino	0
Common	Isabelita L. Matela (O)	273,105	605,802	Filipino	<0.000%
Common	Dennis V. Panganiban (O)	0	1,000,000	Filipino	<0.000%

As of June 30, 2019 the aggregate number of shares owned by the Company's directors, Chief Executive Officer, four (4) most highly compensated officers and nominees is 1,535,437,237 shares or approximately 0.800% of the Company's outstanding capital stock. Except for shares appearing on record in the names of the directors and officers above, the Company is not aware of any other shares which said persons may have the right to acquire beneficial ownership.

NO change in the control of the Company has occurred since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

(a) The names, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become such are as follows:

Name	Age	Citizenship	Position	Period of Service	Committee Membership	Period of Service
Alfredo C. Ramos	76	Filipino	Chairman of the Board	Dec 2, 1992 - Present	CG & Nominations Committee/ Compensation & Remunerations Committee	2004 - Present
			President	Apr 24,1989 – Mar 31, 2014; Jan 1, 2017 – present		
Christopher M. Gotanco	70	Filipino	Director	Aug 17, 2005 – Present	CG & Nominations Committee; Audit Committee	2008 - Present
Adrian S. Ramos	42	Filipino	Director	Jan 18, 2006 - Present	Audit Committee	2006 - Present
Honorio A. Poblador III	74	Filipino	Independent Director	Feb 26, 2003 – Present	CG & Nominations Committee; Compensation & Remunerations Committee (Chairman); Audit Committee (Chairman)	2004 - Present
Nicasio I. Alcantara	77	Filipino	Independent Director	Feb 26, 2003 – Present	CG & Nominations (Chairman); Compensation & Remunerations Committee; Audit Committee	2005 – Present
Presentacion S. Ramos	78	Filipino	Director	May 28, 1997 - Present	None	N.A.
Maureen Alexandra Ramos-Padilla	47	Filipino	Director	Jun 19, 2013 - Present	None	N.A.
Gerard Anton S. Ramos	45	Filipino	Director	Dec 16, 2015 - present	CG & Nominations Committee	2017
Reynaldo E. Nazarea	69	Filipino	VP-Administration	May 1, 1992 - present	Compensation & Remunerations Committee	2004 – Present
			Treasurer	May 1, 2005 - present		
			Director	June 21, 2017- present		
Alessandro O. Sales	61	Filipino	VP-Exploration & Prod.	Mar 11, 2008 - present	None	N.A
Isabelita L. Matela	65	Filipino	AVP Finance	Oct 1, 2009 – present	None	N.A
DennisV. Panganiban	57	Filipino	AVP Exploration & Production	Sept 1, 2011 - present	None	N.A
Adrian S. Arias	57	Filipino	Corporate Secretary	Dec 2, 1992 - present	None	N.A

(1) Directors elected in the Annual Stockholders' Meeting have a term of office of one (1) year and serve as such until their successors are elected in the next succeeding annual stockholders' meeting; *provided*, that a director elected to fill a vacancy in the Board shall serve only the unexpired term of his predecessor.

(2) All directors of the Company were elected in the 2019 Annual Stockholders' Meeting held on June 19 2019 and have since served in such capacity.

(3) The names of the members and chairpersons of the Company's corporate governance committees are as follows:

Corporate Governance & Nominations Committee

Nicasio I. Alcantara	–	Independent Director, Chairman
Honorio A. Poblador III	–	Independent Director, Member
Alfredo C. Ramos	–	Director, Member
Christopher M. Gotanco	–	Director, Member
Gerard Anton S. Ramos	–	Director, Member

Compensation & Remuneration Committee

Nicasio I. Alcanta	–	Independent Director, Chairman
Honorio A Poblador III	–	Independent Director, Member
Alfredo C. Ramos	–	Director, Member
Reynaldo E. Nazarea	–	Director, Member

Audit Committee

Honorio A. Poblador III	–	Independent Director, Chairman
Nicasio I. Alcantara	–	Independent Director, Member
Adrian Paulino S. Ramos	–	Director, Member
Christopher M. Gotanco	–	Director, Member

There are **NO** arrangements that may result in a change in control of the Company.

(4) Independent Directors. Pursuant to Securities Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Messrs. Honorio A. Poblador III and Nicasio I. Alcantara.

In line with the guidelines set by the Nominations Committee and approved by the Board of Directors, the Nominations Committee receives the names of nominees and screens them based on the policies and parameters for screening nominees for independent directorship. The final list of candidates, with the information required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, is herewith attached. Mr. Jeck Benavidez nominated Mr. Nicasio I. Alcantara, while Mr. Pacifico Tombaga Jr. nominated Mr. Honorio A. Poblador III, for re-election as independent directors of the Company for the ensuing fiscal year 2020. Messrs. Benavidez and Tombaga Jr. are not related to either or both of the nominees for Independent Director.

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

(5) Business Experience of Executive Officers, Directors and Persons Nominated for Director for the past five (5) years or more.

MR. ALFREDO C. RAMOS ***(76, Filipino)*** has been the Chairman of the Board since December 1992. He was President and Chief Executive Officer of **The Philodrill Corporation** from April 24, 1989 to March 31, 2014. On January 1, 2017, he was re-elected President of the Company. Mr. Alfredo C. Ramos concurrently serves as Chairman of the Board of Anglo Philippine Holdings Corporation; Chairman of Atlas Consolidated Mining & Development Corporation, Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

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

PRESENTACION S. RAMOS ***(78, Filipino)*** is a Member of the Board of **The Philodrill Corporation** since May 1997. Mrs. Ramos also serves as Chairman & President of Alakor Securities Corporation and sits in the Board of Anglo Philippine Holdings Corporation (1984 to date), United Paragon Mining Corporation (1993 to date), Vulcan Industrial & Mining Corporation (1993 to date) and Philippine Red Cross. Mrs. Ramos also serves as Executive Officer of Peakpres Corporation, Abacus Book & Card Corp., National Book Store, Inc., NBS Express, Inc., Power Books, Inc., Zenith Holdings Corporation and Alakor Corporation.

GERARD ANTON S. RAMOS ***(45, Filipino)*** joined **The Philodrill Corporation** in December 2015. He is a member of the Board of Atlas Consolidated Mining & Development Corporation and Carmen Copper Corporation. He serves as Executive Vice President for Investments at Anglo Philippine Holdings Corp.; Vice President at Alakor Corporation and President of United Paragon Mining Corp.; Vice President & Corp. Secretary of National Bookstore, Inc.

ADRIAN PAULINO S. RAMOS ***(42, Filipino)*** Apart from being a member of the Board of The Philodrill Corporation, Mr. Adrian Ramos holds key position in several listed companies: President & COO of Anglo Philippine Holdings Corporation; President of Atlas Consolidated Mining & Development Corp.; Treasurer & Director of Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation. He is also the current Vice President of Alakor Corporation, Vice President and CFO of National Book Store, Inc. He also serves as Corporate Secretary and Director at Alakor Securities Corporation.

MAUREEN ALEXANDRA RAMOS-PADILLA ***(47, Filipino)*** joined the company as Director in June, 2013. She also serves as Director of Anglo Philippine Holdings Corporation and Zenith Holdings Corporation. Her other business affiliations include, Managing Director of National Book Store, Inc. and President of Anvil Publishing Corp.

CHRISTOPHER M. GOTANCO ***(70, Filipino)*** is a Director of The Philodrill Corporation from 2006 to date. He is currently a Senior Advisor and member of the Board of Directors of Anglo Philippine Holdings Corporation.

Mr. Gotanco's current affiliations include: Vulcan Materials Corporation (Vice Chairman & Director from 2012 to date), Bataan Aggregates Corporation (Director from April 2017 to date), MRT Holdings, Inc. (Director from 1995 to date), MRT Development Corporation (Director from 1995 to date), North Triangle Development Corp. (Director from

2004-2014), Vulcan Industrial and Mining Corporation (Director from 1989 to date), (Vice Chairman & COO from 2012 to date) United Paragon and Mining Corporation (Director from 2006 to date), Penta Capital Investment Corporation (Vice Chairman from 2007 to date), Penta Capital Finance Corporation (Director from 2007 to date), and Boulevard Holdings, Inc (Director from 2007 to date).

REYNALDO E. NAZAREA ***(69, Filipino)*** joined the Company as Vice President for Finance in 1987. He was appointed Treasurer in 2005, and has concurrently been serving as Vice President for Administration since 1992. Before joining the Company, Mr. Nazarea practiced public accounting under Sycip, Gorres, Velayo & Co. and held accounting, finance, controllership and administrative positions in Vulcan Industrial & Mining Corporation and Semirara Coal Corporation (now Semirara Mining Corporation). Mr. Nazarea also serves in the Board of Anglo Philippine Holdings Corporation, PentaCapital Investment Corporation, PentaCapital Finance Corporation, PentaCapital Holdings, Inc.

NICASIO I. ALCANTARA ***(77, Filipino)*** has been an Independent Director of the Company since 2003. He is the Chairman and President of ACR Mining Corporation and Chairman of the Board of Conal Corporation. He serves as the Chairman of Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the Bank's Audit Committee and Related Party Transactions Committee. He is currently a Director of Alsons Corporation, Alsons Development and Investment Corporation, Conal Holdings Corporation, Aquasur Resources Corporation, Alsons Aquaculture Corporation, Alsons Land Corporation, Finfish Hatcheries, Inc. Seafront Resources Corporation, Alsing Power Holdings, Inc., Southern Philippine Power Corporation, San Ramon Power, Inc., Sarangani Energy Corporation, Enderun Colleges, Inc. and Phoenix Petroleum Philippines, Inc.

Prior to this, Mr. Alcantara held the position of Chairman and President in various corporations, namely, Petron Corporation, Alsons Consolidated Resource Inc., Iligan Cement Corporation, Alsons Cement Corporation, Northern Mindanao Power Corporation, and Refractories Corporation of the Philippines, Alsons Insurance Brokers Corporation. He was also the Chairman of Alsons Prime Investments Corporation until recently, and served as Director of Bank One Savings, Bancasia Capital Corporation and C. Alcantara & Sons, Inc.

HONORIO A. POBLADOR III ***(73, Filipino)*** served as Independent Director of the company since 2003. He is currently Chairman of Elnor Investment Corporation, F&C Realty, Asuncion Agro-Realty Corporation and President of ASMACO Inc. Mr. Poblador holds several Directorships among them, PobCor Inc. and Alsons Consolidated Resources.

ALESSANDRO O. SALES ***(61, Filipino)*** is the Company's Vice President for Exploration since 2005. He is responsible for implementing Philodrill's oil exploration and development programs for the past thirteen (13) years. He previously served as Asst. Vice President of the Company in 1997.

ISABELITA L. MATELA ***(65, Filipino)*** was appointed Asst. Vice President for Finance on October 1, 2009. She served the Company as Finance & Administration Manager for 23 years prior to her assumption as AVP.

DENNIS V. PANGANIBAN ***(57, Filipino)*** was appointed Asst. Vice President for Exploration and Production on September 1, 2011. Prior to joining Philodrill, he held a Managerial position in NorAsian Energy Ltd., as Joint Venture and Asset Manager for several years.

ATTY. ADRIAN S. ARIAS ***(57, Filipino)*** is the Company's Corporate Secretary. He has been in active corporate law practice for three (3) decades now and serves as a director of companies involved in investments holding (Anglo Philippine Holdings Corp.), financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.), retail (Vulcan Industrial & Mining Corp.), and distribution support services (QFI-Central Integrated Services, Inc.).

(6) Directors and nominee for director with other directorship(s) held in reporting companies

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

(7) Significant Employees. Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The Company is not dependent on the services of certain key personnel and there are no arrangements to ensure that these persons will remain with the Company and not compete upon termination.

(8) Family Relationships. Mr. Alfredo C. Ramos, Chairman of the Board, is the husband of Mrs. Presentacion S. Ramos, Director. Mr. Adrian S. Ramos, Mr. Gerard Anton S. Ramos, and Mrs. Maureen Alexandra

Ramos-Padilla, all Directors are siblings, sons and daughter of Mr. Alfredo C. Ramos and Mrs. Presentacion S. Ramos.

(9) Involvement in Certain Legal Proceedings. For the past five (5) years up to the date this Information Statement is sent to stockholders, the Company is **NOT** aware:

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

(ii) Of any director, executive officer, underwriter or control person of the Company being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,

(iii) Of any director, executive officer, underwriter or control person of the Company being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

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

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

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

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

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

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

As of this date, the matter is still awaiting resolution by the Supreme Court.

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

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

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

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

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

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

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

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances to related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's 2019 Audited Consolidated Financial Statements, a copy of which is included in this Information Statement.

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

(ii) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 15 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

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

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

(11) Parent of the Company. **NO** person holds more than 50% of the Company's voting stock, and the Company has **NO** parent company.

(i) NO director has advised the Company of his/her resignation from, or declination to stand for re-election to, the Board of Directors.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Chief Executive Officer and four (4) most highly compensated executive officers named below as a group are:

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Alfredo C. Ramos Reynaldo E. Nazarea Alessandro O. Sales Isabelita L. Matela Dennis V. Panganiban	Chairman & President Treasurer & VP-Admin VP-Explo & Production AVP Finance AVP Explo & Production				
		2018	15,568,547	-0-	-0-
		2019	17,480,031	-0-	-0-
		2020 (est)	18,354,033	-0-	-0-
All Officers and Directors as a group unnamed					
		2018	21,353,133	-0-	650,000
		2019	23,809,542	-0-	650,000
		2020 (est)	25,110,019		

For the years 2018 and 2019 and the second quarter of 2020, 13^{th} month pay and other compensation were paid to directors and executive officers, which are already included in the amounts above.

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive a per diem of ₱10,000.00 per month to defray their expenses in attending board meetings. Except for the entitlement to receive bonuses as determined by the management and to receive additional remuneration under the provisions of the Company's Stock Appreciation Rights Plan, there are no other arrangements for compensation of directors, as such, during the last year and ensuing year.

The Company maintains standard employment contracts with Messrs. Alfredo C. Ramos, Reynaldo E. Nazarea, Alessandro O. Sales, Ms. Isabelita L. Matela, and Mr. Dennis V. Panganiban which provide for their respective compensation. Other benefits, including entitlement to health benefits, representation expenses and Company car plan are provided under the Company's Procedures Manual.

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

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

Certain employees, including directors of the Company, receive remuneration in the form of Stock Appreciation Right, further details of which are given in Note 12 to the Company's Audited Consolidated Financial Statements.

There are **NO** warrants or options outstanding in favor of directors and officers.

Item 7. Independent Public Accountants

(a) The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed external auditor of the Company in the 2017, 2018 and 2019 Annual Stockholders' Meetings.

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For the year 2020, SGV will be recommended for appointment as independent public accountant for fiscal year 2020.

The fees of the external auditor in the past three (3) years are as follows:

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2019	P1,300,000.00	-0-	-0-
2018	P1,260,000.00	-0-	-0-
2017	P1,030,000.00	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regular filings for years 2019, 2018 and 2017. The amounts under the caption *"Audit & Audit Related Fees"* for the years 2019, 2018 and 2017 pertain to these services.

The Audit Committee has an existing policy prohibiting the Company from engaging the external auditor to provide services that may adversely impact its independence, including those expressly prohibited by SEC regulations.

(b) Not applicable.

(c) SGV representatives are expected to be present at the Meeting and they will have the opportunity to make a statement and respond to appropriate questions.

(d) SGV has been the Company's independent external auditor for the past years. Mr. Jose Carlitos Cruz was the partner-in-charge for five (5) years until 2003 and was succeeded by Mr. Jaime Del Rosario for 2004-2005 in compliance with SEC Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors). For 2006, Mr. Jose Carlitos Cruz was again the partner-in-charge of the Company's audit and was succeeded in 2007 by Mr. Alvin Cerrado. For 2008, Mr. Martin C. Guantes was the partner-in-charge of the Company's audit. For 2009 and 2010, Mr. Alvin M. Pinpin was the partner-in-charge of the Company's audit. From 2011 to 2014, Ms. Eleanore A. Layug was the partner-in-charge. For 2015 to 2019, Mr. Jaime Del Rosario again was partner-in-charge of the Company's audit.

The Company **NEVER** had any disagreement with SGV or with the partners-in-charge of audit on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedures.

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

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

Item 8. Compensation Plans N.A.

C. <u>Issuance and Exchange of Securities</u>

Item 9. Authorization of Issuance of Securities Other than for Exchange
N.A.

Item 10. Modification or Exchange of Securities N.A.

Item 11. Financial and Other Information

See the Company's 2019 Audited Consolidated Financial Statements and Interim Financial Statements (17-Q, as of June 30, 2020) accompanying this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

NO action involving any of the following shall be presented for approval:

(a) The merger or consolidation of the Company into or with any other person or of any other person into or with the Company;

(b) The acquisition by the Company or any of its security holders of securities of another person;

(c) The acquisition by the Company of any other going business or of the assets thereof;

(d) The sale or other transfer of all or any substantial part of the assets of the Company; or

(e) The liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property N.A.

Item 14. Restatement of Accounts

NO restatement of any account has been made from the time the Company's financial statements were last audited (31 December 2019) up to the date of this Information Statement.

NO action will be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. <u>Other Matters</u>

Item 15. Action with Respect to Reports

The following matters shall be submitted to the stockholders for approval at the Meeting:

(a) Minutes of the 19 June 2019 Annual Meeting of Stockholders

Approval of the Minutes of the 19 June 2019 Annual Stockholders' Meeting constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the said meeting. This does not constitute a second approval of the same matters taken up thereat which have already been approved.

(b) Annual Report for the year ended 31 December 2019 (a copy containing the information required by SRC Rule 20 A is enclosed).

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year as contained therein.

(c) Acts and Resolutions of the Board of Directors and Management from date following the last Annual Stockholders' Meeting (19 June 2019) to the present including, but not limited to, the following:

1) Short-term loan facility to National Book Store (NBS);

2) Authority of the Philodrill Corporation to participate in the Philippine Energy Contracting Program (PCECP) and to submit bid documents to the DOE for the exploration of Area 7 and Authority of Mr. Alessandro O. Sales as a representative duly authorized to negotiate, sign, execute, and/or deliver any and all documents in connection with the bid or Area 7 (Sulu Sea);

3) Renewal of Credit Line with United Coconut Planters Bank (UCPB);

4) Amendment to the Short-term loan facility extended to NBS – the proposed amendment on the term of the loan facility to National Book Store (NBS) extending maturity date from September 29, 2019 to December 27, 2019;

5) Approval of the Material Related Party Transactions Policy;

6) Amendment to the Short-term loan facility exntended to NBS, amending maturity date from December 27, 2019 to June 30, 2020;

7) Extension of Subscription Call - that the subscription call for the 50% balance on subscriptions to the 2009 Stock Rights Offering (SRO) may be called for payment by the Board of Directors at any time, on or before December 31, 2020 instead of December 31, 2019;

8) Setting of Annual Stockholders' Meeting - that the Corporation sets the Annual Stockholders' meeting on June 17, 2020, Wednesday at 2:30 P.M. at The Legend Villas, with the record date, for purposes of determining the stockholders of record entitled to notice of and vote at said meeting, of March 18, 2020;

9) Postponment of the Annual Stockholders' Meeting - In view of the enhanced community quarantine as a result of the COVID-19 global pandemic, and in order to safeguard the health and safety of the Corporation's stockholders and other stakeholders, the Board approved the postponement of the 2020 Annual Stockholders' Meeting of the Corporation (originally scheduled to be held on June 17, 2020 per the Corporation's by-laws) to a later date, with the exact date and

time, venue, and other details of the deferred meeting to be determined by the President and subsequently announced;

10) Approval of 2019 Audited Financial Statements;

11) Authority to open Account/s with BDO and avail its products;

12) Amendment to the Short-term loan facility granted to NBS, extending maturity date from June 30, 2020 to December 29, 2020.

13) Board approval on the holding of the 2020 Annual Stockholders' Meeting via remote communication on August 13, 2020 (Thursday) at 2:30 P.M. and adoption of the Guidelines on the Participation of Stockholders by Remote Communication pursuant to the Rules and Regulations implemented by the Commission."

Item 16. Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting but will not be submitted for approval by the stockholders.

Item 18. Other Proposed Action

NO ACTION on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

Item 19. Voting Procedures

In all items for approval, each voting share of stock entitles its registered owner as of the record date to one vote.

In the election of directors, straight and cumulative voting shall be allowed. Each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate the shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Upon successful registration at the Annual Stockholders' Meeting, each stockholder will be provided a ballot to enable him to vote on each item or proposal in the Agenda. All votes will be counted and tabulated by the

Election Committee composed of representatives from the Office of the Corporate Secretary.

Registration for the annual stockholders' meeting and tabulation of votes shall be conducted in the following manner:

(1) Registration is to commence by the filing of a scanned or digital copy of the completed Registration Form together with other required documents to *2020asm@philodrill.com* beginning July 23, 2020 at 8:00am until August 6, 2020 at 5:00pm.

(2) The stockholder has the option to either vote in absentia, in which case the stockholder will have to complete the ballot included in the Registration Form; or to appoint the Chairman of the meeting as Proxy.

(3) Subject to validation by the Company, the stockholder will receive an email confirming their valid registration which shall also contain the link to the live webcast of the Meeting.

(4) The Proxy Validation Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results.

(5) Stockholders who notified the Company of their intent to attend the meeting remotely can either vote in advance or during the meeting through the link provided to their email addresses. Votes are subject to the validation of an independent third party.

Item 20. Participation of Stockholders by Remote Communication

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication.

The livestream of the meeting shall be viewable through a link that will be given to stockholders who have registered successfully. In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or registered and wish to participate via remote communication must notify the Corporation by email to *2020asm@philodrill.com* on or before August 6, 2020, and must provide the following information by said date: (1) Name; (2) Email Address; (3) Contact Number; (4) Postal Address; and (5) scanned copy of any valid government issued identification card ("ID") with photo of the stockholder.

Please refer to *Annex A* for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes in absentia.

ANNEX "A"

THE PHILODRILL CORPORATION
2020 ANNUAL STOCKHOLDERS' MEETING
GUIDELINES ON PARTICIPATION BY REMOTE COMMUNICATION

I. Coverage

Stockholders of **THE PHILODRILL CORPORATION** (the "Company") who are unable to physically attend the Company's Annual Stockholders' Meeting on August 13, 2020 and who have: (a) appointed the Chairman of the meeting as Proxy, or (b) upon valid registration chose to electronically vote in absentia after advising the Company of their intention to attend the Meeting remotely.

II. Registration

1. **Who may Register** – Stockholders of Record as of March 18, 2020.

2. **When to Register-** Registration period for Stockholders who intend to appoint the Chairman as Proxy, or to electronically vote in absentia shall start on July 23, 2020 at 8:00am until August 6, 2020 at 5:00pm, Philippine time ("Registration Period"). Beyond this date, Stockholders may no longer avail of the option to electronically vote in absentia.

3. **How to Register** - The Shareholder must send a scanned or digital copy of their Registration Form, herein attached, together with the following documents to the email address 2020asm@philodrill.com within the Registration Period, for validation.

Individual Stockholders–

a. A recent photo of the Stockholder, with the face fully visible.

b. Scanned or digital copy of the front and back portions of the Stockholder's valid government-issued identification card, preferably with residential address.

c. Contact details

Stockholders with Joint Accounts –

b. Scanned or digital copy of authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account.

c. A recent photo of the authorized Stockholder, with the face fully visible.

d. Scanned or digital copy of the front and back portions of the authorized Stockholder's valid government-issued identification card, preferably with residential address.

e. Contact details of the authorized Stockholder.

Broker Accounts –

a. Scanned or digital copy of broker's certification on the Stockholder's number of shareholdings.

b. A recent photo of the Stockholder, with the face fully visible.

c. Scanned or digital copy of the front and back portions of the Stockholder's valid government-issued identification card, preferably with residential address.

d. Contact details.

Corporate Stockholders –

a. Scanned or digital copy of signed secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation.

b. A recent photo of the stockholder's representative, with the face fully visible.

c. Scanned or digital copy of the front and back portions of the valid government-issued identification card of the Stockholder's representative, preferably with residential address.

d. Contact details of the Stockholder's representative.

Stockholders with incomplete requirements will not be able to register online and vote electronically *in absentia*, but may still vote by sending a proxy (appoint the Chairman of the Company as proxy) to the Annual Stockholders' Meeting.

4. **Validation of Registration**. The validation of the Stockholder's Registration Form shall be completed by the Company within three (3) business days from receipt thereof.

   The Company will send an email confirming successful validation of the Stockholder's registration. Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration.

   The Registration Form can be accessed and downloaded at our website http://philodrill.com

   Note: *In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date, as it deems necessary.*

III. Right to Vote

1. **The Stockholder Appointing the Chairman as Proxy:**

Stockholders may give the Chairman, as Presiding Officer, the authority to vote in all matters for approval, by appointing the Chairman as Proxy in the Stockholders' Registration Form.

2. **The Stockholder Votes in Absentia:**

a. For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.

b. For the Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast in absentia will have equal effect as votes cast by proxy.

3. **Stockholder Participating through Remote Communication:**

Stockholders participating through remote communication may either vote prior to or during the Annual Stockholders' Meeting provided they have validly registered within the Registration Period.

Upon successful registration, Registered Stockholders will receive an electronic mail containing the link they can access to cast their votes. For verification, the Registered Stockholder will have to fill in their data and certify their information on the link provided. The Stockholder may edit their votes but once the Registered Stockholder clicks the Submit button, votes are irreversible.

IV. Tabulation & Validation of Votes in Absentia or by Proxy

The Proxy Validation Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results.

Stockholders who register and vote are hereby deemed to have given their consent to the collection, use storing, disclosure, transfer sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting in absentia for the Annual Stockholders' meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

V. Determination of Quorum

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by proxy or *in absentia* will be included in the determination of quorum.

VI. Access to the Live Meeting

The Company will send the registered Stockholders the link to the live webcast of the Annual Stockholder's Meeting through the email confirming their successful registration or at least no later than two (2) business days prior to the date of the Meeting.

Registered Stockholders may be required to download an application or register an account to access the live webcast of the meeting. For any technical assistance, Stockholders may send their questions or concerns prior to the date of the meeting via email to *2020asm@philodrill.com* with the subject "Technical Assistance**"** where our IT personnel can assist them.

VII. Stockholders' Questions/Comments During the Meeting

Stockholders may send their questions and/or comments during the meeting by email to *2020asm@philodrill.com* with subject *"ASM Question/Comment"*. Stockholders who will participate in the Meeting are encouraged to send their questions, comments and motions before the meeting. Relevant questions on the agenda items will be read by the Moderator and will be answered by concerned officers during the meeting.

VIII. Recording of the Annual Meeting

Upon adjournment, the Company shall post the link to the recorded webcast of the Annual Stockholder's Meeting on the Company's website, for two (2) weeks. Within this period, Stockholders may raise to the Company any issues, clarifications and concerns on the Annual Stockholder's Meeting conducted.

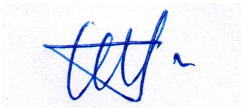
IX. Other Matters

For any clarifications or other concerns, Stockholders may contact the Office of the Corporate Secretary at info@philodrill.com or through telephone nos. ***+632 8631-8151 to 52***.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement are true, complete and correct. This report is signed in the City of Mandaluyong on July 14, 2020.

The Company undertakes to provide, without charge, upon the written request of a stockholder, a copy of its Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary, The Philodrill Corporation, 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.



ADRIAN S. ARIAS
Corporate Secretary

Materials accompanying this Information Statement

1. Notice of the Annual Stockholders' Meeting with Agenda
2. Registration/Proxy Form
3. Final List of Candidates for Independent Directors
4. Management Report for 2019 and for the quarter ended March 31 2020
5. Audited Consolidated Financial Statements for 2019
6. First Quarter Report ended 31 March 2020 (SEC Form 17-Q)

NOTICE OF ANNUAL STOCKHOLDERS' MEETING OF THE PHILODRILL CORPORATION

TO ALL STOCKHOLDERS:

Notice is hereby given that the Annual Stockholders' Meeting (*"Meeting"* or *"ASM"*) of The Philodrill Corporation (the "Company") will be held on **August 13, 2020 (Thursday) at 2:30 pm.** The Meeting will be conducted virtually and attendance at the meeting will be via remote communication only.

The Agenda for the Meeting shall be as follows:

1. Call to Order and Proof of Notice of the Meeting.
2. Certification of Quorum.
3. Approval of the Minutes of the June 19, 2019 Annual Stockholders' Meeting.
4. Report of Management on the Company's Exploration and Production activities for the year ended December 31, 2019.
5. Presentation of Annual Report and Audited Financial Statements for the year ended December 31, 2019 and action thereon;
6. Ratification and Approval of all previous acts and resolutions of the Board of Directors, Management and all Committees.
7. Appointment of Independent Auditor
8. Election of Directors
9. Other Matters
10. Adjournment

Only stockholders of record at the close of business hours on **March 18, 2020** are entitled to notice of, and to vote at this meeting.

In light of the current conditions and in support of the measures to prevent the spread of COVID-19, there will be no physical meeting. Stockholders may only attend and participate in the meeting by remote communication. Stockholders who intend to attend by remote communication are required to accomplish the Registration Form[1] and submit it together with the required documents to *2020asm@philodrill.com* on or before August 6, 2020. The link through which the Meeting may be accessed shall be sent to the email address of the registered stockholder. Stockholders may vote electronically in absentia, subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes in absentia are set forth in the *Guidelines on Participation by Remote Communication* and discussed in the Information Statement (SEC Form 20-IS).

If you are unable the join the virtual meeting but wish to vote on items in the agenda, you may appoint the Chairman as your proxy with specific voting instructions which will be duly counted. Duly accomplished Proxies shall be submitted by email to the Office of the Corporate Secretary at *2020asm@philodrill.com* for inspection, validation, and recording at least seven (7) days before the opening of the Annual Stockholders' Meeting, or on/or before *August 6, 2020*. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received. We enclose a sample Registration/Proxy form for your convenience.

[1] *Downloadable at the Company's website https://philodrill.com/*

By registering to participate in the virtual meeting a stockholder or a proxy or representative of the stockholder agrees for the Company and its service providers to process their sensitive personal information necessary to verify their identity and authority. A stockholder who fails to comply with the registration requirement will not be able to participate in the virtual stockholders meeting.

Stockholders (or their proxies) whose registration are validated can: (a) view the webcast of the meeting, (b) vote on the agenda items using the online ballot that will be sent to them; and (c) send their questions, comments or motions on the agenda items during the Meeting by email to *2020asm@philodrill.com* with subject *"ASM Question/Comment"*. Stockholders who will participate in the Meeting are encouraged to send their questions, comments and motions before the meeting. Relevant questions on the agenda items will be read by the Moderator and will be answered by concerned officers during the meeting.

The Definitive Information Statement ("IS"), Management Report, Audited Financial Statements, Quarterly Report as of June 30, 2020 and other documents related to the ASM, including the **Guidelines on Participation by Remote Communication** may be accessed through any of the following operations:

1. Go to the Philodrill Corporation website via this link: https://philodrill.com/
2. Go to the PSE EDGE portal via https://edge.pse.com.ph/ or;
3. Request for a copy by sending an email to stocks@philodrill.com

For ASM-related queries, you may send an email to stocks@philodrill.com; info@philodrill.com or contact the Office of the Corporate Secretary at +632 8631-8151. For account updating or concerns regarding your shareholdings, please contact our Transfer Agent, **Stock Transfer Service, Inc. (STSI), at telephone no. +632** 8403-2410 or via email directly to Mr. Richard Regala at *rdregala@stocktransfer.com.ph*

Very truly yours,

ADRIAN S. ARIAS
Corporate Secretary

THE PHILODRILL CORPORATION
ANNUAL STOCKHOLDERS MEETING
REGISTRATION/PROXY FORM
(VOTING IN ABSENTIA)

I. Required Information *(Pls. tick the appropriate box)*

Type of Participant:

☐ Individual
☐ Broker
☐ Corporate
☐ Joint
☐ Others *(Please Indicate)*___________

Individual/Corporate Name :________________________
Email Address :________________________
Contact No. :________________________
Postal Address :________________________
Name of Authorized Representative :________________________
(If Corporate/Joint)
Number of Shares Owned :________________________

I will attend the Remote Stockholders' Meeting on August 13, 2020:

☐ YES ☐NO

Note: *The instructions and link to attend the stockholders' meeting will be sent to you in the e-mail address you have indicated herein upon valid registration.*

II. Required Documents

1. Scanned or digital copy of the Registration Form
2. A recent photo of the Stockholder/Authorized Representative, with the face fully visible.
3. Scanned or digital copy of the front and back portions of the Stockholder's/Authorized Representatives' valid government-issued identification card, preferably with residential address.

Additional Documents:

For Joint Accounts- Scanned or digital copy of **Authorization Letter signed** by all Stockholders, identifying who among them is authorized to cast the vote for the account.

For Broker Accounts- Scanned or digital copy of **Broker's Certification** on the Stockholder's number of shareholdings.

For Corporate Accounts- Scanned or digital copy of signed **Secretary's Certificate** attesting to the authority of the representative to vote for, and on behalf of the Corporation.

REMINDERS:

Registration Period starts on **July 23, 2020 at 8:00am until August 6, 2020 at 5:00pm**. Beyond this date and time, stockholders may no longer avail of the option to vote in absentia.

Submit scanned or digital copy of this form & other required documents to 2020asm@philodrill.com

III. Manner of Voting

☐ Voting in Absentia *(Please accomplish the ballot below.)*

☐ Appointing the Chairman as Proxy

IV. Ballot

	RESOLUTION	FOR	AGAINST	ABSTAIN
I.	Approval of the Minutes of the June 19, 2019 Annual Stockholders' Meeting			
II.	Approval of the 2019 Annual Report.			
III.	Ratification of all previous Acts and Resolutions of the Board of Directors, Management and All Committees			
IV.	Appointment of SyCip Gorres Velayo & Co. as the independent auditor and fixing of their remuneration.			
VI.	Election of Directors for 2020-2021	**NUMBER OF VOTES**		
	1. Alfredo C. Ramos			
	2. Presentacion S. Ramos			
	3. Adrian Paulino S. Ramos			
	4. Gerard Anton S. Ramos			
	5. Maureen Alexandra Ramos-Padilla			
	6. Christopher M. Gotanco			
	7. Reynaldo E. Nazarea			
	8. Nicasio I. Alcantara *(Independent Director)*			
	9. Honorio A. Poblador III *(Independent Director)*			

NOTICE:

Considering the recent events and the government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable.

Notarization requirement shall also be dispensed with this time.

However, the company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date as it deems necessary.

V. Data Privacy Disclosure

I hereby give my consent for the Company and its authorized third parties to collect, store, disclose, transfer, and process my personal data for the purpose of the live streaming of the 2020 Annual Stockholders' Meeting in accordance with the Company's Data Privacy guidelines and law.

Further to this, I give my consent to the recording of the meeting, to be made publicly available thereafter on the Company website, as required by the guidelines promulgated by the Securities and Exchange Commission.

VI. Certification of Registrant

By signing this Form, I hereby certify the following, that:

I am a stockholder of the Company as of Record Date March 18, 2020.

The number of votes covered by this Ballot shall be in accordance with the total number of Philodrill shares registered in my name as of record date.

I have read, understand and shall abide by the Rules, Regulations and Guidelines issued by the Company to govern the conduct of the Meeting. In the event I act contrary thereto, the Company has sole discretion to impose its discipline mechanism;

I understand that the quality of my remote Meeting experience depends on my internet provider's services and connectivity. I hold the Company free and harmless of any liability from any interruption, latency or disconnection from the live streaming resulting thereto;

In case of an account with joint owners, or an account in and/or capacity, I have secured the consent of all other owners in the submission of this Ballot.

In case of a corporate shareholder, I am the authorized representative of the corporation and I am duly authorized to submit this Proxy.

If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize the Company or any of its duly authorized representative to request and secure the necessary certification from PDTC or my broker on the number of shares which are registered in my name as of record date and issue the said Proxy in accordance with this Form.

I further hereby certify that my Philodrill shares are lodged with the following brokers:

Name of Broker:________________________________
Contact Person:________________________________
Contact Details:________________________________

That any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and the Company may rely on the accuracy of any such information.

____

Name and Signature of Stockholder/Authorized Signatory **Date: _______________**

ASSISTANCE:

It may be necessary to download an application to access the live stream of the meeting. For technical concerns, please send your queries to 2020asm@philodrill.com with the subject "Technical Assistance". For any clarifications, Stockholders may contact the Office of the Corporate Secretary at stocks@philodrill.com or (02) 8631-8151 to 52. Registered Stockholders may also send their questions and/or comments during the ASM at 2020asm@philodrill.com.

Clarity of video and audio transmission will depend on the communication and network environment. A Wi-Fi environment is recommended for comfortable viewing on smartphones or tablets. Communication charges to view such webcast or live streaming are at the viewer's expense.

FINAL LIST OF CANDIDATES
FOR ELECTION AS INDEPENDENT DIRECTOR

(A) **Candidates for Election as Independent Director**

(1) **Identity, names and ages of candidates for election as Independent Director**

Name	Age	Current Position	Period of service From	To
Honorio A. Poblador III	73	Independent Director	2003	Present
Nicasio I. Alcantara	77	Independent Director	2003	Present

Messrs. Alcantara and Poblador have always possessed the qualifications and none of the disqualifications of an independent director.

Directors elected in the Annual Meeting of Stockholders have a term of office of one (1) year and serve as such until their successors are elected and qualified in the next succeeding Annual Meeting of Stockholders; *provided*, that a director who was elected to fill in a vacancy arising in the Board shall only serve the unexpired term of his predecessor.

Business Experience During the Past Five (5) Years of Candidates for Independent Directors

Mr. Nicasio I. Alcantara is an Independent Director of the Company.

He is the Chairman and President of ACR Mining Corporation and Chairman of the Board of Conal Corporation. He serves as the Chairman of Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the Bank's Audit Committee and Related Party Transactions Committee. He is currently a Director of Alsons Corporation, Alsons Development and Investment Corporation, Conal Holdings Corporation, Aquasur Resources Corporation, Alsons Aquaculture Corporation, Alsons Land Corporation, Finfish Hatcheries, Inc. Seafront Resources Corporation, Alsing Power Holdings, Inc., Southern Philippine Power Corporation, San Ramon Power, Inc., Sarangani Energy Corporation, Enderun Colleges, Inc. and Phoenix Petroleum Philippines, Inc.

Prior to this, Mr. Alcantara held position of Chairman and President in various corporations, namely, Petron Corporation, Alsons Consolidated Resource Inc., Iligan Cement Corporation, Alsons Cement Corporation, Northern Mindanao Power Corporation, and Refractories Corporation of the Philippines, Alsons

Insurance Brokers Corporation. He was also the Chairman of Alsons Prime Investments Corporation until recently, and served as Director of Bank One Savings, Bancasia Capital Corporation and C. Alcantara & Sons, Inc.

Mr. Alcantara holds a Masters degree in Business Administration (MBA) from Sta. Clara University, California, and a Bachelor of Science degree in Business Administration from the Ateneo de Manila University.

Candidates for Independent Director with directorship(s) in reporting companies

Nicasio I. Alcantara	Seafront Resources Corporation
Honorio A. Poblador III	Alsons Consolidated Resources

(2) **Family Relationships**

The candidates for election as independent directors of the Company are **NOT** related by consanguinity or affinity, either with each other or with any other member of the Company's Board of Directors.

(3) **Involvement in Certain Legal Proceedings**

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which an independent director, person nominated to become an independent director of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any independent director, person nominated to become an independent director; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities an independent director, person nominated to become an independent director of the Company; and, (4) judgment against an independent director, person nominated to become an independent director of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

There had been **NO** transaction during the last two (2) years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any independent director of the Company, or nominee for election as an independent director, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

(B) **Security Ownership of Candidates for Independent Directors**

The candidates for independent directors own the following number of voting shares as of the Record Date (18 March 2020):

Class	Beneficial Owner	Number/Nature of Beneficial Ownership				Citizenship	Percent Ownership
		Issued		Subscribed			
		Direct	Indirect	Direct	Indirect		
Common	Nicasio I. Alcantara	1,000,000	362,200,000	1,000,000	362,200,000	Filipino	0.189%
Common	Honorio A. Poblador III	29,900,000	0	29,900,000	0	Filipino	0.016%

As of the Record Date, the aggregate number of shares beneficially owned by the candidates for election as independent director is 393,100,000 shares, or approximately 0.205% of the Company's outstanding capital stock.

Voting Trust Holders of 5% or More

The candidates for election as independent director do not hold more than 5% of any class of the Company's securities under a voting trust or similar agreement.

Changes in Control

The election of independent directors will **NOT** result in a change in control of the Company.

All the Company's independent directors were elected in the 2019 Annual Stockholders' Meeting held on June 19, 2019 and have since served in such capacity.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **NICASIO I. ALCANTARA**, Filipino, of legal age and a resident of #1 Tamarind Road, Forbes Park, Makati City, having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of The Philodrill Corporation and have been its Independent Director since 2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Aces Technical Services, Inc.	Director	July 2011 - Present
Acil Corporation	Director	November 1987 - Present
Alcor Transport Corporation	Director	February 1974 - Present
Alsing Power Holdings	Director	May 2011- Present
Alsons Aquaculture Corporation	Director	May 1988 - Present
Alsons/AWS Information System, Inc.	Director	May 1997 - Present
Alsons Corporation	Director	April 1995 - Present
Alsons Development & Investment Corp.	Director	December 1962 - Present
Alsons Insurance Brokers Corp.	Director	March 1973 - Present
Alsons Land Corporation	Director	Nov. 1994 – Present
Alsons Power Holdings Corp.	Director	December 2011 - Present
Alsons Properties Corporation	Director	November 1997 - Present
Alsons Security Co., Inc.	Director	May 2013 - Present
Alto Power Management Corporation	Director	Nov. 28, 2016 - Present
Aquasur Resource Corporation	Director	June 1987 - Present
Aviana Development Corporation	Vice-Chairman	Mar. 13, 2015 - Present
BDO Private Bank, Inc.	Director	September 2009 - Present
Buayan Cattle Co., Inc.	Director	January 1978 - Present
Conal Corporation	President	May 2006 - Present
Conal Corporation	Director	July 1984 - Present
Conal Holdings Corporation	Director	May 2011 - Present
Finfish Hatcheries, Inc.	Director	May 1996 - Present
Kennemer Foods International	Director	June 2013 - Present
San Ramon Power, Inc.	Director	July 2012 - Present
Sarangani Agricultural Co., Inc.	Director	October 1967 - Present
Sarangani Energy Corporation	Director	July 2012 - Present
Seafront Resources Corporation	Director	May 1995 - Present
Seawood Holdings Incorporated	Director	January 2013 - Present
Sunfoods Agri. Ventures, Inc.	Director	October 2012 - Present
Site Group International, Ltd.	Director	October 2010 - Present
Southern Philippines Power Corp.	Director	May 2011 - Present
Western Mindanao Power Corp.	Director	May 2011 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am related to the following director/officer/substantial shareholder of __N.A__ other than the relationship provided under Rule 38.2.3 of the Securities Code.

Name Of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N.A	N.A	N.A

5. The best of my knowledge, I AM NOT the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Name Of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N.A	N.A	N.A

6. I have the required written permission or consent from the __N.A__ to be an Independent Director in __N.A__, pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(Not Applicable)**

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 13 MAR 2020 at Makati City.

NICASIO I. ALCANTARA
Affiant

SUBSCRIBED AND SWORN to before me this 13 MAR 2020 at MAKATI CITY City, affiant exhibiting to me his ____________ at __________ on __________.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2020
Appointment No. M-66-(2020-2021) Makati City
PTR No. 8116016 / Jan. 2, 2020 / Makati City
IBP Lifetime No. 04897
ROLL No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo st. Legaspi Village, Makati City

Doc. No. 156;
Page No. 32;
Book No. 4;
Series of 2020.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **HONORIO A. POBLADOR III**, Filipino, of legal age and a resident of #8 Wack-Wack Condominium, Mandaluyong City, having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of The Philodrill Corporation and have been its Independent Director since 2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Elnor Investment Corp.	Chairman	1983 - Present
Asuncion Agro-Realty Corp.	Chairman	1982 - Present
ASMACO, Inc.	President	1986 - Present
Alsons Consolidated Resources	Director	1992 - Present
PobCor, Inc.	Director	1995 - Present
Anglo Philippine Holdings Corporation	Independent Director	2019 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Philodrill Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am related to the following director/officer/substantial shareholder of N.A other than the relationship provided under Rule 38.2.3 of the Securities Code.

Name Of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N.A	N.A	N.A

5. The best of my knowledge, I AM NOT the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Name Of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N.A	N.A	N.A

6. I have the required written permission or consent from the N.A to be an Independent Director in N.A , pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(Not Applicable)**

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of The Philodrill Corporation of any changes in the abovementioned information within five days from its occurrence

Done this MAR 13 2020 at Mandaluyong City.

HONORIO A. POBLADOR III
Affiant

SUBSCRIBED AND SWORN to before me this MAR 13 2020 at Mandaluyong City, affiant exhibiting to me his Competent Proof of Identification OSCA ID No. 11362 issued at Mandaluyong Ctiy on January 21, 2008.

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 101013 01/03/2020 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 43330065 /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

Doc. No. 30;
Page No. 7;
Book No. 60;
Series of 2020.

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Philippines
Tel (632) 631-8151; 631-1801 to 05; Fax (632) 631-8080

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20 (4)

I. Audited Financial Statements

The Audited Consolidated Financial Statements of the Company for the Fiscal year ended 31 December 2019 are attached hereto.

II. Disagreement with Accountants on Accounting and Financial Disclosure. NONE

III. Management's Discussion and Analysis or Plan of Operations

(a) Full fiscal years

(1) Financial Condition, Changes in Financial Condition and Results of Operations

Financial highlights for the years 2019, 2018 and 2017 are presented below:

(in thousands of pesos)	**2019**	2018	2017
Petroleum Revenues	**246,488**	382,676	388,202
Investment Income	**42,040**	32,380	15,781
Interest Income	**19,591**	20,995	19,319
Net Income (Loss)	**(63,218)**	(261,957)	(6,367)
Total Assets	**3,354,580**	3,480,333	3,641,120
Net Worth	**3,231,290**	3,299,371	3,565,340
Issued & Subscribed Capital	**1,918,688**	1,918,688	1,918,688

PETROLEUM PROJECTS

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

ProductionOperations

The year 2019 saw the conclusion of the four (4) decades of fruitful operations at the Nido and Matinloc-North Matinloc fields in offshore Northwest Palawan. Operator Philodrill completed the final lifting operation from the Nido Field in March 2019, bringing the total production for 2019 to 20,034 barrels after cargo reconciliation in April 2019. Nido field's total cumulative production since the field first produced in February 1979 was about 18,917,440 barrels. The Matinloc Field had earlier ceased commercial production in February 2019 with a cumulative production of about 12,582,580 barrels. The Matinloc field first produced in July 1982.

As the last operator of these pioneering Service Contract 14 hydrocarbon fields, Philodrill organized in November 2019 in El Nido, Palawan a closing ceremony to celebrate the immense contributions of these fields to the country's economy and stakeholders. Present were representatives from the Philippine Department of Energy, the consortium partner companies, third-party support companies, government agencies, company workers and other personalities who were, at one point in time, have worked on these oilfields.

Wells P & A and Production Facilities Decommissioning

The continued significant decline in the fields' production performance in the last few years, as well as the results of various reserves and economics assessments of the Nido and Matinloc fields have affirmed observations that the fields have already reached the end of their economic life. Amidst the prevailing market conditions which saw crude prices barely breaching economic levels, concerns over the future integrity of the wells and the production facilities prompted the joint venture partners to finally decide to proceed to the cessation of production operations and move forward with the plug and abandonment (P&A) of the remaining nine production wells in the Nido and Matinloc fields. The partners have engaged anew the services of CWT Consultancy Services Limited which had earlier successfully plugged the Libro and Tara South wells in May 2018.

After securing approval of the P&A program from the DOE and after completing final offtake operations from the fields in March 2019, Philodrill tasked CWT to immediately execute the P&A program for the remaining wells. The workboat ENA Habitat was mobilized from Singapore on March 30, 2019 and proceeded to complete P&A works, using slick line method, on seven wells, namely Matinloc-1, Matinloc-2, Matinloc-3 and North Matinloc-1 at the Matinloc platform, and the Nido B-1, B-2, and B-3 wells from the Nido BW platform from March 30 – May 21, 2019. Upon arrival and after offloading and demobilizing all equipments at the Loyang Offshore Base in Singapore, the vessel was off hire on May 27, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020. Both wells have been effectively killed with cement plugs across the reservoir sections.

The DOE had likewise approved the final program for the partial stripping of the production facilities of the platforms immediately after the P&A activities which continued until November 2019. While all these activities were happening, the DOE initiated and successfully concluded negotiations with the Department of National Defense (DND) for the transfer to the latter of ownership, possession and control of the Nido and Matinloc platforms. A Deed of Donation was crafted and was eventually executed by the DOE, and is currently with the DND and the Armed Forces of the Philippines for their execution, with Philodrill signing as witness to the Deed.

The Philippine government declared on March 15, 2020 the Metro Manila -wide Community Quarantine which was later elevated to an Enhanced Community Quarantine covering the entire island of Luzon due to the impact of Covid-19 pandemic. The directives affected the entry and mobilization of vessels and offshore personnel necessary for the resumption in April 2020 of the P&A of the Nido A wells. The program has since been suspended and deferred.

2.0 SERVICE CONTRACT NO. 14 C-1 (Galoc)

Operations Review

The Galoc field's full year production in 2019 totalled 743,754 barrels, about 18% lower than the revised forecast volume of 905,025 barrels set by operator Galoc Production Company (GPC). The decline is largely attributed to the decrease in production from the Galoc-3 well that is now in cyclic production scheme, as well as to the continued shut-in of the Galoc-4 well since mid-January 2019 due to problems in the well's subsurface production mechanism, specifically the well's tubing retrievable safety valve (TRSV) which GPC continued to investigate and resolve.

Following the acquisition by Tamarind Resources of the ownership and control of the Galoc field in July 2018, GPC started to investigate and implement various programs aimed at improving performance. Tamarind had likewise secured approval of the JV partners for the installation of a condensate recovery unit (CRU) at the Galoc FPSO to recover the condensate from the gas production at the Galoc field. The operator negotiated a contract with technology provider NGLTech for the design and manufacture of the CRU module which was earlier programmed to be installed in the second quarter of 2019. Early in their operatorship of the petroleum service contract, Tamarind had also negotiated for the sale of future Galoc cargoes to exclusive buyer Trafigura, through Vitol, starting with the June 2019 offtake.

Deferment of CRU Facility Utilization

The Condensate Recovery Project is already delayed, as a result of the unexpected but necessary design modification on the low-pressure CRU module during manufacture in Malaysia. Upon completion towards mid-2019, the CRU was mobilized for installation on the FPSO in August with expectations of first gas by early October 2019. Unfortunately, severe weather at the time and the still incomplete modifications and refurbishment being done on the FPSO to accommodate the CRU, prompted GPC to defer the installation. The CRU is presently safely stored at the Energy Supply Base in Batangas for the time being while GPC is implementing measures aimed at restoring G4 and finding means to increase production from the field. Had the CRU been installed and operational at that time, GPC expected the facility to contribute an additional volume of 60,000 barrels to the Galoc production.

Galoc-4 Well Re-start Strategy

Early in the year, GPC's attemptto put the G4 well back in production using a mini-HPU failed to start-up the well. In August, GPC executed a low-pressure unloading and re-start of the G4well. The procedure also failed to establish flow from the well but was able to rule out the TRSV as being the problem and identified instead liquid loading in the well as the cause of the G4 well being unable to flow hydrocarbon liquids to the surface.

Concerned of the negative effect of having the CRU remaining unutilized and the noticeable decline in production, GPC in October 2019 implemented nitrogen (N_2) bull-heading operations as an alternative option to re-start the G4 well. The procedure entailed injection of nitrogen gas at high pressure into the well tubing to push the liquid column back in the reservoir and then immediately attempt a re-start of the well before the liquid column accumulates in the production tubing again. The injection operations went per plan but the subsequent well re-start operations were not successful. Subsequently the other wells were put back in production, with the G3 well still in cyclic production as per the present GPC production strategy.

During the Operating Committee Meeting held later in the year, the Galoc JV approved GPC's proposed program for G4 re-instatement by the use of gas lift technique including a contingent program for a second, larger N2 gas bull-heading operation. The entire program was about to be commenced in mid-March 2020 but had to be deferred until such time that the Covid 19–related community quarantine directives of the government are lifted.

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

In early 2019, the DOE approved the 2019 WP&B for the West Linapacan Block, the major component of which is the joint Quantitative Interpretation (QI) re-processing with the SC 74 JV of the seismic volume covering the West Linapacan A and B in SC 14 C-2 and the Linapacan A and B in SC 74. Immediately after securing approval from their respective JV partners, block operators Philodrill and PXP Energy successfully negotiated with service provider IKON Science that will undertake the project. As agreed, the QI work will cover adjacent areas of the 2 blocks, the cost of which shall be shared by the 2 consortia.

During the same period, expressions of interests were received from foreign firms on the possible re-development of the West Linapacan field. Consequently, non-disclosure agreements were executed, providing these companies confidential access to West Linapacan data for their due diligence work. Of the two, only the UK-based Desert Rose Petroleum Limited (DRPL) progressed into a full farm-in negotiation. DRPL initially offered separate non-binding offers to the joint venture partners willing to divest interests on the block by outright sale of their working interest or by farm-out.

Eventually after several months of negotiations, DRPL finally executed a Sale and Purchase Agreement (SPA), with the Joint Venture partners composed of Oriental, Logpocor, PetroEnergy, Philodrill, Alcorn and Forum Energy. Alcorn and Forum Energy opted for the full divestment of their interests on the block.

A separate Farm-out Agreement (FOA) with the farming-out partners composed of Oriental, Logpocor, PetroEnergy and Philodrill who retained a combined 20% participating interest was executed with DRPL. Under the FOA the farmors agreed to assign 15% interest to DRPL and retained a combined interest of 5%.The Deed of Assignment (DOA) arising from the FOA is currently being finalized by the Parties.

The FOA and the SPA, both have an Effective Date of 7 January 2020. The SPA and the DOA, will be submitted to the DOE for approval as soon as the DOA has been fully executed by the parties to the FOA.

Earlier in September – October 2019, IKON Science carried out Phase 1A – Trial Inversion of the 30 sq km data covering contiguous areas of SC 14C2 and SC 74. Results of the study were presented during the Technical Committee Meeting held in October 2019 where first-pass Joint Impedance Facies Inversion (JI-FI) indicate presence of hydrocarbons in Linapacan A-B but absence in the West Linapacan B. In the light of the inconsistent results from Phase 1A and to give way for the technical work that DRPL had proposed as part of their farm-in commitment for the West Linapacan Block, the SC 14C2 JV opted out of the succeeding phase of the joint seismic inversion reprocessing work with the SC 74 Joint Venture. DRPL is interested in the re-development of the West Linapacan Field which last produced in early 1995.

4.0 SERVICE CONTRACT NO. 6A (Octon)

The DOE approved in January 2019 the proposed Octon Block WP &B for CY 2019. The proposed activities include seismic attribute study on the northern block of SC 6A aimed at maturing a potential drilling location for an exploratory well, and contingent programs of preparing a preliminary well design and proposal as well as scoping project economics. Philodrill, as Operator, aims to be able to identify a possible well location at the central fault of the West Malajon-Salvacion-Saddle Rock anticlinorium within the current program.

The SC6A Joint Venture is currently evaluating the offer of Tamarind Resources to undertake high-level technical and economic studies on the Octon discovery. Following preliminary discussions, Tamarind submitted a work plan of activities anchored on the formulation of a Field Development Plan (FDP) for the Octon discovery which the JV adopted and submitted to the DOE for approval as supplemental CAPEX to the DOE-approved 2019 SC 6A WP&B. Eventually, a draft farm-in agreement over a portion of the southern area of SC6A covering the Octon field discovery was crafted and is currently being negotiated. As envisaged, Tamarind gets to earn the maximum 58.88% participating interest in the Octon Field sub-block. Consortium partner PetroEnergy Resources has been designated to assist in the negotiations regarding the Tamarind farm-in.

While these negotiations are ongoing, Philodrill continued evaluating the northern block of SC 6A to establish a better understanding of the reservoir distribution of the Galoc reservoir sands to be able to identify and propose a drilling location to test/appraise the Central Fault Block of the Malajon-Salvacion-Saddle Rock structure. At the same time, the Operator continued its parallel in-house work on the Octon Field to validate Tamarind's evaluation of the Octon discovery in the southern block.

Moving forward, Philodrill submitted and secured the DOE's approval of the 2020 WP&B for SC 6A which will progress the technical evaluation works in the northern and southern sectors of the SC with the end view to identify and propose to the JV consortium a final exploration drilling location in the Central Fault Block and to identify additional resources and appraisal opportunity on the Octon discovery and surrounding areas.

5.0 SERVICE CONTRACT NO. 6B (Bonita)

For the most part of 2019, the Bonita Consortium waited for the DOE to approve the requested transfer to Manta Oil Company Limited (MOCL) of the JV partners' participating interest in SC 6B and operatorship of the block from Philodrill. The impasse is largely attributed to the farminee's apparent inordinate delay in completing the requisite documentations, prompting the DOE to require the SC 6B consortium to submit an alternate work program independent from the farminee's contemplated farm-in program. The SC 6B partners manifested that submission of a separate work program will only be appropriate should the DOE disapprove the interest assignment, transfer of operatorship, and the submitted work program by Manta.

In August 2019, Manta Oil was given the final deadline to complete requisite documentations to fully satisfy the DOE's approval of the farminee's qualification as a service contractor and as operator of SC 6B. The DOE finally approved on October 17, 2019 the Deed of Assignment transferring the farming-out partners' 70% participating interests in SC 6B, the operatorship of the block and Manta's submitted work program. Manta Oil has committed to re-developing the Cadlao Field as its farm-in commitment as well as the opportunity of exploring other satellite structures within the block.

Up to the end of 2019, Manta has started re-evaluating the third-party reserves audit report and is engaging RISC, the previous auditor to update the reserves audit. They are also looking to engage a turnkey drilling contractor for the drilling of the Cadlao production wells. Manta has also narrowed down the development concept to a shallow water wellhead platform producing to a moored FPSO as the most economically attractive option.

6.0 SERVICE CONTRACT NO. 53 (Onshore Mindoro)

Block operator Mindoro-Palawan Oil & Gas Inc. (MPOGI) had not provided updates as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of Progreso-2. In 2018, the DOE already instructed MPOGI to secure a Certificate of Pre-Condition from the National Commission on Indigenous Peoples (NCIP) which will enable the lifting of the moratorium on activities, thus allowing the conduct of drilling activities in SC 53.

For its part, Philodrill assisted Gas2Grid, the operator of SC 44 in onshore Cebu, which earlier indicated interests on the Progreso project through possible drill-for-equity with the Onshore Mindoro joint venture. While MPOGI did not provide details of their negotiations with Gas2Grid, the operator disclosed that they were also entertaining expression of interest by another group for possible farm-in to Onshore Mindoro Block.

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. This came as a big surprise as the non-operator partners (Philodrill, Anglo Philippine Holdings and Basic Energy) as they had all have been demanding MPOGI, to rectify the operator's operational deficiency. Neither the operator nor the DOE notified the other JV partners of the contract termination, as the partners only came to know of the decision during a verbal inquiry with the DOE on July 4, 2019.

Immediately a Motion for Reconsideration (MR) on the termination of the SC was submitted to the DOE on July 8, 2019 and during an audience with the DOE on July 12, the Non-Operator partners manifested to reconstitute the Joint Venture and agreed to continue the service contract and deliver the SC53 commitments. The DOE, up until now, is still evaluating the merits of the MR.

While the MR was pending with the DOE, Philodrill assuming the role of de facto operator coordinated with Newrest SOS (NSOS) for the settlement of the outstanding JV obligations that MPOGI failed to settle with NSOS, principally rental and lease of spaces at the Mabini ESB where long-lead items (LLIs) intended for the Progreso drilling project are currently stored.

Upon recommendation of NSOS, Philodrill also negotiated and eventually engaged third-party contractor ACE Tubular Services, Ltd which did an inspection and assessment of the current condition of the LLIs for future use and/or disposal or sale. Results of the inspection work were presented to the partners in December 2019. Despite settlement of the storage fees due NSOS, the Joint Venture realized that the continued storage of the LLIs will incur costs while waiting for the DOE decision on the still pending MR. Philodrill then sought and was granted approval by the DOE for the sale of the inventory to Felpet Trading and Materials Recovery Services which was selected through competitive bidding.

7.0 SERVICE CONTRACT NO. 74 (Linapacan)

The DOE approved in January 2019 the Linapacan Block WP &B for CY 2019, the major component of which is the conduct of Quantitative Interpretation work on a 400 sq km reprocessed PSDM seismic data volume in SC 74 jointly with the SC 14C-2 consortium. As earlier mentioned in this report, Philodrill and SC 74 operator PXP Energy have negotiated with and engaged IKON Geoscience for the QI work. Also approved is the integration of the results of the gravity and magnetic modelling with the MC2D seismic interpretation and the completion of the remaining studies from the previous year.

The initial activities of the QI work were undertaken from April to June 2019 involving seismic and well data conditioning, petrophysics and rock physics. The two consortia then agreed to proceed with the trial inversion using IKON's Joint Impedance Facies Inversion (JI-FI) workflow over a 30 sq km data volume covering the West Linapacan and Linapacan discoveries. As discussed in the SC 14C2 section of this report, the SC 14 C2 consortium opted out from the Phase 2 of the project, with only SC 74 consortium proceeding with the full inversion of the larger 480 sq km QI area.

The DOE approved in December 2019 the submitted WP & B for 2020, with an advice that PXP Energy should have identified a drillable prospect at the end of Sub-Phase 3. Early this year, the DOE also approved the requested extension of SP 3 until December 13, 2020.

8.0 SULU SEA (Formerly Service Contract 41)

The DOE launched the Philippine Conventional Energy Contracting Program (PCECP)in November 2018. Philodrill and bid application partner PXP Energy submitted in August 15, 2019 a joint bid over Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer. Area 7 was formerly covered by Service Contract 41 in which both Philodrill and PXP Energy were joint venture participants. During the opening of bids, the joint Philodrill/PXP application was assessed to have successfully satisfied the criteria set for the contracting round This was confirmed in writing by the DOE in September when they accepted the bid for further substantive legal, financial and technical evaluation.

PNOC-Exploration Corporation (PNOC-EC) expressed interest in exercising its option to take in 10% participating interest once a new service contract is awarded over the area. Similarly, Oriental Petroleum also expressed its interest in joining the Joint Venture for Area 7. Philodrill had advised these companies to wait until after has completed evaluation of the application so as not to undermine the PCECP process.

In November 2019, the DOE advised that processing of bid applications and awarding of new service contracts is being held in abeyance, specifically in areas under the jurisdiction of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order (EO), currently being drafted by the DOE, is signed by the President. The said EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM.

9.0 SWAN BLOCK (Deepwater Northwest Palawan)

Philodrill continues to evaluate all available exploration data on the deep-water areas offshore NW Palawan, particularly in areas previously covered by the SWAN Block. This is in line with the planned participation of Philodrill in the farm-in program of PNOC-Exploration Corporation inService Contract 57 and possible participation in exploration ventures on other deep-water blocks in the West Philippine Sea region. An initial meeting with PNOC-EC was held in September last year for the initial review of technical data in SC 57 under a Confidentiality Agreement.

Additional information required by Item 1 (a) is also contained in Note 10 to the Company's 2019 Audited Consolidated Financial Statements.

INVESTMENTS IN ASSOCIATES

The Company's associates are PCIC, PCHI and ACMDC, where the Company has 40%, 13.21% and 0.53% equity interest, respectively. In December 2015, the Company entered into a Joint Voting Agreement with Alakor Corporation, National Book Store, Inc. and Anglo Philippine Holdings Corporation, collectively known as the Ramos Group, to jointly vote their shares in ACMDC in all matters affecting their rights as stockholders effective January 1, 2015. As of December 31, 2018, the combined interest of the parties to the agreement represents 43.01% interest in ACMDC.

PCIC posted a total comprehensive income of P110.0 million in 2019, 28% higher than the 2018 comprehensive income of P86.0 million. Gross revenues amounted to P215.5 million in 2019 as compared to P199.0 million in 2018.

PCHI's net income decreased to P41.3 million in 2019 from P45.2 million in 2018. Gross revenues decreased to P30.1 million in 2019 as compared to P93.7 million in 2018.

ACMDC's comprehensive loss amounted to P1.26 billion in 2019, as compared to P0.78 billion in 2018. Gross revenues amounted to P16.2 billion in 2019 and P13.3 billion in 2018.

Additional information is also contained in Note 8 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

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

(2) Key Variable and Other Qualitative and Quantitative Factors

The key performance indicators of the Company are as follows:

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Current Ratio	8.72:1	6.13:1	22.78:1
Current Assets	693,735,475	918,114,898	1,065,607,826
Current Liabilities	79,568,492	149,872,054	46,778,289
Debt to Equity Ratio	0.04:1	0.05:1	0.02:1
Total Liabilities	123,289,829	180,961,421	75,780,539
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Equity to Debt Ratio	26.21:1	18.23:1	47.05:1
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Total Liabilities	123,289,829	180,961,421	75,780,539
Book Value per Share	0.01684	0.01720	0.01858
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Outstanding shares	191,868,805,358	191,868,805,358	191,868,805,358
Earnings per Share	(0.0003)	(0.0014)	(0.0000)
Net Income (Loss)	(63,218,421)	(261,957,274)	(6,366,746)
Weighted Average shares outstanding	191,868,805,358	191,868,805,358	191,868,805,358

Current Ratio is 8.72:1 as of December 31, 2019, 6.13:1 as of December 31, 2018; and 22.78:1 as of December 31, 2017. As December 31, 2019; December 31, 2018; and December 31, 2017, current assets exceeded the current liabilities by P614.2 million, P768.2 million and P1.019 billion, respectively. However, a portion of the "Investments" account in the statements of financial position consists mainly of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P68.3 million as of December 31, 2019; P70.5 million as of December 31, 2018; and P47.6 million as of December 31, 2017 and. If these shares would be considered part of Current Assets, the recomputed current ratio would be 9.58:1 as of December 31, 2019; 6.60:1 as of December 31, 2018; and 23.80:1 as of December 31, 2017.

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

	December 31, 2019
Current Ratio	***192.9:1***
Current Assets	**8,644,542**
Current Liabilities	**44,800**
Debt to Equity Ratio	***0.0052:1***
Total Liabilities	**44,800**
Stockholders' Equity	**8,599,742**
Equity to Debt Ratio	***192.0:1***
Stockholders' Equity	**8,599,742**
Total Liabilities	**44,800**
Book Value per Share	***0.0007***
Stockholders' Equity	**8,599,742**
Average shares outstanding	**12,505,000,000**
Income per Share	***-0-***
Net Income (Loss)	**(645,666)**
Average shares outstanding	**12,505,000,000**

Discussion and Analysis of Material Events and Uncertainties

(i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 21 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 10 and 21 to the Company's 2019 Audited Consolidated Financial Statements.

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

a) Total assets increased from P3.64 billion as of year-end 2017 to P3.48 billion as of year-end 2018. From the December 31, 2018 balance, total assets decreased by P125.7 million to its December 31, 2019 balance of P3.35 billion.

- Cash account decreased by P97.8 million from P634.4 million as of December 31, 2017 to P536.6 million as of December 31, 2018 mainly due to the payment of the Company's share in the plug and abandonment costs of Libro and Tara wells. From its December 31, 2018 balance to December 31, 2019 balance of P403.3 million, a decrease of P133.4 million was also reflected mainly due to the payment of the Company's share in the plug and abandonment costs of Nido and Matinloc wells.

- Receivables account decreased by P61.4 million from P357.6 million as of December 31, 2017 to P296.1 million as of December 31, 2018. Receivables decreased by P16.4 million from its December 31, 2018 balance to December 31, 2019 balance of P279.7 million due to the collection of certain receivables.

- Crude oil inventory increased by P12.5 million from P71.2 million as of December 31, 2017 to P83.7 million for the Company's share in inventory for the SC14 Galoc, Nido, Matinloc and North Matinloc crude. From its year-end 2018 balance to year-end 2019 balance of P7.7 million, a decrease of P76.0 million was reflected due to lower level of crude oil in storage and crude prices.

- Other current assets decreased from its December 31, 2017 balance of P2.5 million to December 31, 2018 balance of P1.7 million. From its year-end 2018 balance to year-end 2019 balance of P3.1 million, an increase of P1.48 million was reflected, due to higher level of prepayments as of year-end.

- Property and equipment decreased by P152.2 million from its December 31, 2017 balance of P642.0 million to December 31, 2018 balance of P489.8 million. From its year-end 2018 balance to year-end 2019 balance of P489.8 million, a decrease of P12.1

million was reflected. The decrease was mainly due to depletion expense (P64.5M) booked for the 2019, net of additional capital expenditures of P52.6 million.

- Investments in associates increased by P5.3 million from the year-end 2017 balance of P784.9 million to year-end 2018 balance of P790.1 million. While the year-end 2018 balance increased by P34.8 million to year-end 2019 balance of P824.9 million due the equity share in associates' earnings, adjustment in the other comprehensive income of associates net of cash dividend booked during the period. Additional information is also contained in Note 8 of the Audited Consolidated Financial Statements for 2019.

- Financial assets at Fair Value through OCI increased by P23.1 million from its year-end 2017 balance of P51.0 million to year-end 2018 balance of P74.3 million. While for year-end 2018 to year-end 2019 balance of P72.5 million, a net decrease of P1.7 million was reflected due to adjustment in the quoted shares carried at fair market value at end of 2019, net of the acquisition of additional investment amounting to P7.3 million. Additional information is also contained in Note 9 of the Audited Consolidated Financial Statements for 2019.

- Deferred oil exploration costs increased by P15.0 million from its year-end 2017 balance of P1.043 billion to year-end 2018 balance of P1.058 billion. While for year-end 2018 to year-end 2019 balance of P1.074 billion, an increase of P15.8 million was also reflected. The increases were mainly due to the additional costs incurred for the various petroleum exploration projects.

- Deferred tax asset (DTA) increased from its year-end 2017 balance of P28.2 million to P121.2 million as of year-end 2018. By year-end 2019, additional P64.3M adjustment on recognized DTA mainly on net operating loss carryover was booked increasing the balance to P185.5 million.

- Other non-current assets increased by P2.4 million from its year-end 2017 to year-end 2018 balance of P28.3 million due to the additional other deferred charges booked. The year-end 2018 balance decreased by P2.5 million to year-end 2019 balance of P25.8 million.

a) Total liabilities increased from its balance of P75.8 million in 2017 to P181.0 million balance in 2018. From the December 31, 2018 balance, total liabilities decreased by P57.7 million to its December 31, 2019 balance of P123.3 million.

- Accounts payable and accrued liabilities decreased by P1.4 million from its year-end 2017 balance of P13.1 million to year-end 2018 balance of P11.7 million. These further decreased by P4.5 million from its year-end 2018 balance to P7.2 million as of December 31, 2019 due to the payments made.

- As of year-end 2018, the company accrued its share in the provision for the plug and abandonment costs of Nido, Matinloc and North Matinloc wells amounting to P104.9 million presented as "Current portion of provision for plug and abandonment costs" in the financial statements. For year-end 2019, two (2) wells of Nido remained unplugged and for abandonment in 2020, the corresponding share in the P&A costs amounted to P39.0M was accrued. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

- Income tax payable as of year-end 2018 amounted to P0.04 million. From year-end 2018 balance to year-end 2019 balance of P0.21 million, an increase of P0.17 million was reflected due to higher income tax liability accrued as of end of period.

- Dividends payable decreased from its year-end 2017 balance of P33.3 million to year-end 2018 balance of P33.2 million. For year-end 2018 balance to year-end 2019 balance of P33.1 million, a slight decrease of P0.1 million was reflected due to payments made during the period.

- Beginning year-end 2016, full provision was made for the future cost of decommissioning Galoc oilfield. The company's estimated share in decommissioning liability amounted to P24.2 million as of December 31, 2017. From its year-end 2017 balance to 2018 year-end balance of P21.1 million, a decrease of P3.1 million was reflected. For year-end 2018 balance to year-end 2019 balance of P23.9 million, adjustment of P2.8 million was also booked. The movements on the balances were adjustments on the revaluation of the liability. In relation to this decommissioning liability, a decommissioning fund equivalent to its current contribution to settle its share in the decommissioning costs of Galoc oilfield is also established and is reflected under "Property and equipment" account. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

- Retirement benefit liability increased by P5.1 million from its year-end 2017 balance of P4.8 million to year-end 2018 balance of P9.9 million. From its year-end 2018 balance to year-end 2019 balance of P19.8 million, an increase of P9.8 million was reflected due to the adjustment in the recognized retirement benefit liability as of end of the period.

c) Stockholders' equity decreased by P266.0 million from its year-end 2017 balance to year-end 2018 balance of P3.3 billion. While for year-end 2018 to year-end 2019, the stockholders' equity also decreased by P68.0 million.

- Issued capital stock balance remained at P1.568 billion for the years-ended 2017, 2018 and 2019.

- Subscribed capital stock and subscriptions receivable balances also remained at P350.7 million for the years-ended 2017, 2018 and 2019.

- The unrealized loss on the decline in value of AFS financial assets and financial assets at fair value through other comprehensive income increased by 1.7 million from year-end 2017 balance of P30.3 million to year-end 2018 balance of P31.9 million. While from its year-end 2018 balance to year-end 2019 balance of P41.0 million, an increase of P9.0 million was reflected due to the additional adjustment in the valuation allowance. Additional information is also contained in Note 9 of the Audited Consolidated Financial Statements for 2019.

- Retained Earnings from year-end 2017 balance of P1.81 billion to year-end 2018 balance of P1.6 billion, reflected a net decrease of P261.9 million was due to the net loss booked during the period. While for year-end 2018 to year-end 2019 balance of P1.5 billion, the decrease of P63.2 million was also mainly due to the net loss booked for the period.

d) Petroleum revenues in 2019 totaled P246.5 million as compared to P382.7 million in 2018 and P388.2 million in 2017. For the year 2019, the decrease in revenues was mainly brought about by the decrease in production volume and crude prices. Production decreased by 39% from its 2018 level of 1.25 million barrels to 0.76 million barrels in 2019. Combined average prices for 2019 and 2018 were US$59.44 and US$70.98, respectively. For 2017, total production volume was 1.56 million barrels and average price per barrel was US$57.34.

   Equity in net earnings of associates amounted to P42.0 million in 2019 and P32.4 million in 2018. The net increase of P9.7 million from year-end 2018 to year-end 2019 balance was due to higher level of income of PCIC, offset by equity share in ACMDC's loss. For 2017, equity in net earnings of associates amounted to P15.8 million.

   Interest income totaled to P19.6 million in 2019, P21.0 million in 2018 and P19.3 million in 2017.

   Foreign exchange gains (losses) amounted to (P15.2) million in 2019, P22.5 million for 2018 and P2.6 million for 2017.

e) Total costs and expenses totaled to P417.3 million in 2019, P811.0 million in 2018 and P444.3 million in 2017.

   Share in production and plug and abandonment costs totaled to P287.3 million in 2019, P490.4 million in 2018 and P291.2 million in 2017. For 2018, the P200M increase in these costs was mainly due to the plug and abandonment costs incurred for the Libro and Tara wells and the remaining nine (9) wells at the Nido, Matinloc and North Matinloc fields. As of year-end 2019, two (2) wells of Nido remained unplugged and for abandonment in 2020, additional P39.0 million was accrued for the company's share in the plug and abandonment costs. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

   Depletion costs amounted to P64.6 million in 2019, P88.4 million in 2018 and P89.8 million in 2017.

   General and administrative expenses totaled to P62.7 million in 2019, P82.0 million in 2018 and P59.7 million in 2017.

Current provision for income taxes amounted to P2.8 million in 2019, P2.1 million in 2018 and P2.3 million for 2017. Recognition of deferred tax asset resulted to benefit from income tax amounting to P62.6 million in 2019 and P92.6 million in 2018 and P14.3 million in 2017.

For 2018, loss on write off of exploration costs of plugged and abandoned projects under SC14, receivables and investment were booked totaling to P128.2 million. Provision for expected credit loss amounting to P20.9 million was also booked for the period.

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

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

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

(b) Interim Financial Statements (2nd Quarter 2020)

Please see attached SEC Form 17Q as of June 30, 2020

PETROLEUM PROJECTS
2020 Update

1.0 <u>**Service Contract 6A (Octon)**</u>

The recent oil price crash has impacted the production operations at the Galoc Field and subsequently pushed back farm-in negotiations with Galoc Field operator Tamarind Resources.

LMKR's Proof of Concept (POC) study over the north block was completed in early March 2020. The POC results were consistent with the in-house analysis done by Philodrill and supported the general well location being identified in the area. Philodrill, as operator of the SC, recommended to progress the POC work to a full Quantitative Interpretation (QI)/Reservoir Characterization Study work over the north block which the consortium approved. An amended SC 6A 2020 WP&B incorporating the study has been submitted to the DOE for their approval.

NWP Ventures Ltd., an affiliate of Manta Oil, expressed interest in looking at the north block for possible farm-in. A Confidentiality Agreement, granting them access to data on the area, was executed in February and data transmittal was completed only in early July due to the Enhanced Community Quarantine (ECQ) and lockdown.

2.0 Service Contract 6B (Bonita/Cadlao)

Manta Oil continues their subsurface evaluation of the Cadlao Field. Phase 1 of programmed G&G work involves remapping and identification of prospects and leads in the area. Three major prospects have been previously identified: East Cadlao, Elephant and Bonita. East Cadlao is ranked as having better prospectivity due to its proximity to the Cadlao oil field

Manta sees a PSDM seismic data reprocessing as an integral part of their subsurface evaluation, and are currently in talks with several third-party contractors who can provide PSDM work.

3.0 Service Contract No. 14 (Nido/Matinloc)

The program for the final plug and abandonment (P&A) for the Nido A-1 and A-2 wells was suspended due to the Covid-19 situation and the implemented ECQ which restricted movement of personnel and deployment of the vessels that will execute the P&A works. The current plan is to resume the P&A operations within the next weather window in September 2020. All contract and operational programs remain valid. In addition, almost all the equipment and personnel required to resume operations are available. A slight increase in the P&A budget brought by the deferment of the P&A execution was also approved by the Joint Venture.

4.0 Service Contract No. 14 C-1 (Galoc)

The Galoc Field produced 176,913 barrels during the second quarter of 2020, slightly higher than the previous quarter's output of 173,600 barrels. As at end-June 2020, about 26,034 barrels of crude remain on board the FPSO Intrepid after the completion of the latest Galoc offtake of about 220,000 barrels on June 28, 2020.

As reported earlier, FPSO owner served a Notice of Termination of the FPSO contract that will result in the suspension of production operations by 24 September 2020. Within the 6-months preceding the termination, production operations continue despite restricted movements of the offshore crew who remained on an extended tour of duty due to the Covid-19 pandemic.

While production operations will continue until the said date, GPC, however continued its other programs and commitments on the Galoc Block. During a Technical Committee Meeting held in May, GPC presented the results of their latest subsurface modelling works which point to a paradigm shift in the geological understanding of the Galoc reservoir. With a new model, GPC is in a better position to identify potential development opportunities and to design future plans when the Galoc field resumes production in 2022.

The DOE had been notified of the temporary shut-down of the field. GPC is currently drawing plans for the temporary suspension of the Galoc wells and the eventual release of the FPSO from the site by October 2020. At the same time, GPC continues to work on firming up the re-start plans for the Galoc Field.

5.0 Service Contract No. 14 C-2 (West Linapacan)

The Deed of Assignment (DOA) arising from the Farm-out Agreement with Desert Rose Petroleum Limited had been reviewed, with the partners finally approving the document in June. Copies of the documents are being prepared for transmittal to DRPL for signing and once fully executed by all parties will be submitted to the DOE. Meanwhile, Philodrill has been compiling the necessary documentation for the submission of the DOA and the Sale and Purchase Agreement to the DOE.

The report on the in-house evaluation work on the West Linapacan Field B is being finalized. The work focused on re-assessing the structure's resource potential using reservoir parameters derived from basic seismic attribute analysis.

5.0 Service Contract No. 53 (Onshore Mindoro)

The DOE continued evaluating the merits of the Motion for Reconsideration (MR) on the termination of the SC that the continuing partners filed with the DOE in June 2019. While awaiting favourable decision from the DOE on the pending MR, Philodrill, on behalf of the SC 53 remaining partners, concluded the sale of the long lead items intended for the Progreso drilling project to buyer Felpet Trading to avoid further deterioration of the items and continuing costs for storage. Felpet had to wait until early June to pull out the said LLIs because of restricted access to the Energy Supply Base during the Covid lockdown. Philodrill is now finalizing the Service Contract 53 accounts to determine the status of all joint venture obligations.

6.0 Service Contract No. 74 (Linapacan)

PXP, on behalf of the Joint Venture partners, requested to the DOE the imposition of a Force Majeure over SC 74 for nine (9) months starting from 13 March 2020 to 12 December 2020, citing the negative impact of the COVID-19 pandemic on business operations and implementation of SC 74 work activities.

Following an initial pilot study, additional rock samples obtained from the Calamian Island fieldwork are being prepared to be sent to Core Laboratories Malaysia for analysis. The samples will first be submitted to the Mines and Geosciences Bureau (MGB) for Megascopic Analysis and the issuance of a Certificate of Transport once a virtual consultation with MGB has been conducted.

The Quantitative Inversion (QI) project by contractor IKON Science was completed last June 16, 2020. Due to the challenges brought about by working remotely during the quarantine period, project completion was delayed by about 1.5 months. The study was unable to determine the fluid/hydrocarbon distribution over the Linapacan areas due to its overlap with the local elastic rock properties and the poor to moderate seismic data quality. However, the study managed to adequately predict the lithological facies at the wells, allowing a porosity model to be derived over the area. PXP has commenced seismic interpretation of the QI deliverables and expects to be done within the next 6 months.

7.0 SULU SEA (PCECP Area 7)

Philodrill continue to await DOE advice on the awarding of contracts that DOE had put in abeyance over areas under the jurisdiction of the Bangsamoro Autonomous Region in Muslim Mindanao including Area 7 in the Sulu Sea under the Philippine Conventional Energy Contracting Program (PCECP).

8.0 SWAN Block (Deepwater Northwest Palawan)

Philodrill continued the review of available data within the SWAN Block to assess potential participation of the Company in exploration opportunities in the deepwater areas of NW Palawan.

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

Financial Performance

Total revenues for the first two quarters ended June 30, 2020 decreased by ₱70.1 million or 54% to ₱60.1 million from ₱130.2 million for the same period last year. Petroleum revenues decreased by ₱60.2 million or 60.1% to ₱40.0 million from ₱100.2 million for the same period last year. The decrease was brought mainly by the decrease in crude prices and production volume for the first two quarters of 2020 as compared to the same period last year. The combined gross production decreased to 350,957 barrels for the first two quarters ended June 30, 2020, from 396,730 barrels produced for the same period last year. The average price per barrel decreased to $33.64 for the period ended June 30, 2020 as compared to $64.46 for the same period last year. Equity in net earnings of associates decreased by ₱7.9 million. Interest income decreased by ₱2.0 million.

Total costs and expenses including foreign exchange losses decreased by ₱37.9 million from ₱154.8 million for the first two quarters of 2019 to ₱116.9 million for the first two quarters of 2020. Operating costs decreased by 27%. Foreign exchange loss amounted to ₱5.4 million for the first two quarters of 2020 as compared to ₱10.1 million for the same period last year. The company's net loss after tax amounted to ₱44.3 million for the first two quarters of 2020 as compared to ₱6.9 million for the same period last year.

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

	June 30 , 2020	December 31, 2019
Current Ratio	*8.35 : 1*	*8.72 : 1*
Current Assets	654,593,280	693,735,475
Current Liabilities	78,388,703	79,568,492
Debt to Equity Ratio	*0.04 : 1*	*0.04 : 1*
Total Liabilities	124,641,251	123,289,829
Stockholders Equity	3,170,457,383	3,231,289,998
Equity to Debt Ratio	*25.44 : 1*	*26.21 : 1*
Stockholders Equity	3,170,457,383	3,231,289,998
Total Liabilities	124,641,251	123,289,829

Book Value per Share	*0.0165*	*0.0168*
Stockholders Equity	3,170,457,383	3,231,289,998
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	*(0.00023)*	*0.00004*
Net Income (Loss)*	(44,279,717)	(6,869,768)
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to June 30*

The current ratios as of December 31, 2019 and June 30, 2020 are 8.72:1 and 8.35:1, respectively. The Company's current assets exceeded its current liabilities by ₱576.2 million and ₱614.2 million as of June 30, 2020 and December 31, 2019, 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 ₱56.9 million as of June 30, 2020 and ₱72.5 million as of December 31, 2019. If these shares would be considered part of Current Assets, the recomputed current ratio would be 9.08:1 as of June 30, 2020 and 9.63:1 as of December 31, 2019.

Total assets decreased from ₱3.354 billion as of December 31, 2019 to ₱3.295 billion as of June 30, 2020. Cash and cash equivalents reflected a net decrease of ₱74.5 million or 18% due to the payment of company's share in operating expenses of Galoc. Receivables increased by ₱41.0 million. Crude oil inventory decreased by ₱4.1 million or 54% due to lower price and volume of crude oil on storage as of June 30, 2020. Other current assets decreased by ₱1.5 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱30.8 million to ₱447.0 million as of June 30, 2020 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI decreased by ₱15.6 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱2.4 million due to additional project costs. Deferred tax assets increased by ₱13.1 million or 7% due to adjustments in the recognition of deferred tax assets as of end of the interim period.
Total liabilities slightly increased by ₱1.4 million from ₱123.3 million as of December 31, 2019 to ₱124.6 million as of June 30, 2020.

Stockholders' equity decreased by ₱60.8million from ₱3.231 billion as of December 31, 2019 to ₱3.170 billion as of June 30, 2020. For the first two quarters, an adjustment for the decline in value of financial assets at FVOCI of ₱16.7 million in the valuation reserve of the company's listed stock investments was booked. As of June 30, 2020, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱57.7 million as compared to ₱41.0 million as of December 31, 2019. The company's retained earnings amounted to ₱1.480 billion as of June 30, 2020 as compared to ₱1.524 billion as of December 31, 2019.

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:

	June 30, 2020	December 31, 2019
Current Ratio	*192.96:1*	*192.96 :1*
Current Assets	8,644,542	8,644,542
Current Liabilities	44,800	44,800
Debt to Equity Ratio	*0.005:1*	*0.005 :1*
Total Liabilities	44,800	44,800
Stockholders' Equity	8,599,742	8,665,408
Equity to Debt Ratio	*191.96:1*	*193.42 :1*
Stockholders' Equity	8,599,742	8,665,408
Total Liabilities	44,800	44,800
Book Value per Share	*0.000688*	*0.000693*
Stockholders Equity	8,599,742	8,665,408
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

<u>Discussion and Analysis of Material Events and Uncertainties</u>

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 2019 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 ₱74.5 million or 18% due to the payment of company's share in operating expenses of Galoc.

Receivables increased by ₱41.0 million or 15% due to the accrual of trade and other receivables as of end of the interim period.

Crude oil inventory decreased by ₱4.1 million or 54% due to the lower price and volume of crude oil on storage as of end of the interim period.

Other current assets decreased by ₱1.5 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a decrease of ₱30.8 million to ₱447.0 million as of June 30, 2020 due to the booking of depletion and depreciation costs.

Financial assets at FVOCI decreased by ₱15.6 million or 22% due to the adjustment in the valuation reserve of the company's listed stock investments.

Deferred tax assets increased by ₱13.1 million or 7% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱1.0 million decrease due to the payment of accrued expenses during the interim period.

Income tax payable reflected an decrease of ₱0.16 million due to the payment of income tax during the interim period.

Retirement benefit liability increased by ₱2.5 million or 13% mainly due the booking of additional pension liability as of the end of the interim period.

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2019 amounted to ₱41.0 million. For the interim period, ₱16.7 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of June 30, 2020, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱57.7 million.

The company's retained earnings amounted to ₱1.480 billion as of June 30, 2020 as compared to ₱1.524 billion as of December 31, 2019. The decrease of ₱44.3 million was due to the net loss booked for the first two quarters of 2020.

Petroleum revenues decreased by ₱60.2 million or 61% to ₱40.0 million from ₱100.2 million for the same period last year due to lower production volume and crude price. The gross production decreased to 350,957 barrels for the first two quarters ended June 30, 2020 from 396,730 barrels produced for the same period last year. The average price per barrel decreased to $33.64 for the period ended June 30, 2020 as compared to $64.46 per barrel for the same period last year.

Equity in net earnings of associates decreased by ₱8.0 million due to the lower level of income booked by affiliates.

Interest income decreased by ₱2.0 million from ₱9.4 million to ₱7.4 million for the first two quarters ended June 30, 2020.

Foreign exchange loss amounted to ₱5.4 million for the first two quarters of 2020 as compared to ₱10.1 million for the same period last year.

Share in costs and operating decreased by ₱30.0 million or 27% due to lower level of production costs booked during the first two quarters of 2020.

Net loss amounted to ₱44.3 million for the first two quarters of 2020, as compared to ₱6.9 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.

Properties

The information required by Item 2 is contained in Notes 6 and 7 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

SC No.	The Company's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status

SC6A (Octon)	51.650	PetroEnergy Resources Corp. Anglo Phil. Holdings Corp. Phinma Petroleum & Geothermal, Inc. Forum Energy Phils.Corp. PXP Energy Corp. Alcorn Petroleum & Minerals	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC6B (Bonita)	17.4546	Oriental Pet.& Minerals Corp Nido Petroleum Phils. Pty Forum Energy Phils. Corp. Alcorn Gold Resources Corp	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC53 (Onshore Mindoro)	22.000*	Anglo Phil. Holdings Corp. Basic Cons. Mining Corp		July 08, 2005	July 08, 2014	Mindoro	Exploration
SC74 (Linapacan)	25.000	PXP Energy Corp. PNOC-EC	PXP Energy	Sep 03, 2013	Aug 03, 2063	Northwest Palawan	Exploration
SC41 (Sulu Sea)						Sulu Sea	Submitted joint bid application for Area 7
Swan Block (NW Palawan) Unified	**					Northwest Palawan	Ongoing negotiations with PNOC-EC

**Motion for Reconsideration on the termination of the SC has been filed and is currently under review by the DOE.*
***Ongoing negotiations with PNOC-EC*

Employees

As at June 30, 2020, the Company has 27 employees. The Company does not anticipate any hiring within the ensuing twelve (12) months.

Type of employee	Exploration/ Technical	Finance/Administration Legal/Stocks
Executive Officers – Administrative	1	3
AVP, Managers – Technical/Operations	3	3
Rank and File – Clerical	5	12
Total	9	18

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

IV. Brief Description of the General Nature & Scope of Business of the Company

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

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

The Company's active petroleum projects cover production and exploration areas in offshore Palawan and South Sulu Sea and onshore Mindoro under various SCs with the Philippine government through the DOE.

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

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

V. Market Price and Dividends

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two

(2) years 2019 and 2018 up to the second quarter of the current year 2020, expressed in Philippine Pesos, are as follows:

Stock Prices:		**High**	**Low**
2020	First Quarter	P0.011	P0.0064
	Second Quarter	P0.0088	P0.0075
2019	First Quarter	P0.0130	P0.0110
	Second Quarter	P0.0120	P0.0100
	Third Quarter	P0.0120	P0.0100
	Fourth Quarter	P0.0120	P0.0100
2018	First Quarter	P0.0130	P0.0110
	Second Quarter	P0.0130	P0.0110
	Third Quarter	P0.0130	P0.0110
	Fourth Quarter	P0.0140	P0.0110

(2) Holders

There were 8,563 shareholders of record as of June 30, 2020 and 8,564 shareholders of record as of December 31 2019. Common shares outstanding as of 31 December 2019 totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of 16 October 2008. In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on 24 September 2008. On 26 May 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on 18 September 2008. Additional information required is also contained in Note 14 to the Company's 2019 Audited Consolidated Financial Statements.

Top 20 stockholders as of June 30 2020:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	173,696,058,475	90.53%
2. PCD NOMINEE CORPORATION NON FILIPINO	1,508,062,771	0.79%
3. ALFREDO C. RAMOS	690,088,350	0.36%
4. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.30%
5. MARGARET S. CHUA CHIACO	530,000,000	0.28%
6. TRAFALGAR HOLDINGS PHIL., INC.	360,993,600	0.19%
7. ALBERTO MENDOZA &/OR JEANIE C. MENDOZA	317,910,514	0.17%

8. CHRISTINE C. CHUA	254,097,005	0.13%
9. RCBC TRUST ACCOUNT #32-314-4	190,900,000	0.10%
10. PHIL. REMNANTS CO., INC.	188,247,468	0.10%
11. AYALA CORPORATION	188,068,125	0.10%
12. CARMENCITA O. REYES	176,415,750	0.09%
13. INDEPENDENT REALTY CORPORATION	165,807,000	0.09%
14. ANSELMO C. ROQUE	150,000,000	0.08%
15. PAULINO G. PE	135,490,200	0.07%
16. JOSEPH D. ONG	121,595,829	0.06%
17. ANSALDO, GODINEZ & CO., INC.	112,188,084	0.06%
18. J.A. GONZALEZ	110,400,000	0.06%
19. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06%
20. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	0.06%

As of December 31, 2019, the top 20 stockholders are as follows:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	174,394,287,403	90.89%
2. PCD NOMINEE CORPORATION NON FILIPINO	1,491,438,213	0.78%
3. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.30%
4. MARGARET S. CHUA CHIACO	530,000,000	0.28%
5. TRAFALGAR HOLDINGS PHIL., INC.	360,993,600	0.19%
6. ALBERTO MENDOZA &/OR JEANIE C. MENDOZA	317,910,514	0.17%
7. CHRISTINE C. CHUA	254,097,005	0.13%
8. RCBC TRUST ACCOUNT #32-314-4	190,900,000	0.10%
9. PHIL. REMNANTS CO., INC.	188,247,468	0.10%
10. AYALA CORPORATION	188,068,125	0.10%
11. CARMENCITA O. REYES	176,415,750	0.09%
12. INDEPENDENT REALTY CORPORATION	165,807,000	0.09%
13. ANSELMO C. ROQUE	150,000,000	0.08%
14. PAULINO G. PE	135,490,200	0.07%
15. JOSEPH D. ONG	121,595,829	0.06%
16. ANSALDO, GODINEZ & CO., INC.	112,188,084	0.06%
17. J.A. GONZALEZ	110,400,000	0.06%
18. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06%
19. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	0.06%
20. E. SANTAMARIA & CO., INC.	104,535,254	0.05%

(3) Dividends

As of the years 2019, 2018 and 2017, the Board has not approved any dividend declaration.

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

VI. Corporate Governance

(a) The Company is in compliance with the leading practices on good corporate governance pursuant to the provisions of the Code of Corporate Governance for Publicly Listed Companies.

(b) The Company's CG policies are disclosed in the I-ACGR submitted to the Commission annually on May 30.

July 14, 2020

ADRIAN S. ARIAS
Corporate Secretary

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Reynaldo E. Nazarea

Contact Person

631-8151

Company Telephone Number

1 2 | 3 1
Month *Day*

SEC Form 17-A (2019)

FORM TYPE

0 6 | 1 7
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

8 5 7 2

Total No. of Stockholders

Total Amount of Borrowings

0	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2019**

2. SEC Identification Number: **38683**

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

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

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

6. ________ (SEC Use Only)
Industry Classification Code

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

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

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

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

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

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

    Yes [x] No [ ]

12. Check whether the issuer

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

    Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱986,481,215 (89,680,110,415 shares at P0.011 per share as of December 31, 2019)

14. Documents incorporated by reference:

(a) The Company's 2019 Audited Consolidated Financial Statements

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(a) Description of Business

(1) Business Development

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

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

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

In the financial services sector, the Company is a 40% shareholder of Penta Capital Investment Corporation (PCIC), an investment house. PCIC holds equity interest in several companies such as, Penta Capital Finance Corporation, a finance company (98.75% owned), Penta Capital Holdings Inc. (PCHI), an investment holding company (29.54% owned), Penta Capital Realty Corporation (100% owned) and Intra-Invest Securities, Inc. (68.47% owned). The Company also holds a 13.21% direct equity investment in PCHI.

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

PETROLEUM PROJECTS

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

ProductionOperations

The year 2019 saw the conclusion of the four (4) decades of fruitful operations at the Nido and Matinloc-North Matinloc fields in offshore Northwest Palawan. Operator Philodrill completed the final lifting operation from the Nido Field in March 2019, bringing the total production for 2019 to 20,034 barrels after cargo reconciliation in April 2019. Nido field's total cumulative production since the field first produced in February 1979 was about 18,917,440 barrels. The Matinloc Field had earlier ceased commercial production in February 2019 with a cumulative production of about 12,582,580 barrels. The Matinloc field first produced in July 1982.

As the last operator of these pioneering Service Contract 14 hydrocarbon fields, Philodrill organized in November 2019 in El Nido, Palawan a closing ceremony to celebrate the immense contributions of these fields to the country's economy and stakeholders. Present were representatives from the Philippine Department of Energy, the consortium partner companies, third-party support companies, government agencies, company workers and other personalities who were, at one point in time, have worked on these oilfields.

Wells P & A and Production Facilities Decommissioning

The continued significant decline in the fields' production performance in the last few years, as well as the results of various reserves and economics assessments of the Nido and Matinloc fields have affirmed observations that the fields have already reached the end of their economic life. Amidst the prevailing market conditions which saw crude prices barely breaching economic levels, concerns over the future integrity of the wells and the production facilities prompted the joint venture partners to finally decide to proceed to the cessation of production operations and move forward with the plug and abandonment (P&A) of the remaining nine production wells in the Nido and Matinloc fields. The partners have engaged anew the services of CWT Consultancy Services Limited which had earlier successfully plugged the Libro and Tara South wells in May 2018.

After securing approval of the P&A program from the DOE and after completing final offtake operations from the fields in March 2019, Philodrill tasked CWT to immediately execute the P&A program for the remaining wells. The workboat ENA Habitat was mobilized from Singapore on March 30, 2019 and proceeded to complete P&A works, using slick line method, on seven wells, namely Matinloc-1, Matinloc-2, Matinloc-3 and North Matinloc-1 at the Matinloc platform, and the Nido B-1, B-2, and B-3 wells from the Nido BW platform from March 30 – May 21, 2019. Upon arrival and after offloading and demobilizing all equipments at the Loyang Offshore Base in Singapore, the vessel was off hire on May 27, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020. Both wells have been effectively killed with cement plugs across the reservoir sections.

The DOE had likewise approved the final program for the partial stripping of the production facilities of the platforms immediately after the P&A activities which continued until November

2019. While all these activities were happening, the DOE initiated and successfully concluded negotiations with the Department of National Defense (DND) for the transfer to the latter of ownership, possession and control of the Nido and Matinloc platforms. A Deed of Donation was crafted and was eventually executed by the DOE, and is currently with the DND and the Armed Forces of the Philippines for their execution, with Philodrill signing as witness to the Deed.

The Philippine government declared on March 15, 2020 the Metro Manila -wide Community Quarantine which was later elevated to an Enhanced Community Quarantine covering the entire island of Luzon due to the impact of Covid-19 pandemic. The directives affected the entry and mobilization of vessels and offshore personnel necessary for the resumption in April 2020 of the P&A of the Nido A wells. The program has since been suspended and deferred.

II. SERVICE CONTRACT NO. 14 C-1 (Galoc)

Operations Review

The Galoc field's full year production in 2019 totalled 743,754 barrels, about 18% lower than the revised forecast volume of 905,025 barrels set by operator Galoc Production Company (GPC). The decline is largely attributed to the decrease in production from the Galoc-3 well that is now in cyclic production scheme, as well as to the continued shut-in of the Galoc-4 well since mid-January 2019 due to problems in the well's subsurface production mechanism, specifically the well's tubing retrievable safety valve (TRSV) which GPC continued to investigate and resolve.

Following the acquisition by Tamarind Resources of the ownership and control of the Galoc field in July 2018, GPC started to investigate and implement various programs aimed at improving performance. Tamarind had likewise secured approval of the JV partners for the installation of a condensate recovery unit (CRU) at the Galoc FPSO to recover the condensate from the gas production at the Galoc field. The operator negotiated a contract with technology provider NGLTech for the design and manufacture of the CRU module which was earlier programmed to be installed in the second quarter of 2019. Early in their operatorship of the petroleum service contract, Tamarind had also negotiated for the sale of future Galoc cargoes to exclusive buyer Trafigura, through Vitol, starting with the June 2019 offtake.

Deferment of CRU Facility Utilization

The Condensate Recovery Project is already delayed, as a result of the unexpected but necessary design modification on the low-pressure CRU module during manufacture in Malaysia. Upon completion towards mid-2019, the CRU was mobilized for installation on the FPSO in August with expectations of first gas by early October 2019. Unfortunately, severe weather at the time and the still incomplete modifications and refurbishment being done on the FPSO to accommodate the CRU, prompted GPC to defer the installation. The CRU is presently safely stored at the Energy Supply Base in Batangas for the time being while GPC is implementing measures aimed at restoring G4 and finding means to increase production from the field. Had the CRU been installed and operational at that time, GPC expected the facility to contribute an additional volume of 60,000 barrels to the Galoc production.

Galoc-4 Well Re-start Strategy

Early in the year, GPC's attemptto put the G4 well back in production using a mini-HPU failed to start-up the well. In August, GPC executed a low-pressure unloading and re-start of the G4well. The procedure also failed to establish flow from the well but was able to rule out the TRSV as being the problem and identified instead liquid loading in the well as the cause of the G4 well being unable to flow hydrocarbon liquids to the surface.

Concerned of the negative effect of having the CRU remaining unutilized and the noticeable decline in production, GPC in October 2019 implemented nitrogen (N_2) bull-heading operations as an alternative option to re-start the G4 well. The procedure entailed injection of nitrogen gas at high pressure into the well tubing to push the liquid column back in the reservoir and then immediately attempt a re-start of the well before the liquid column accumulates in the production tubing again. The injection operations went per plan but the subsequent well re-start operations were not successful. Subsequently the other wells were put back in production, with the G3 well still in cyclic production as per the present GPC production strategy.

During the Operating Committee Meeting held later in the year, the Galoc JV approved GPC's proposed program for G4 re-instatement by the use of gas lift technique including a contingent program for a second, larger N2 gas bull-heading operation. The entire program was about to be commenced in mid-March 2020 but had to be deferred until such time that the Covid 19–related community quarantine directives of the government are lifted.

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

In early 2019, the DOE approved the 2019 WP&B for the West Linapacan Block, the major component of which is the joint Quantitative Interpretation (QI) re-processing with the SC 74 JV of the seismic volume covering the West Linapacan A and B in SC 14 C-2 and the Linapacan A and B in SC 74. Immediately after securing approval from their respective JV partners, block operators Philodrill and PXP Energy successfully negotiated with service provider IKON Science that will undertake the project. As agreed, the QI work will cover adjacent areas of the 2 blocks, the cost of which shall be shared by the 2 consortia.

During the same period, expressions of interests were received from foreign firms on the possible re-development of the West Linapacan field. Consequently, non-disclosure agreements were executed, providing these companies confidential access to West Linapacan data for their due diligence work. Of the two, only the UK-based Desert Rose Petroleum Limited (DRPL) progressed into a full farm-in negotiation. DRPL initially offered separate non-binding offers to the joint venture partners willing to divest interests on the block by outright sale of their working interest or by farm-out.

Eventually after several months of negotiations, DRPL finally executed a Sale and Purchase Agreement (SPA), with the Joint Venture partners composed of Oriental, Logpocor, PetroEnergy, Philodrill, Alcorn and Forum Energy. Alcorn and Forum Energy opted for the full divestment of their interests on the block.

A separate Farm-out Agreement (FOA) with the farming-out partners composed of Oriental, Logpocor, PetroEnergy and Philodrill who retained a combined 20% participating interest was executed with DRPL. Under the FOA the farmors agreedto assign 15% interest to DRPL and retained a combined interest of 5%.The Deed of Assignment (DOA) arising from the FOA is currently being finalized by the Parties.

The FOA and the SPA, both have an Effective Date of 7 January 2020. The SPA and the DOA, will be submitted to the DOE for approval as soon as the DOA has been fully executed by the parties to the FOA.

Earlier in September – October 2019, IKON Science carried out Phase 1A – Trial Inversion of the 30 sq km data covering contiguous areas of SC 14C2 and SC 74. Results of the study were presented during the Technical Committee Meeting held in October 2019 where first-pass Joint Impedance Facies Inversion (JI-FI) indicate presence of hydrocarbons in Linapacan A-B but absence in the West Linapacan B. In the light of the inconsistent results from Phase 1A and to give way for the technical work that DRPL had proposed as part of their farm-in commitment for the West Linapacan Block, the SC 14C2 JV opted out of the succeeding phase of the joint seismic inversion reprocessing work with the SC 74 Joint Venture. DRPL is interested in the re-development of the West Linapacan Field which last produced in early 1995.

IV. SERVICE CONTRACT NO. 6A (Octon)

The DOE approved in January 2019 the proposed Octon Block WP &B for CY 2019. The proposed activities include seismic attribute study on the northern block of SC 6A aimed at maturing a potential drilling location for an exploratory well, and contingent programs of preparing a preliminary well design and proposal as well as scoping project economics. Philodrill, as Operator, aims to be able to identify a possible well location at the central fault of the West Malajon-Salvacion-Saddle Rock anticlinorium within the current program.

The SC6A Joint Venture is currently evaluating the offer of Tamarind Resources to undertake high-level technical and economic studies on the Octon discovery. Following preliminary discussions, Tamarind submitted a work plan of activities anchored on the formulation of a Field Development Plan (FDP) for the Octon discovery which the JV adopted and submitted to the DOE for approval as supplemental CAPEX to the DOE-approved 2019 SC 6A WP&B. Eventually, a draft farm-in agreement over a portion of the southern area of SC6A covering the Octon field discovery was crafted and is currently being negotiated. As envisaged, Tamarind gets to earn the maximum 58.88% participating interest in the Octon Field sub-block. Consortium partner PetroEnergy Resources has been designated to assist in the negotiations regarding the Tamarind farm-in.

While these negotiations are ongoing, Philodrill continued evaluating the northern block of SC 6A to establish a better understanding of the reservoir distribution of the Galoc reservoir sands to be able to identify and propose a drilling location to test/appraise the Central Fault Block of the Malajon-Salvacion-Saddle Rock structure. At the same time, the Operator continued its parallel in-house work on the Octon Field to validate Tamarind's evaluation of the Octon discovery in the southern block.

Moving forward, Philodrill submitted and secured the DOE's approval of the 2020 WP&B for SC 6A which will progress the technical evaluation works in the northern and southern sectors of the SC with the end view to identify and propose to the JV consortium a final exploration drilling location in the Central Fault Block and to identify additional resources and appraisal opportunity on the Octon discovery and surrounding areas.

V. SERVICE CONTRACT NO. 6B (Bonita)

For the most part of 2019, the Bonita Consortium waited for the DOE to approve the requested transfer to Manta Oil Company Limited (MOCL) of the JV partners' participating interest in SC 6B and operatorship of the block from Philodrill. The impasse is largely attributed to the farminee's apparent inordinate delay in completing the requisite documentations, prompting the DOE to require the SC 6B consortium to submit an alternate work program independent from the farminee's contemplated farm-in program. The SC 6B partners manifested that submission of a separate work program will only be appropriate should the DOE disapprove the interest assignment, transfer of operatorship, and the submitted work program by Manta.

In August 2019, Manta Oil was given the final deadline to complete requisite documentations to fully satisfy the DOE's approval of the farminee's qualification as a service contractor and as operator of SC 6B. The DOE finally approved on October 17, 2019 the Deed of Assignment transferring the farming-out partners' 70% participating interests in SC 6B, the operatorship of the block and Manta's submitted work program. Manta Oil has committed to re-developing the Cadlao Field as its farm-in commitment as well as the opportunity of exploring other satellite structures within the block.

Up to the end of 2019, Manta has started re-evaluating the third-party reserves audit report and is engaging RISC, the previous auditor to update the reserves audit. They are also looking to engage a turnkey drilling contractor for the drilling of the Cadlao production wells. Manta has also narrowed down the development concept to a shallow water wellhead platform producing to a moored FPSO as the most economically attractive option.

VI. SERVICE CONTRACT NO. 53 (Onshore Mindoro)

Block operator Mindoro-Palawan Oil & Gas Inc. (MPOGI) had not provided updates as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of Progreso-2. In 2018, the DOE already instructed MPOGI to secure a Certificate of Pre-Condition from the National Commission on Indigenous Peoples (NCIP) which will enable the lifting of the moratorium on activities, thus allowing the conduct of drilling activities in SC 53.

For its part, Philodrill assisted Gas2Grid, the operator of SC 44 in onshore Cebu, which earlier indicated interests on the Progreso project through possible drill-for-equity with the Onshore Mindoro joint venture. While MPOGI did not provide details of their negotiations with Gas2Grid, the operator disclosed that they were also entertaining expression of interest by another group for possible farm-in to Onshore Mindoro Block.

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. This came as a big surprise as the non-operator partners (Philodrill, Anglo Philippine Holdings and Basic Energy) as they had all have been demanding MPOGI, to rectify the operator's operational deficiency. Neither the operator nor the DOE notified the other JV partners of the contract termination, as the partners only came to know of the decision during a verbal inquiry with the DOE on July 4, 2019.

Immediately a Motion for Reconsideration (MR) on the termination of the SC was submitted to the DOE on July 8, 2019 and during an audience with the DOE on July 12, the Non-Operator partners manifested to reconstitute the Joint Venture and agreed to continue the service contract and deliver the SC53 commitments. The DOE, up until now, is still evaluating the merits of the MR.

While the MR was pending with the DOE, Philodrill assuming the role of de facto operator coordinated with Newrest SOS (NSOS) for the settlement of the outstanding JV obligations that MPOGI failed to settle with NSOS, principally rental and lease of spaces at the Mabini ESB where long-lead items (LLIs) intended for the Progreso drilling project are currently stored.

Upon recommendation of NSOS, Philodrill also negotiated and eventually engaged third-party contractor ACE Tubular Services, Ltd which did an inspection and assessment of the current condition of the LLIs for future use and/or disposal or sale. Results of the inspection work were presented to the partners in December 2019. Despite settlement of the storage fees due NSOS, the Joint Venture realized that the continued storage of the LLIs will incur costs while waiting for the DOE decision on the still pending MR. Philodrill then sought and was granted approval by the DOE for the sale of the inventory to Felpet Trading and Materials Recovery Services which was selected through competitive bidding.

VII. SERVICE CONTRACT NO. 74 (Linapacan)

The DOE approved in January 2019 the Linapacan Block WP &B for CY 2019, the major component of which is the conduct of Quantitative Interpretation work on a 400 sq km reprocessed PSDM seismic data volume in SC 74 jointly with the SC 14C-2 consortium. As earlier mentioned in this report, Philodrill and SC 74 operator PXP Energy have negotiated with and engaged IKON Geoscience for the QI work. Also approved is the integration of the results of the gravity and magnetic modelling with the MC2D seismic interpretation and the completion of the remaining studies from the previous year.

The initial activities of the QI work were undertaken from April to June 2019 involving seismic and well data conditioning, petrophysics and rock physics. The two consortia then agreed to proceed with the trial inversion using IKON's Joint Impedance Facies Inversion (JI-FI) workflow over a 30 sq km data volume covering the West Linapacan and Linapacan discoveries. As discussed in the SC 14C2 section of this report, the SC 14 C2 consortium opted out from the Phase 2 of the project, with only SC 74 consortium proceeding with the full inversion of the larger 480 sq km QI area.

The DOE approved in December 2019 the submitted WP & B for 2020, with an advice that PXP Energy should have identified a drillable prospect at the end of Sub-Phase 3. Early this year, the DOE also approved the requested extension of SP 3 until December 13, 2020.

VIII. SULU SEA (Formerly Service Contract 41)

The DOE launched the Philippine Conventional Energy Contracting Program (PCECP)in November 2018. Philodrill and bid application partner PXP Energy submitted in August 15, 2019 a joint bid over Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer. Area 7 was formerly covered by Service Contract 41 in which both Philodrill and PXP Energy were joint venture participants. During the opening of bids, the joint Philodrill/PXP application was assessed to have successfully satisfied the criteria set for the contracting round This was confirmed in writing by the DOE in September when they accepted the bid for further substantive legal, financial and technical evaluation.

PNOC-Exploration Corporation (PNOC-EC) expressed interest in exercising its option to take in 10% participating interest once a new service contract is awarded over the area. Similarly, Oriental Petroleum also expressed its interest in joining the Joint Venture for Area 7. Philodrill had advised these companies to wait until after has completed evaluation of the application so as not to undermine the PCECP process.

In November 2019, the DOE advised that processing of bid applications and awarding of new service contracts is being held in abeyance, specifically in areas under the jurisdiction of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order (EO), currently being drafted by the DOE, is signed by the President. The said EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM.

IX. SWAN BLOCK (Deepwater Northwest Palawan)

Philodrill continues to evaluate all available exploration data on the deep-water areas offshore NW Palawan, particularly in areas previously covered by the SWAN Block. This is in line with the planned participation of Philodrill in the farm-in program of PNOC-Exploration Corporation inService Contract 57 and possible participation in exploration ventures on other deep-water blocks in the West Philippine Sea region. An initial meeting with PNOC-EC was held in September last year for the initial review of technical data in SC 57 under a Confidentiality Agreement.

Additional information required by Item 1 (a) is also contained in Note 10 to the Company's 2019 Audited Consolidated Financial Statements.

INVESTMENTS IN ASSOCIATES

The Company's associates are PCIC, PCHI and ACMDC, where the Company has 40%, 13.21% and 0.53% equity interest, respectively. In December 2015, the Company entered into a Joint Voting Agreement with Alakor Corporation, National Book Store, Inc. and Anglo Philippine Holdings Corporation, collectively known as the Ramos Group, to jointly vote their shares in

ACMDC in all matters affecting their rights as stockholders effective January 1, 2015. As of December 31, 2018, the combined interest of the parties to the agreement represents 43.01% interest in ACMDC.

PCIC posted a total comprehensive income of P110.0 million in 2019, 28% higher than the 2018 comprehensive income of P86.0 million. Gross revenues amounted to P215.5 million in 2019 as compared to P199.0 million in 2018.

PCHI's net income decreased to P41.3 million in 2019 from P45.2 million in 2018. Gross revenues decreased to P30.1 million in 2019 as compared to P93.7 million in 2018.

ACMDC's comprehensive loss amounted to P1.26 billion in 2019, as compared to P0.78 billion in 2018. Gross revenues amounted to P16.2 billion in 2018 and P13.3 billion in 2018.

Additional information is also contained in Note 8 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

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

(2) Business of Issuer

(a) Description of Registrant

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

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

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. As a field goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions. Additional information required by Item 1 (2) (a) is also contained on Notes 7 and 10 to the Company's 2019 Audited Consolidated Financial Statements. The Company's present revenues and production and related expenses are from certain areas of SC 14 particularly Nido, Matinloc, North Matinloc and Galoc. The crude oil revenues from these oilfields contributed about 83.8% of the total gross revenues.

Information as to production volume follows (in barrels):

	2019	2018	2017
Galoc *(net)*	**737,755**	**1,152,943**	1,438,280
Nido	**20,641**	**51,749**	56,164
Matinloc	**1,551**	**43,040**	67,490
North Matinloc	**0**	**0**	2,102
Total	**759,948**	**1,247,732**	1,564,036

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

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

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

The Company has 0.53% minor equity interest in ACMDC, as of December 31, 2019, together with the other companies in the Ramos Group, the combined interest represents 43.01% in ACMDC.

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

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

	2019	2018	2017
Gross petroleum revenue	78%	62%	67%
Net operating income	46%	102%	409%

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

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

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

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

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

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

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

a) Petroleum Revenue - production from Galoc which is 78% of the total gross revenues were sold to foreign firms namely, Hyundai Oilbank Company Ltd. and Trafigura Pte Ltd.. Vitol Asia Pte., Ltd. continued to act as a marketing agent for the SC14C-1 consortium. While the last production from Nido, and Matinloc which is 6% of the total gross revenues were sold to Pilipinas Shell under a crude oil sales agreement.

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

(8) Transactions with and/or Dependence on Related Parties - the information required is contained on Note 15 to the Company's 2019 Audited Consolidated Financial Statements.

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

Service Contract No.	*Location*	*Expiry*	*Company's Capacity (as of December 31, 2019)*
6A Octon Block	NorthWest Palawan	February 2024	Operator
6B Bonita Block	NorthWest Palawan	February 2024	Operator
14A Nido Block	NorthWest Palawan	December 2025	Operator
14B Matinloc Block	NorthWest Palawan	December 2025	Operator
14B-1 North Matinloc	NorthWest Palawan	December 2025	Operator
14 Tara Block	NorthWest Palawan	December 2025	Consortium Member
14C-1 Galoc Block	NorthWest Palawan	December 2025	Consortium Member
14C-2 West Linapacan	NorthWest Palawan	December 2025	Operator
14D Retention Block	NorthWest Palawan	December 2025	Operator
53 Onshore Mindoro	Mindoro	July 2055	Consortium Member
74 Linapacan	NorthWest Palawan	August 2063	Consortium Member

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

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

(12) Estimate of Amount Spent for Research and Development Activities - The Company incurs expenses in the oil exploration projects wherein the Company is a participant, expense on the evaluation and studies on these projects form part of deferred costs. The following are the expenses incurred for the last three (3) years:

Year	Amount
2019	**P15.8M**
2018	P15.0M
2017	P15.2M

(13) Costs and Effects of Compliance with Environmental Laws - Compliance with the environmental laws has not, and is not anticipated to adversely affect the businesses and financial condition of the Company. Petroleum service contractors are mandated to comply with all environmental laws in phases of exploration and production operations.

The Company did not directly incur any expenses for such activities during the last three (3) years. Any costs of compliance with environmental laws will either be charged as ordinary operating expense or capitalized as part of project investment.

(14) Employees - As at December 31, 2019, the Company had 27 employees.

Type of employee	Exploration/ Technical	Finance/ Administration Legal/Stocks
Executive Officers - Administrative	1	3
AVP, Managers - Technical/Operations	3	3
Rank and File - Clerical	5	12
Total	9	18

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

(15) Major risk/s involved in each of the business of the company and subsidiaries - Information required by this Item is contained in Note 21 to the Company's 2019 Audited Consolidated Financial Statements. Note 21 discussed the risks factors namely: credit risk, liquidity risk and market risk which includes foreign currency risk and equity price risk. In addition we would like to disclose the following risks:

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

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

(b) Additional Requirements as to Certain Issues or Issuers

(a) Debt issues - Not applicable
(b) Investment Company Securities - Not applicable
(c) Mining and Oil Companies - In line with its primary business purpose, the Company remains a participant in certain petroleum exploration projects. The amount of the Company's interests in these contracts and a brief description of the areas and status of works performed therein are provided in Item 1 (a) above under the heading "Petroleum Projects".

Item 2. Properties

The information required by Item 2 is contained in Notes 6 and 7 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

SC No.	The Company's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status
SC6A (Octon)	51.650	PetroEnergy Resources Corp. Anglo Phil. Holdings Corp. Phinma Petroleum & Geothermal, Inc. Forum Energy Phils.Corp. PXP Energy Corp. Alcorn Petroleum & Minerals	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC6B (Bonita)	17.4546	Oriental Pet.& Minerals Corp Nido Petroleum Phils. Pty Forum Energy Phils. Corp. Alcorn Gold Resources Corp	The Company	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC53 (Onshore Mindoro)	22.000*	Anglo Phil. Holdings Corp. Basic Cons. Mining Corp	*	July 08, 2005	July 08, 2014	Mindoro	Exploration
SC74 (Linapacan)	25.000	PXP Energy Corp. PNOC-EC	PXP Energy	Sep 03, 2013	Aug 03, 2063	Northwest Palawan	Exploration
SC41 (Sulu Sea)						Sulu Sea	Submitted joint bid for Area 7
Swan Block (NW Palawan) Unified	**					Northwest Palawan	Ongoing negotiations with PNOC-EC

* *Motion for Reconsideration on the termination of the SC has been filed and is currently under review by the DOE*
***Ongoing negotiations with PNOC-EC*

Item 3. Legal Proceedings

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

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

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

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

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

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

As of this date, the matter is still awaiting resolution by the Supreme Court.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

(1) Market Information
The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two (2) years 2019 and 2018 and the first quarter of the current year 2020, expressed in Philippine Peso, are as follows:

Stock Prices:		High	Low
2020	First Quarter	0.0100	0.0060
2019	First Quarter	0.0130	0.0110
	Second Quarter	0.0120	0.0100
	Third Quarter	0.0120	0.0100
	Fourth Quarter	0.0120	0.0100
2018	First Quarter	0.0130	0.0110
	Second Quarter	0.0130	0.0110
	Third Quarter	0.0130	0.0110
	Fourth Quarter	0.0140	0.0110

(2) Holders

There were 8,572 shareholders of record as of December 31, 2019. Common shares outstanding as of December 31, 2019 totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of October 16, 2008. In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on September 24, 2008. On May 26, 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on September 18, 2008. Additional information required is also contained in Note 13 to the Company's 2019 Audited Consolidated Financial Statements.

Top 20 stockholders as of December 31, 2019:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	174,394,287,403	90.89
2. PCD NOMINEE CORPORATION NON FILIPINO	1,491,438,213	0.78
3. ALSONS CONSOLIDATED RESOURCES, INC.	566,720,000	0.30
4. MARGARET S. CHUA CHIACO	530,000,000	0.28
5. TRAFALGAR HOLDINGS PHILS., INC.	360,993,600	0.19
6. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	0.17

7. CHRISTINE C. CHUA	254,097,005	0.13
8. RCBC TA# 32-314-4	190,900,000	0.10
9. PHIL. REMNANTS CO., INC.	188,247,468	0.10
10. AYALA CORPORATION	188,068,125	0.10
11. CARMENCITA O. REYES	176,415,750	0.09
12. INDEPENDENT REALTY CORPORATION	165,807,000	0.09
13. ANSELMO C. ROQUE	150,000,000	0.08
14. PAULINO G. PE	135,490,200	0.07
15. JOSEPH D. ONG	121,595,829	0.06
16. ANSALDO GODINEZ & CO., INC.	112,188,084	0.06
17. J.A. GONZALEZ	110,400,000	0.06
18. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06
19. LUCIO W. YAN &/OR CLARA Y. YAN	107,918,500	0.06
20. E. SANTAMARIA & CO., INC.	104,535,254	0.05

(3) Dividends
For the years 2019, 2018 and 2017, the Board of Directors approved the declaration of the following cash dividends:

Cash Dividend	Amount	Declared on	Record Date	Payment Date
2019- none	**N/A**	**N/A**	**N/A**	**N/A**
2018- none	N/A	N/A	N/A	N/A
2017- none	N/A	N/A	N/A	N/A

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

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

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

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

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

Audited Consolidated Financial Statements for Years 2017 to 2019

(In thousands of Pesos)	**As at 31 Dec 2019**	**As at 31 Dec 2018**	As at 31 Dec 2017
Income Statement			
Petroleum Revenues	**246,488**	382,676	388,202
Operating Income (Loss)	**(123,049)**	(352,450)	(18,332)
Net Income (Loss)	**(63,218)**	(261,957)	(6,367)
Assets			
Current Assets	**693,735**	918,115	1,065,608

Non-Current Assets	**2,660,844**	2,562,218	2,575,512
Total Assets	**3,354,580**	3,480,333	3,641,120
Liabilities			
Current Liabilities	**79,568**	149,872	46,778
Non-Current Liabilities	**43,721**	31,089	29,002
Stockholders' Equity	**3,231,290**	3,299,371	3,565,340
Earnings Per Share	-	-	-

(1) Plan of Operation

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

Issuing subscriptions call on the balance of the Subscriptions Receivable as of December 31, 2019; collecting a portion of Accounts Receivables as of December 31, 2019; Selling a portion of its existing investments and/or assets; and or Generating cash from loans and advances.

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

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

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

(2) Management's Discussion and Analysis

Financial highlights for the years 2019, 2018 and 2017 are presented below:

(in thousands of pesos)	**2019**	2018	2017
Petroleum Revenues	**246,488**	382,676	388,202
Investment Income	**42,040**	32,380	15,781
Interest Income	**19,591**	20,995	19,319
Net Income (Loss)	**(63,218)**	(261,957)	(6,367)
Total Assets	**3,354,580**	3,480,333	3,641,120
Net Worth	**3,231,290**	3,299,371	3,565,340
Issued & Subscribed Capital	**1,918,688**	1,918,688	1,918,688

The key performance indicators of the Company are as follows:

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Current Ratio	8.72:1	6.13:1	22.78:1
Current Assets	693,735,475	918,114,898	1,065,607,826
Current Liabilities	79,568,492	149,872,054	46,778,289
Debt to Equity Ratio	0.04:1	0.05:1	0.02:1
Total Liabilities	123,289,829	180,961,421	75,780,539
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Equity to Debt Ratio	26.21:1	18.23:1	47.05:1
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Total Liabilities	123,289,829	180,961,421	75,780,539
Book Value per Share	0.01684	0.01720	0.01858
Stockholders Equity	3,231,289,998	3,299,371,784	3,565,339,915
Outstanding shares	191,868,805,358	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	(0.0003)	(0.0014)	(0.0000)
Net Income (Loss)	(63,218,421)	(261,957,274)	(6,366,746)
Weighted Average shares outstanding	191,868,805,358	191,868,805,358	191,868,805,358

Current Ratio is 8.72:1 as of December 31, 2019; 6.13:1 as of December 31, 2018; and 22.78:1 as of December 31, 2017. As of December 31, 2019, December 31, 2018 and December 31, 2017, current assets exceeded the current liabilities by P614.2 million, P768.2 million and P1.019 billion, respectively. However, a portion of the "Investments" account in the statements of financial position consists mainly of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P68.3 million as of December 31, 2019, P70.5 million as of December 31, 2018 and P47.6 million as of December 31, 2017. If these shares would be considered part of Current Assets, the recomputed current ratio would be 9.58:1 as of December 31, 2019; 6.60:1 as of December 31, 2018; and 23.80:1 as of December 31, 2017.

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

	December 31, 2019
Current Ratio	*192.9:1*
Current Assets	**8,644,542**
Current Liabilities	**44,800**
Debt to Equity Ratio	*0.0052:1*
Total Liabilities	**44,800**
Stockholders' Equity	**8,599,742**
Equity to Debt Ratio	*192.0:1*

Stockholders' Equity	8,599,742
Total Liabilities	44,800
Book Value per Share	*0.0007*
Stockholders' Equity	8,599,742
Average shares outstanding	12,505,000,000
Income per Share	*-0-*
Net Income (Loss)	(65,666)
Average shares outstanding	12,505,000,000

(i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 21 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 10 and 21 to the Company's 2019 Audited Consolidated Financial Statements.

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

a) Total assets increased from P3.64 billion as of year-end 2017 to P3.48 billion as of year-end 2018. From the December 31, 2018 balance, total assets decreased by P125.7 million to its December 31, 2019 balance of P3.35 billion.

- Cash account decreased by P97.8 million from P634.4 million as of December 31, 2017 to P536.6 million as of December 31, 2018 mainly due to the payment of the Company's share in the plug and abandonment costs of Libro and Tara wells. From its December 31, 2018 balance to December 31, 2019 balance of P403.3 million, a decrease of P133.4 million was also reflected mainly due to the payment of the Company's share in the plug and abandonment costs of Nido and Matinloc wells.

- Receivables account decreased by P61.4 million from P357.6 million as of December 31, 2017 to P296.1 million as of December 31, 2018. Receivables decreased by P16.4 million from its December 31, 2018 balance to December 31, 2019 balance of P279.7 million due to the collection of certain receivables.

- Crude oil inventory increased by P12.5 million from P71.2 million as of December 31, 2017 to P83.7 million for the Company's share in inventory for the SC14 Galoc, Nido, Matinloc and North Matinloc crude. From its year-end 2018 balance to year-end 2019 balance of P7.7 million, a decrease of P76.0 million was reflected due to lower level of crude oil in storage and crude prices.

- Other current assets decreased from its December 31, 2017 balance of P2.5 million to December 31, 2018 balance of P1.7 million. From its year-end 2018 balance to year-end 2019 balance of P3.1 million, an increase of P1.48 million was reflected, due to higher level of prepayments as of year-end.

- Property and equipment decreased by P152.2 million from its December 31, 2017 balance of P642.0 million to December 31, 2018 balance of P489.8 million. From its year-end 2018 balance to year-end 2019 balance of P489.8 million, a decrease of P12.1 million was reflected. The decrease was mainly due to depletion expense (P64.5M) booked for the 2019, net of additional capital expenditures of P52.6 million.

- Investments in associates increased by P5.3 million from the year-end 2017 balance of P784.9 million to year-end 2018 balance of P790.1 million. While the year-end 2018 balance increased by P34.8 million to year-end 2019 balance of P824.9 million due the equity share in associates' earnings, adjustment in the other comprehensive income of associates net of cash dividend booked during the period. Additional information is also contained in Note 8 of the Audited Consolidated Financial Statements for 2019.

- Financial assets at Fair Value through OCI increased by P23.1 million from its year-end 2017 balance of P51.0 million to year-end 2018 balance of P74.3 million. While for year-end 2018 to year-end 2019 balance of P72.5 million, a net decrease of P1.7 million was reflected due to adjustment in the quoted shares carried at fair market value at end of 2019, net of the acquisition of additional investment amounting to P7.3 million. Additional information is also contained in Note 9 of the Audited Consolidated Financial Statements for 2019.

- Deferred oil exploration costs increased by P15.0 million from its year-end 2017 balance of P1.043 billion to year-end 2018 balance of P1.058 billion. While for year-end 2018 to year-end 2019 balance of P1.074 billion, an increase of P15.8 million was also reflected. The increases were mainly due to the additional costs incurred for the various petroleum exploration projects.

- Deferred tax asset (DTA) increased from its year-end 2017 balance of P28.2 million to P121.2 million as of year-end 2018. By year-end 2019, additional P64.3M adjustment on recognized DTA mainly on net operating loss carryover was booked increasing the balance to P185.5 million.

- Other non-current assets increased by P2.4 million from its year-end 2017 to year-end 2018 balance of P28.3 million due to the additional other deferred charges booked. The year-end 2018 balance decreased by P2.5 million to year-end 2019 balance of P25.8 million.

b) Total liabilities increased from its balance of P75.8 million in 2017 to P181.0 million balance in 2018. From the December 31, 2018 balance, total liabilities decreased by P57.7 million to its December 31, 2019 balance of P123.3 million.

- Accounts payable and accrued liabilities decreased by P1.4 million from its year-end 2017 balance of P13.1 million to year-end 2018 balance of P11.7 million. These further decreased by P4.5 million from its year-end 2018 balance to P7.2 million as of December 31, 2019 due to the payments made.

- As of year-end 2018, the company accrued its share in the provision for the plug and abandonment costs of Nido, Matinloc and North Matinloc wells amounting to P104.9 million presented as "Current portion of provision for plug and abandonment costs" in the financial statements. For year-end 2019, two (2) wells of Nido remained unplugged and for abandonment in 2020, the corresponding share in the P&A costs amounted to P39.0M was accrued. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

- Income tax payable as of year-end 2018 amounted to P0.04 million. From year-end 2018 balance to year-end 2019 balance of P0.21 million, an increase of P0.17 million was reflected due to higher income tax liability accrued as of end of period.

- Dividends payable decreased from its year-end 2017 balance of P33.3 million to year-end 2018 balance of P33.2 million. For year-end 2018 balance to year-end 2019 balance of P33.1 million, a slight decrease of P0.1 million was reflected due to payments made during the period.

- Beginning year-end 2016, full provision was made for the future cost of decommissioning Galoc oilfield. The company's estimated share in decommissioning liability amounted to P24.2 million as of December 31, 2017. From its year-end 2017 balance to 2018 year-end balance of P21.1 million, a decrease of P3.1 million was reflected. For year-end 2018 balance to year-end 2019 balance of P23.9 million, adjustment of P2.8 million was also booked. The movements on the balances were adjustments on the revaluation of the liability. In relation to this decommissioning liability, a decommissioning fund equivalent to its current contribution to settle its share in the decommissioning costs of Galoc oilfield is also established and is reflected under "Property and equipment" account. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

- Retirement benefit liability increased by P5.1 million from its year-end 2017 balance of P4.8 million to year-end 2018 balance of P9.9 million. From its year-end 2018 balance to year-end 2019 balance of P19.8 million, an increase of P9.8 million was reflected due to the adjustment in the recognized retirement benefit liability as of end of the period.

c) Stockholders' equity decreased by P266.0 million from its year-end 2017 balance to year-end 2018 balance of P3.3 billion. While for year-end 2018 to year-end 2019, the stockholders' equity also decreased by P68.0 million.

- Issued capital stock balance remained at P1.568 billion for the years-ended 2017, 2018 and 2019.

- Subscribed capital stock and subscriptions receivable balances also remained at P350.7 million for the years-ended 2017, 2018 and 2019.

- The unrealized loss on the decline in value of AFS financial assets and financial assets at fair value through other comprehensive income increased by 1.7 million from year-end 2017 balance of P30.3 million to year-end 2018 balance of P31.9 million. While from its year-end 2018 balance to year-end 2019 balance of P41.0 million, an increase of P9.0 million was reflected due to the additional adjustment in the valuation allowance. Additional information is also contained in Note 9 of the Audited Consolidated Financial Statements for 2019.

- Retained Earnings from year-end 2017 balance of P1.81 billion to year-end 2018 balance of P1.6 billion, reflected a net decrease of P261.9 million was due to the net loss booked during the period. While for year-end 2018 to year-end 2019 balance of P1.5 billion, the decrease of P63.2 million was also mainly due to the net loss booked for the period.

d) Petroleum revenues in 2019 totaled P246.5 million as compared to P382.7 million in 2018 and P388.2 million in 2017. For the year 2019, the decrease in revenues was mainly brought about by the decrease in production volume and crude prices. Production decreased by 39% from its 2018 level of 1.25 million barrels to 0.76 million barrels in 2019. Combined average prices for 2019 and 2018 were US$59.44 and US$70.98, respectively. For 2017, total production volume was 1.56 million barrels and average price per barrel was US$57.34.

Equity in net earnings of associates amounted to P42.0 million in 2019 and P32.4 million in 2018. The net increase of P9.7 million from year-end 2018 to year-end 2019 balance was due to higher level of income of PCIC, offset by equity share in ACMDC's loss. For 2017, equity in net earnings of associates amounted to P15.8 million.

Interest income totaled to P19.6 million in 2019, P21.0 million in 2018 and P19.3 million in 2017.

Foreign exchange gains (losses) amounted to (P15.2) million in 2019, P22.5 million for 2018 and P2.6 million for 2017.

e) Total costs and expenses totaled to P417.3 million in 2019, P811.0 million in 2018 and P444.3 million in 2017.

Share in production and plug and abandonment costs totaled to P287.3 million in 2019, P490.4 million in 2018 and P291.2 million in 2017. For 2018, the P200M increase in these costs was mainly due to the plug and abandonment costs incurred for the Libro and Tara wells and the remaining nine (9) wells at the Nido, Matinloc and North Matinloc fields. As of year-end 2019, two (2) wells of Nido remained unplugged and for abandonment in 2020, additional P39.0 million was accrued for the company's share in the plug and abandonment costs. Additional information is also contained in Note 12 of the Audited Consolidated Financial Statements for 2019.

Depletion costs amounted to P64.6 million in 2019, P88.4 million in 2018 and P89.8 million in 2017.

General and administrative expenses totaled to P62.7 million in 2019, P82.0 million in 2018 and P59.7 million in 2017.

Current provision for income taxes amounted to P2.8 million in 2019, P2.1 million in 2018 and P2.3 million for 2017. Recognition of deferred tax asset resulted to benefit from income tax amounting to P62.6 million in 2019 and P92.6 million in 2018 and P14.3 million in 2017.

For 2018, loss on write off of exploration costs of plugged and abandoned projects under SC14, receivables and investment were booked totaling to P128.2 million. Provision for expected credit loss amounting to P20.9 million was also booked for the period.

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

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

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

(3) Interim Periods

No interim financial statements are included in this report.

Item 7. Financial Statements

The 2019 Audited Consolidated Financial Statements of the Company is incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

Information on Independent Accountant. The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed as the external auditor of the Company in the 2017, 2018 and 2019 annual stockholders' meetings.

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

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2019	**P1,300,000**	-0-	-0-
2018	P1,260,000	-0-	-0-
2017	P1,030,000	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regulatory filings for years 2019, 2018 and 2017. The amounts under the caption "Audit and Audit Related Fees" for the years 2019, 2018 and 2017 pertain to these services.

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

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

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

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

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For year 2020, SGV will be recommended for appointment as external auditors during the stockholders' meeting.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(a) Directors, Executive Officers Promoters and Control Persons

(1) Identify Directors and Executive Officers

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

Name	Age	Citizenship	Position	Period of Service	
				From	To
Alfredo C. Ramos	76	Filipino	Chairman of the Board	Dec 2, 1992	Present
			President	Apr 24, 1989	Mar 31, 2014
				Jan 1, 2017	Present
Presentacion S. Ramos	78	Filipino	Director	May 28, 1997	Present
Christopher M. Gotanco	70	Filipino	Director	Aug 17, 2005	Present
Adrian S. Ramos	41	Filipino	Director	Jan 18, 2006	Present
Gerard Anton S. Ramos	45	Filipino	Director	Dec 16, 2015	Present
Alexandra Ramos-Padilla	47	Filipino	Director	Jun 19, 2013	Present
Honorio A. Poblador III	74	Filipino	Independent Director	Feb 26, 2003	Present
Nicasio I. Alcantara	77	Filipino	Independent Director	Feb 26, 2003	Present
Reynaldo E. Nazarea	69	Filipino	Director Treasurer VP Administration	Jun 21, 2017 May 1, 2005 May 1, 1992	Present Present Present
Alessandro O. Sales	61	Filipino	VP Exploration & Production	Mar 11, 2008	Present
Isabelita L. Matela	65	Filipino	AVP Finance	Oct 1, 2009	Present
Dennis V. Panganiban	57	Filipino	AVP Exploration & Production	Sep 1, 2011	Present
Adrian S. Arias	57	Filipino	Corporate Secretary	Dec 2, 1992	Present

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporation; Chairman of Atlas Consolidated Mining & Development Corporation, Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation.

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

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

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

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

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

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

Mr. Gotanco's current affiliations include: Vulcan Materials Corporation (Vice Chairman & Director from 2012 to date), Bataan Aggregates Corporation (Director from April 2017 to date), MRT Holdings, Inc. (Director from 1995 to date), MRT Development Corporation (Director from 1995 to date), North Triangle Development Corp. (Director from 2004-2014), Vulcan Industrial and Mining Corporation (Director from 1989 to date), (Vice Chairman & COO from 2012 to date) United Paragon and Mining Corporation (Director from 2006 to date), Penta Capital Investment Corporation (Vice Chairman from 2007 to date), Penta Capital Finance Corporation (Director from 2007 to date), and Boulevard Holdings, Inc (Director from 2007 to date).

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

NICASIO I. ALCANTARA has been an Independent Director of the Company since 2003. For the past five years, he has been serving the Board of these corporations - Seafront Resources Corp., Alsons Insurance Brokers Corp., Alsons Aquaculture Corp., Alsons Corporation, Alsons Dev't. & Investment Corp., Alsons Land Corporation, Alsons Power Holdings Corporation, Lima Land Corporation, C. Alcantara & Sons, Inc., BDO Private Bank, Site Group International Ltd., Indophil Resources NL, Alsing Power Holdings, Inc., Southern Philippines Power Corp, Western Mindanao Power Corporation, and Conal Holdings Corporation, Conal Corporation, among others.

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

ALESSANDRO O. SALES is the Company's Vice President for Exploration since 2005. He is responsible for implementing Philodrill's oil exploration and development programs for the past thirteen (13) years. He previously served as Asst. Vice President of the Company in 1997.

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

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

ATTY. ADRIAN S. ARIAS is the Company's Corporate Secretary. He has been in active corporate law practice for thirty (30) years and serves as a director of companies involved in investments holding (Anglo Philippine Holdings Corp.), financial services (Penta Capital Finance Corporation and Penta Capital Investment Corp.), retail (Vulcan Industrial & Mining Corp.), and distribution support services (QFI-Central Integrated Services, Inc.).

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

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

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

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

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

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

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

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

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

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

(4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-

regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(1) Summary Compensation Table

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

Name	Position *(as of Dec 31, 2019)*	Year	Salary	Bonus	Other annual Compensation
Alfredo C. Ramos Reynaldo E. Nazarea Alessandro O. Sales Isabelita L. Matela Dennis V. Panganiban	Chairman & President Treasurer & VP-Admin VP-Exploration& Production AVP-Finance AVP-Exploration&Production				
		2018	15,568,547	-0-	-0-
		2019	17,480,031	-0-	-0-
		2020 (estimate)	18,354,033		
All Officers and directors as a group unnamed					
		2018	21,353,133	-0-	650,000
		2019	23,809,542	-0-	650,000
		2020 (estimate)	25,110,019		

(2) Compensation of Directors

(A) Standard Arrangement

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

(B) Other Arrangements

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

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

The Company maintains standard employment contracts with Messrs. Alfredo C. Ramos, Reynaldo E. Nazarea, Alessandro O. Sales, Ms. Isabelita L. Matela and Dennis

V. Panganiban, all of which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and company car plan.

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

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

Certain employees, including directors of the Company, receive stock appreciation right, further details of which are given in Note 11 to the Company's 2019 Audited Consolidated Financial Statements.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2019 the Company is not aware of anyone who beneficially owns more than 5% of the Company's common stock, except as set forth in the table below:

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A, B and C)	Filipino	73,813,466,937	38.470%
Common	National Book Store, Inc. 4/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	National Book Store Inc	Filipino	16,735,965,802	8.723%
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp./Alakor Corporation/National Bookstore, Inc.	Filipino	31,710,293,010	16.527%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

<u>Note A</u>: The number of shares held by PCD Nominee Corporation (PCD) is net of the 102,072,258,679 shares held by National Book Store Inc (NBS), Alakor Corporation (AC) and Anglo Philippine Holdings Corp. (Anglo).

<u>Note B</u>: Of the 73,813,466,937 shares held by PCD, 72,645,775,410 shares have been fully paid and issued, while 1,167,691,527 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed. Of the 65,970,793,010 shares held (directly and indirectly) by Anglo, 65,543,588,944 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

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

(2) Security Ownership of Management

The Company's directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated executive officers (O) own the following number of voting shares as of December 31, 2019:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
		Direct	Indirect		
Common	Alfredo C. Ramos (D,O)	P50,110	P3,500,795	Filipino	0.185%
Common	Nicasio I. Alcantara (D)	10,000	3,622,000	Filipino	0.189
Common	Honorio A. Poblador III (D)	299,000	0	Filipino	0.016
Common	Presentacion S. Ramos (D)	1,250	770,000	Filipino	0.040
Common	Christopher M. Gotanco (D)	48,600	2,454,634	Filipino	0.130
Common	Gerard Anton S. Ramos (D)	1,000	0	Filipino	<0.000
Common	Adrian S. Ramos (D)	12,500	333,231	Filipino	0.018
Common	Alexandra R. Padilla (D)	100	800	Filipino	<0.000
Common	Reynaldo E. Nazarea (D,O)	1,000	860,563	Filipino	0.045
Common	Alessandro O. Sales (O)	0	0	Filipino	0
Common	Isabelita L. Matela (O)	2,731	6,058	Filipino	<0.000
Common	Dennis V. Panganiban (O)	0	10,000	Filipino	<0.000

As of December 31, 2018, the aggregate number of shares owned by the Company's directors, Chief Executive Officer and four (4) most highly compensated executive officers, as a group, is 1,198,437,237 shares, or approximately 0.625% of the Company's outstanding capital stock.

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances to related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's 2019 Audited Consolidated Financial Statements, a copy of which is included in this Annual Report.

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

(b) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 15 to the Company's 2019 Audited Consolidated Financial Statements.

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

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

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

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

PART IV – CORPORATE GOVERNANCE

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

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

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

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

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

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

PART V - EXHIBITS AND SCHEDULES

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

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

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

Date of Report	Description
January 24, 2019	Setting the schedule of the Company's Annual Stockholders' Meeting to June 19, 2019 at The Legend Villas.
February 26, 2019	Submission of DOE's Certification on the company's existing Petroleum Service Contracts.
March 05, 2019	The Philodrill Corporation received from our external counsel, Tan Venturanza Valdez Law Office, a copy of the Resolution of the former Fifth Division of the CA dismissing the MR filed by Mr. Francisco A. Navarro on the CA Decision promulgated on August 10, 2018.
March 22, 2019	Approval of the Company's 2018 Audited Financial Statements.
March 22, 2019	List of Stockholders as of Record Date, March 20, 2019.
June 20, 2019	Result of the 2019 Annual Stockholders' Meeting and election of Board of Directors.
August 08, 2019	The Philodrill Corporation received a Notice from the Supreme Court, Third Division that a Resolution dated June 3, 2019 was issued which states, among others: After deliberating on the petition for review on certiorari assailing the Decision and Resolution dated August 10, 2018 and February 14, 2019. Respectively, of the Court of Appeals, Manila in C.A.-G.R. SP No. 155889, the Court, without necessarily giving due course thereto, resolves to require respondent to COMMENT thereon (not to file a motion to dismiss) within (10) days from notice.
October 25, 2019	The Department of Energy (DOE) has approved the transfer of 70% Participating Interest (PI) from the SC 6B (Bonita Block) JV consortium to Manta Oil Company Limited (MOCL). The assignment is subject to the fulfilment by MOCL of its obligation to pay one hundred per cent (100%) of all operating expenses up until the declaration of commerciality by the DOE. The Philodrill Corporation originally holds 58.182% PI in SC 6B. With the DOE approval of the Deed of Assignment, Philodrill effectively transferred its 40.728% PI to Manta Oil Company Limited. As such, Philodrill now holds 17.4546% PI in the Bonita Block.
October 28, 2019	Board approval of Company's Material Related Party Transactions Policy.
December 19, 2019	Board approval of Subscription Call on the Company's 2009 SRO at any time on or before December 31, 2020 instead of December 31, 2019.
December 23, 2019	Advised that our Independent Director, Mr. Nicasio Alcantara, completed and were duly certified to have attended a special seminar on Corporate Governance held on December 19, 2019 at Alphaland Southgate Tower, Chino Roces Avenue, Makati City in compliance with SEC Memorandum Circular No. 20 dated 29 November 2013 on the Code of Corporate Governance.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on June __, 2020.

By:

ALFREDO C. RAMOS
Principal Executive Officer/
Principal Operating Officer

REYNALDO E. NAZAREA
Principal Financial Officer/
Comptroller

ADRIAN S. ARIAS
Corporate Secretary

ISABELITA L. MATELA
Principal Accounting Officer

MANDALUYONG CITY

SUBSCRIBED AND SWORN to before me this JUN 27 2020 day of June 2020 affiants exhibiting to me their Passport, as follows:

NAMES	Passport no.	DATE OF ISSUE	PLACE OF ISSUE
ALFREDO C. RAMOS	EC8370209	07-21-16	DFA NCR East
REYNALDO E. NAZAREA	EC5102755	08-27-15	DFA NCR East
ADRIAN S. ARIAS	P9176511A	10-16-18	DFA NCR East
ISABELITA L. MATELA	P4783651A	10-21-17	DFA NCR South

IRIS MARIE U. CARPIO
NOTARY PUBLIC
ROLL NO. 51028
MANDALUYONG CITY METRO MANILA

Notary Public

ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0374-20 / UNTIL DECEMBER 31, 2021
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 4337135/ MANDALUYONG CITY / 01-08-2020
IBP NO. 105433 / 01-07-2020 / QC CHAPTER
MCLE COMPLIANCE NO. VI-0022115 / 04-14-2022
ROLL NO. 51028 (2005)

DOC. NO.: 357;
PAGE NO. 73;
BOOK NO. I;
SERIES OF 2020

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	8	6	8	3						

COMPANY NAME

THE PHILODRILL CORPORATION AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8,572	06/17	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

THE PHILODRILL CORPORATION
QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY, PHILIPPINES
TEL. NOS. 631-1801 TO 05 ; 631-8151/52 ; FAX: (632) 631-8080 , (632) 631-5310

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of The Philodrill Corporation and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Reynaldo E. Nazarea
Chief Financial Officer

Signed this 29th day of May 2020

SUBSCRIBED AND SWORN to before me this JUN 22 2020 MANDALUYONG CITY day of June 2020 affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
ALFREDO C. RAMOS	EC8370209	July 21, 2016	DFA-NCR East
REYNALDO E. NAZAREA	EB5102755	August 27, 2015	DFA-NCR East

Doc. No. 1328
Page No. 67
Book No. I
Series of 2020.

IRIS MARIE U. CARPIO
NOTARY PUBLIC
ROLL NO. 51028
MANDALUYONG CITY*METRO MANILA

ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0374-20 / UNTIL DECEMBER 31, 2021
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 4337135/ MANDALUYONG CITY / 01-08-2020
IBP NO. 105433 / 01-07-2020 / QC CHAPTER
MCLE COMPLIANCE NO. VI-0022115 / 04-14-2022
ROLL NO. 51028 (2005)

SGV
Building a better
working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Philodrill Corporation and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Deferred Oil Exploration Costs

As at December 31, 2019, the carrying value of the Group's deferred oil exploration costs amounted to ₱1,074.4 million. These deferred exploration costs pertain to the expenditures incurred during the exploration stage of the Group's oil and gas assets. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred oil exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred oil exploration costs would depend on the commercial viability of the oil reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

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

Audit Response
We obtained management's assessment on whether there is any indication that deferred oil exploration costs may be impaired. We reviewed the summary of the status of each exploration project as at December 31, 2019. We inspected the service contracts and relevant joint arrangements of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired and the Group has rights and obligations under the contracts through participating interests. For areas with pending approval for the awarding of service contract from the Philippine Government, we inspected and assessed relevant supporting documents in conjunction with the management's assessment regarding the likelihood of awarding. We obtained and reviewed the work program and budget duly approved by the joint operation and regulatory agency. We also obtained the latest management disclosures regarding the status of the Group's service contracts which supports the assessment of the management regarding their recoverability. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125228, January 7, 2020, Makati City

May 29, 2020

BUREAU OF INTERNAL REVENUE
RECEIVED
JUN 29 2020
REGULATORY DIVISION

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱403,279,202**	₱536,627,072
Receivables (Note 5)	**279,705,544**	296,119,832
Crude oil inventory (Note 6)	**7,678,642**	83,675,982
Other current assets	**3,072,087**	1,692,012
Total Current Assets	**693,735,475**	918,114,898
Noncurrent Assets		
Property and equipment (Note 7)	**477,731,394**	489,779,532
Investments in associates (Note 8)	**824,924,984**	790,123,956
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**72,507,355**	74,250,675
Deferred oil exploration costs (Notes 6 and 10)	**1,074,362,725**	1,058,527,067
Deferred income tax assets - net (Note 19)	**185,459,062**	121,198,148
Other noncurrent assets	**25,858,832**	28,338,929
Total Noncurrent Assets	**2,660,844,352**	2,562,218,307
TOTAL ASSETS	**₱3,354,579,827**	₱3,480,333,205
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**₱7,173,233**	₱11,707,062
Current portion of provision for plug and abandonment (P&A) costs (Notes 6 and 12)	**39,037,676**	104,864,027
Dividends payable (Note 13)	**33,143,698**	33,258,021
Income tax payable	**213,885**	42,946
Total Current Liabilities	**79,568,492**	149,872,056
Noncurrent Liabilities		
Noncurrent portion of provision for P&A costs (Notes 6 and 12)	**23,948,006**	21,149,782
Retirement benefit liability (Note 18)	**19,773,331**	9,939,583
Total Noncurrent Liabilities	**43,721,337**	31,089,365
Total Liabilities	**123,289,829**	180,961,421
Equity		
Capital stock (Note 13)	**1,743,352,467**	1,743,353,767
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Share in other comprehensive income of associates (Note 8)	**43,398,972**	35,335,091
Net unrealized loss on decline in value of financial assets at FVOCI (Note 9)	**(40,974,343)**	(31,953,522)
Remeasurement loss on retirement benefit liability (Note 18)	**(40,794,875)**	(36,889,750)
Retained earnings (Note 13)	**1,524,683,765**	1,587,902,186
Total Equity	**3,231,289,998**	3,299,371,784
TOTAL LIABILITIES AND EQUITY	**₱3,354,579,827**	₱3,480,333,205

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
SHARE IN PETROLEUM REVENUE (Note 6)	**₱246,487,516**	₱382,676,049	₱388,201,800
COSTS AND EXPENSES			
Share in costs and operating expenses (Notes 6 and 16)	**287,286,913**	490,385,695	291,193,355
Depletion expense (Notes 6 and 7)	**64,597,385**	88,407,983	89,770,412
General and administrative expenses (Note 17)	**62,661,775**	81,987,389	59,725,033
	414,546,073	660,781,067	440,688,800
OTHER INCOME (CHARGES)			
Share in net income of associates (Note 8)	**42,040,140**	32,379,852	15,781,372
Interest income - net (Notes 4, 15 and 18)	**19,591,102**	20,995,400	19,318,922
Foreign exchange gains (losses) - net	**(15,155,824)**	22,484,713	2,616,446
Accretion expense (Note 12)	**(1,801,147)**	(1,345,063)	(1,407,057)
Loss on write-off of:			
Property and equipment (Note 7)	–	(79,012,162)	–
Receivables (Note 5)	–	(38,070,669)	–
Investment in associates (Note 8)	–	(11,078,715)	–
Provision for expected credit loss (Note 5)	–	(20,920,198)	–
Gain on sale of investments	–	–	85,102
Others – net	**335,291**	221,808	(2,239,878)
	45,009,562	(74,345,034)	34,154,907
LOSS BEFORE INCOME TAX	**(123,048,995)**	(352,450,052)	(18,332,093)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**2,756,715**	2,099,690	2,315,405
Deferred	**(62,587,289)**	(92,592,468)	(14,280,752)
	(59,830,574)	(90,492,778)	(11,965,347)
NET LOSS	**(₱63,218,421)**	(₱261,957,274)	(₱6,366,746)
LOSS PER SHARE (Note 14)			
Basic/Diluted	**(₱0.0003)**	(₱0.0014)	(₱0.0000)

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET LOSS	**(₱63,218,421)**	(₱261,957,274)	(₱6,366,746)
OTHER COMPREHENSIVE LOSS			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized losses on available for sale (AFS) financial assets (Note 9)	–	–	(14,008,599)
	–	–	(14,008,599)
Items not to be reclassified to profit or loss in subsequent periods:			
Unrealized losses on financial assets at FVOCI (Note 9)	**(9,020,821)**	(1,668,360)	–
Share in other comprehensive income (loss) of associates (Note 8)	**8,063,881**	(1,397,723)	19,442,677
Remeasurement gain (loss) on retirement benefit liability, net of tax (Note 18)	**(3,905,125)**	(944,774)	1,017,409
	(4,862,065)	(4,010,857)	20,460,086
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(4,862,065)**	(4,010,857)	6,451,487
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱68,080,486)**	(₱265,968,131)	₱84,741

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 13)	Paid-in Capital from Sale of Treasury Shares	Share in Other Comprehensive Income (Loss) of Associates (Note 8)	Net Unrealized Income (Loss) on Decline in Value of AFS Financial Assets (Note 9)	Net Unrealized Income (Loss) on Decline in Value of Financial Assets at FVOCI (Note 9)	Remeasurement Income (Loss) on Retirement Benefit Liability (Note 18)	Retained Earnings	Total
Balances at December 31, 2016	₱1,743,353,767	₱1,624,012	₱17,290,137	(₱16,276,563)	₱–	(₱36,962,385)	₱1,856,226,206	₱3,565,255,174
Net loss	–	–	–	–	–	–	(6,366,746)	(6,366,746)
Other comprehensive income (loss)	–	–	19,442,677	(14,008,599)	–	1,017,409	–	6,451,487
Total comprehensive income (loss)	–	–	19,442,677	(14,008,599)	–	1,017,409	(6,366,746)	84,741
Balances at December 31, 2017	₱1,743,353,767	₱1,624,012	₱36,732,814	(₱30,285,162)	₱–	(₱35,944,976)	₱1,849,859,460	₱3,565,339,915
Balance as at January 1, 2018, as previously reported	₱1,743,353,767	₱1,624,012	₱36,732,814	(₱30,285,162)	₱–	(₱35,944,976)	₱1,849,859,460	₱3,565,339,915
Reclassification due to adoption of PFRS 9	–	–	–	30,285,162	(30,285,162)	–	–	–
Crude oil inventory as at January 2018 previously charged against share in costs and operating expenses	–	–	–	–	–	–	71,172,655	71,172,655
Crude oil inventory as at January 2018 previously recognized as petroleum revenue	–	–	–	–	–	–	(71,172,655)	(71,172,655)
Balance as at January 1, 2018 as adjusted	1,743,353,767	1,624,012	36,732,814	–	(30,285,162)	(35,944,976)	1,849,859,460	3,565,339,915
Net loss	–	–	–	–	–	–	(261,957,274)	(261,957,274)
Other comprehensive loss	–	–	(1,397,723)	–	(1,668,360)	(944,774)	–	(4,010,857)
Total comprehensive loss	–	–	(1,397,723)	–	(1,668,360)	(944,774)	(261,957,274)	(265,968,131)
Balances at December 31, 2018	₱1,743,353,767	₱1,624,012	₱35,335,091	₱–	(₱31,953,522)	(₱36,889,750)	₱1,587,902,186	₱3,299,371,784
Net loss	–	–	–	–	–	–	(63,218,421)	(63,218,421)
Other comprehensive income (loss)	–	–	8,063,881	–	(9,020,821)	(3,905,125)	–	(4,862,065)
Total comprehensive income (loss)	–	–	8,063,881	–	(9,020,821)	(3,905,125)	(63,218,421)	(68,080,486)
Cancellation of subscription (Note 13)	(1,300)	–	–	–	–	–	–	(1,300)
Balances at December 31, 2019	**₱1,743,352,467**	**₱1,624,012**	**₱43,398,972**	**₱–**	**(₱40,974,343)**	**(₱40,794,875)**	**₱1,524,683,765**	**₱3,231,289,998**

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱123,048,995)**	(₱352,450,052)	(₱18,332,093)
Adjustments for:			
Depletion and depreciation expense (Note 7)	**67,669,078**	91,437,360	92,686,227
Share in net income of associates (Note 8)	**(42,040,140)**	(32,379,852)	(15,781,372)
Interest income - net (Notes 4, 15 and 18)	**(19,591,102)**	(20,995,400)	(19,311,996)
Unrealized foreign exchange gains (losses) - net	**12,939,296**	(21,087,548)	(682,229)
Amortization of other deferred charges	**5,887,613**	5,380,488	1,870,650
Retirement benefit expense (Note 18)	**3,720,836**	3,631,934	3,635,012
Accretion expense (Note 12)	**1,801,147**	1,345,063	1,407,057
Dividend income (Note 9)	**(1,255,800)**	–	–
Write-off of:			
Property and equipment (Note 7)	–	79,012,162	–
Receivables (Note 5)	–	38,070,669	–
Investment in associates (Note 8)	–	11,078,715	–
Provision for expected credit loss (Note 5)	–	20,920,198	–
Gain on sale of investment	–	–	(85,102)
Operating income (loss) before working capital changes	**(93,918,067)**	(176,036,263)	45,406,154
Decrease (increase) in:			
Receivables	**(516,063)**	10,000,116	(18,998,992)
Crude oil inventory	**75,997,340**	(12,503,327)	(16,483,014)
Other current assets	**(1,380,075)**	790,141	128,859
Increase (decrease) in accounts payable and accrued liabilities	**(70,360,180)**	103,449,646	6,598,052
Cash generated from (used in) operations	**(90,177,045)**	(74,299,687)	16,651,059
Income taxes paid including creditable taxes applied	**(2,585,776)**	(2,396,834)	(1,975,315)
Interest received	**37,055,615**	13,578,895	13,652,530
Dividends received (Notes 8 and 9)	**16,558,794**	14,642,396	13,302,992
Net cash flows from (used in) operating activities	**(39,148,412)**	(48,475,230)	41,631,266
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 7)	**(53,626,784)**	(26,981,201)	(92,310,313)
Financial assets at FVOCI	**(7,277,501)**	(24,944,812)	–
Deferred oil exploration costs (Note 10)	**(15,835,658)**	(15,001,269)	(15,241,619)
Other noncurrent assets	**(3,407,516)**	(7,751,126)	(16,961,077)
AFS financial assets	–	–	(2,339,454)
Cash flows used in investing activities	**(80,147,459)**	(74,678,408)	(126,852,463)

Forward

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 13)	**(₱114,323)**	(₱58,735)	(₱414,076)
Cancelled subscription (Note 13)	**(1,300)**	–	–
Cash flows used in financing activities	**(115,623)**	(58,735)	(414,076)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(13,936,376)**	25,453,922	85,660
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(133,347,870)**	(97,758,451)	(85,549,613)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**536,627,072**	634,385,523	719,935,136
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱403,279,202**	₱536,627,072	₱634,385,523

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Financial Statements

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

On January 18, 2018, the Securities and Exchange Commission approved the amended articles of incorporation of the Parent Company to extend its corporate term for another 50 years from and after June 25, 2019. The Parent Company and Philodrill Power Corp. (PPC, formerly Phoenix Gas and Oil Exploration Co., Inc., a wholly owned subsidiary, incorporated in the Philippines and has not yet started commercial operations), collectively referred to as "the Group", are primarily engaged in oil exploration and production and the development, exploitation, and processing of energy resources. The Parent Company is the ultimate parent company within the Group. The Parent Company is also an investment holding company with investments in financial services and mining.

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

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

Acquisition of PPC
On May 2, 2007, the Parent Company acquired 100% of the shares of PPC, an entity which had participating interests in various oil properties in the Philippines and has not yet started commercial operations as at December 31, 2018. On July 20, 2016, an amended articles of incorporation of PPC was adopted, changing its name and primary purpose from oil exploration to power generation.

The Parent Company, which is operating in only one business segment, has two associates engaged in financial services and one associate which has significant holdings in mineral resources in the Philippines. The Parent Company and its associates have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding these associates as at and for the years ended December 31, 2019 and 2018 is presented in Note 8.

Authorization for Issuance of Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were authorized for issue by the Board of Directors (BOD) on May 29, 2020.

2. Basis of Preparation, Basis of Consolidation, Statement of Compliance, Changes in Accounting Policies and Disclosures, Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group 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.

The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions. 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 Parent Company 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 Parent Company controls an investee if and only if the Parent Company 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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 Parent Company 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date the Parent Company 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 Parent Company'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, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and

- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The adoption of this standard did not have any significant impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The adoption of this interpretation does not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  These amendments have no impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

Effective beginning on or after January 1, 2023

- 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*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new standard is not expected to have any impact on the consolidated financial statements of the Group.

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 Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (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.

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statement of comprehensive income.

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 three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

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.

Financial assets - Initial Recognition, Subsequent Measurement and Impairment Effective January 1, 2018

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

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. The Group 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.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payment 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 FVTPL, irrespective of the business model.

The Group's business model for managing financial assets that refers to how it manages its financial assets in order to generate cash flows. The business model determine whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group 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 FVOCI with recycling of cumulative gains and losses upon derecognition (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon recognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on a specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

As at December 31, 2019 and 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, receivables (except advances to officers and employees) and other financial assets under "Other current assets" and "Other noncurrent assets" (see Notes 4 and 5).

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value changed in OCI is recycled to profit or loss.

As at December 31, 2019 and 2018, the Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at FVOCI 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 as 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's financial assets at FVOCI includes investment in quoted equity instruments (see Note 9).

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risk are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Reassessment only occurs if there is a change in in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group does not have financial assets at FVTPL as at December 31, 2019 and 2018.

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 Group's consolidated 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 it rights to receive cash flows from an asset or has entered into 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 ECLs for all debt instruments not held at FVTPL. 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 EIR. 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.

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 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 considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers accounts with contract operators in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk 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.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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 significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- month ECL.

<u>Financial Assets - Initial Recognition, Subsequent Measurement and Impairment Prior to January 1, 2018</u>

Initial Recognition and Measurement
Financial assets are classified, at initial recognition as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial assets.

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 Group commits to purchase or sell the asset.

Subsequent Measurement
Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognized in

the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Group's loans and receivables consist of cash and cash equivalents and receivables (see Notes 4 and 5).

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as "Net unrealized gains (losses) on decline in value of AFS financial assets".

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2017, the Group classifies its investments in shares of stocks as AFS financial assets.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of the financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. Objective impairment evidence may constitute the increased probability of insolvency, or significant financial difficulties, of the debtor. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets
For AFS financial assets, the Group assesses at end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset

previously recognized in OCI, is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

If there is objective evidence of impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2017, the Group has no financial assets at FVTPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

Financial liabilities

Initial measurement and recognition

Financial liabilities are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and borrowings, payables, or as 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 attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. As at December 31, 2019 and 2018, the Group has not designated any financial liability as at FVTPL.

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 consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement
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 close 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 Jointly Controlled Operations
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
- Expenses, including its share of any expenses incurred jointly

These are consolidated on a line by line basis.

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

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

The initial cost of property and equipment, other than wells, platforms, and other facilities, comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

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

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

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

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

Investments in Associates

Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The investment in associates are accounted using equity method.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in OCI is recognized in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by 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.

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

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

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 farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor 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.

Impairment of Nonfinancial Assets
Investments in Associates
The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the associate and the carrying value and recognizes the amount as part of "Others - net" in the consolidated statement of income.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statement of income.

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 against 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.

Property and Equipment, Nonfinancial Prepayments and Other Current and Noncurrent Assets
The Group assesses, at each reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to

its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

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.

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.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

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

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

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 11.

Provisions

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

Provision for P&A costs

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

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

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

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

Retirement Benefit Liability

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

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

Defined benefit costs comprise the following:

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

- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest income" 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 foreign subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will no reverse in a foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in foreign subsidiaries 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.

In respect of deductible temporary differences associated with investment in associates, 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 profit will be available against which the temporary differences can be utilized.

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 only one business segment. PPC has not yet started commercial operation since its incorporation therefore, expenses were only incurred during the year.

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in the future periods.

Determining the stage for impairment of Financial Assets at Amortized Cost
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets at amortized cost 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. Quantitative criteria may include downgrade in investment grade, defaulted assets, counterparties with objective evidence of impairment. A significant increase in credit risk is also presumed if a debtor is more than 90 days past due in making a contractual payment. Qualitative criteria may include significant adverse changes in business, financial or economic conditions in which the counterparty operates, actual or expected restructuring.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

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 significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, information obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

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

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

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

The Group is a member in various jointly controlled operations in oil drilling. These jointly controlled operations are entered into with the Philippine Government through SCs and Geophysical Survey and Exploration Contracts (GSECs).

As at December 31, 2019 and 2018, the Group's joint arrangements are in the form of a joint operation (see Note 6).

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

As at December 31, 2019 and 2018, the Group has significant influence over its associates (see Note 8).

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

Measurement of ECLs
ECLs are derived from unbiased and probability-weighted estimates of expected loss. The ECLs for the Group's financial assets which are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group leverages existing risk management indicators, credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased. The Group's ECL is measured on either a 12-month basis ECLs are the discounted product of the PD, LGD, and EAD, defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve (12) months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

  The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  LGD represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next twelve (12)

months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- *Exposure at default*
  EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Incorporation of Forward-looking Information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on financial assets have been developed based on analyzing historical data.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Total carrying value of receivables measured at amortized cost amounted to ₱279.7 million and ₱296.1 million as at December 31, 2019 and 2018, respectively. Provision amounting to ₱20.9 million for ECLs were recognized on the Group's receivables as at December 31, 2019 and 2018, respectively. In 2019 and 2018, the Group has written off receivable amounting to nil and ₱38.1 million, respectively, (see Note 5).

Estimating Oil Reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

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

The change in estimate in 2019 resulted to lower depletion of wells, platforms, and other facilities amounting to ₱64.6 million and ₱88.4 million for the years ended December 31, 2019 and 2018, respectively (see Notes 6 and 7).

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

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

As at December 31, 2019 and 2018, the carrying values of wells, platforms, and other facilities amounted to ₱466.0 million and ₱475.3 million, respectively (see Note 7). In 2019, 2018 and 2017, depletion expense incurred by the Group amounted to ₱64.6 million, ₱88.4 million and ₱89.8 million, respectively (see Notes 6 and 7).

Assessing Recoverability of Deferred Oil Exploration Costs
The Group assesses impairment on deferred oil exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred oil exploration costs need not be assessed for impairment. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed in full from successful development or by sale.

As at December 31, 2019 and 2018, the carrying values of deferred oil exploration costs amounted to ₱1,074.4 million and ₱1,058.5 million, respectively. There was no allowance for unrecoverable deferred oil exploration costs as at December 31, 2019 and 2018. No impairment losses were recognized in 2019, 2018 and 2017 (see Note 10).

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amount of deferred income tax assets at each end of the reporting period and is adjusted accordingly to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. The Group has recognized deferred income tax assets amounting to ₱187.1 million and ₱130.0 million as at December 31, 2019 and 2018, respectively (see Note 19).

Estimating Provision for P&A Costs
Significant estimates and assumptions are made in determining the provision for P&A. Factors affecting the ultimate amount of liability include estimates of the extent and costs of P&A activities, technological changes, regulatory changes, cost increases, and changes in discount and foreign exchange rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The Group recognized accretion expense amounting to ₱1.8 million, ₱1.3 million and ₱1.4 million in 2019, 2018 and 2017, respectively, and related provision for P&A costs amounted to ₱63.0 million and ₱126.0 million as at December 31, 2019 and 2018, respectively (see Note 12). In 2019 and 2018, the Group recognized additional P&A costs in the consolidated statement of income amounting to ₱39.0 million, which pertains to estimated costs to P&A the remaining two (2) wells from Nido, Matinloc and North Matinloc fields, and ₱242.0 million, which pertains to estimated and actual costs to P&A Libro-1, Tara South-1 wells, and nine (9) wells from Nido, Matinloc and North Matinloc fields, respectively (see Note 12).

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

While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement obligations. The Group recognized retirement benefit expense amounting to ₱4.3 million, ₱3.8 million and ₱3.6 million in 2019, 2018 and 2017, respectively, and related retirement benefit liability amounted to ₱19.8 million and ₱9.9 million as at December 31, 2019 and 2018, respectively (see Note 18).

Assessing Recoverability of Nonfinancial Assets
Wells, platforms, and other facilities, investments in associates and other current and noncurrent assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry or economic trends.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

There was no allowance for impairment on these nonfinancial assets as at December 31, 2019 and 2018. In 2019, 2018 and 2017, the Group has not recognized impairment losses on its crude oil inventory, wells, platforms, and other facilities, investment in associates, and other current and noncurrent assets.

As at December 31, 2019 and 2018, the total carrying value of property and equipment amounted to ₱477.7 million and ₱489.8 million, respectively, of which wells, platforms, and other facilities amounted to ₱466.0 million and ₱475.3 million, respectively (see Note 7).

Acquisition cost of investments in associates amounted to ₱633.5 million as at December 31, 2019 and 2018. The carrying value of these investments in associates amounted to ₱824.9 million and ₱790.1 million as at December 31, 2019 and 2018, respectively (see Note 8).

The carrying amount of other nonfinancial assets, which include advances to officers and employees, other current assets and other noncurrent assets, amounted to ₱14.4 million and ₱13.7 million as at December 31, 2019 and 2018, respectively.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱20,438,195**	₱27,467,792
Short-term investments	**382,841,007**	509,159,280
	₱403,279,202	₱536,627,072

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

Interest earned from cash in banks and short-term investments in 2019, 2018 and 2017 amounted to ₱11.9 million, ₱14.4 million and ₱13.3 million, respectively. Accrued interest receivable as at December 31, 2019 and 2018 amounted to ₱0.7 million and ₱2.2 million, respectively (see Note 5).

As at December 31, 2019 and 2018, the Group has United States (US$) dollar-denominated cash and cash equivalents which amounted to $6.7 million and $8.6 million, respectively (see Note 21).

In 2019, unrealized foreign exchange losses attributable to foreign-currency denominated cash and cash equivalents amounted to ₱13.2 million, while in 2018 and 2017, unrealized foreign exchange gains attributable to foreign-currency denominated cash and cash equivalents amounted to ₱25.5 million and ₱0.1 million, respectively. In 2019, 2018 and 2017, realized foreign exchange gains amounted to nil, ₱0.3 million and ₱0.1 million, respectively.

5. Receivables

	2019	2018
Advances to related parties (see Note 15)	**₱216,444,601**	₱193,954,601
Accounts with contract operators (see Note 6)	**61,727,507**	82,511,014
Accrued interest from related parties (see Note 15)	**18,127,484**	34,093,191
Advances to officers and employees	**2,069,717**	2,494,973
Accounts with partners (see Note 6)	**1,192,897**	1,445,917
Accrued interest from banks (see Note 4)	**734,854**	2,233,660
Others	**328,682**	306,674
	300,625,742	317,040,030
Less allowance for ECL	**20,920,198**	20,920,198
	₱279,705,544	₱296,119,832

The receivables are generally collectible on demand. These are also non-interest bearing except for advances to related parties (see Note 15).

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

Accrued interest is earned from advances to related parties, cash in banks and short-term investments.

Advances to officers and employees pertain to cash advances for the operations of the Group subject to liquidation.

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

The Group recognized provision for ECL amounting to nil and ₱20.9 million in 2019 and 2018, respectively. Furthermore, the Group has written off receivables amounting to nil and ₱38.1 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the Group foreign-currency denominated receivables amounting to \$2.4 million and \$1.6 million, respectively (see Note 21).

In 2019, 2018 and 2017, unrealized and realized foreign exchange gains (losses) attributable to foreign-currency denominated receivables amounted to (₱1.8 million), ₱0.8 million and ₱1.8 million, respectively.

6. Interest in Jointly Controlled Operations

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

	2019	2018
Current assets:		
Receivables (see Note 5):		
Accounts with contract operators	**₱61,727,507**	₱82,511,014
Accounts with partners	**1,192,897**	1,445,917
Crude oil inventory	**7,678,642**	83,675,982
	70,599,046	167,632,913
Noncurrent assets:		
Property and equipment (see Note 7):		
Wells, platforms, and other facilities	**1,440,672,014**	1,385,319,077
Accumulated depletion	**(974,645,890)**	(910,048,505)
	466,026,124	475,270,572
Deferred oil exploration costs (see Note 10)	**1,074,362,725**	1,058,527,067
	1,540,388,849	1,533,797,639
Current liabilities:		
Accounts with partners (see Note 11)	**(2,699,979)**	(1,552,586)
Current portion of provision for P&A costs (see Note 12)	**(39,037,676)**	(104,864,027)
	(41,737,655)	(106,416,613)
Noncurrent liability:		
Noncurrent portion of provision for P&A costs (see Note 12)	**(23,948,006)**	(21,149,782)
	₱1,545,302,234	₱1,573,864,157

	2019	2018	2017
Revenue:			
Share in petroleum revenue	**₱246,487,516**	₱382,676,049	₱388,201,800
Other income (loss):			
Foreign exchange gains (losses) - net	**(1,215,448)**	(3,225,592)	2,445,936
	245,272,068	379,450,457	390,647,736
Cost of petroleum operations:			
Share in costs and operating expenses (see Note 16)	**287,286,913**	490,385,695	291,193,355
Depletion (see Note 7)	**64,597,385**	88,407,983	89,770,412
	351,884,298	578,793,678	380,963,767
	(₱106,612,230)	(₱199,343,221)	₱9,683,969

7. Property and Equipment

December 31, 2019	Wells, Platforms, and Other Facilities (see Note 6) SC-14 Block, Retention	SC-14 Block A, B, B - 1, C - 1 and C - 2	Subtotal	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:							
Beginning of year	₱335,856,217	₱1,049,462,860	₱1,385,319,077	₱18,961,932	₱13,887,100	₱7,899,861	₱1,426,067,970
Additions	244,819	53,113,962	53,358,781	–	–	268,003	53,626,784
Retirement	–	–	–	–	–	(432,340)	(432,340)
Adjustment to capitalized cost of decommissioning asset (see Note 12)	–	1,994,156	1,994,156	–	–	–	1,994,156
End of year	336,101,036	1,104,570,978	1,440,672,014	18,961,932	13,887,100	7,735,524	1,481,256,570
Accumulated depletion and depreciation:							
Beginning of year	12,285,641	897,762,864	910,048,505	12,111,529	6,437,734	7,690,670	936,288,438
Depletion and depreciation (see Notes 6 and 17)	–	64,597,385	64,597,385	547,109	2,423,533	101,051	67,669,078
Retirement	–	–	–	–	–	(432,340)	(432,340)
End of year	12,285,641	962,360,249	974,645,890	12,658,638	8,861,267	7,359,381	1,003,525,176
Net book values	₱323,815,395	₱142,210,729	₱466,026,124	₱6,303,294	₱5,025,833	₱376,143	₱477,731,394

December 31, 2018	Wells, Platforms, and Other Facilities (see Note 6) SC-14 Block, Tara, Verde and Deepwater	SC-14 Block A, B, B - 1, C - 1 and C - 2	Subtotal	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:							
Beginning of year	₱412,708,679	₱1,034,378,781	₱1,447,087,460	₱18,114,624	₱13,887,100	₱7,746,995	₱1,486,836,179
Additions	2,159,700	23,816,827	25,976,527	847,308	–	157,366	26,981,201
Retirement	–	–	–	–	–	(4,500)	(4,500)
Write-off	(79,012,162)	–	(79,012,162)	–	–	–	(79,012,162)
Adjustment to capitalized cost of decommissioning asset (see Note 12)	–	(8,732,748)	(8,732,748)	–	–	–	(8,732,748)
End of year	335,856,217	1,049,462,860	1,385,319,077	18,961,932	13,887,100	7,899,861	1,426,067,970
Accumulated depletion and depreciation:							
Beginning of year	12,285,641	809,354,881	821,640,522	11,594,987	4,011,974	7,608,095	844,855,578
Depletion and depreciation (see Notes 6 and 17)	–	88,407,983	88,407,983	516,542	2,425,760	87,075	91,437,360
Retirement	–	–	–	–	–	(4,500)	(4,500)
End of year	12,285,641	897,762,864	910,048,505	12,111,529	6,437,734	7,690,670	936,288,438
Net book values	₱323,570,576	₱151,699,996	₱475,270,572	₱6,850,403	₱7,449,366	₱209,191	₱489,779,532

For SC-14 C1 Galoc, depletion rates used in 2019, 2018 and 2017 are ₱1,179.8 per barrel, ₱1,003.9 per barrel and ₱806.9 per barrel, respectively.

As at December 31, 2019 and 2018, the carrying values of decommissioning assets amounted to ₱5.4 million and ₱4.2 million, respectively.

For SC-14 A Nido, SC-14 B Matinloc and SC-14 B1 North Matinloc, depletion rates used in 2019, 2018 and 2017 are nil due to full depletion of the capitalized costs of wells.

The depletion expense recognized amounted to ₱64.6 million, ₱88.4 million and ₱89.8 million in 2019, 2018 and 2017, respectively (see Note 6), while total depreciation expense related to general and administrative expenses amounted to ₱3.1 million, ₱3.0 million and ₱2.9 million in 2019, 2018 and 2017, respectively (see Note 17).

As at December 31, 2019 and 2018, the Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost of ₱16.9 million and ₱17.2 million, respectively.

The Group's participating interests (in percentage) in the different SCs under production as at December 31, 2019 and 2018 are as follows:

	Participating Interest (in percentage)	
Area	**2019**	2018
SC-14 (Northwest Palawan):		
Block A (Nido)	**26.10600**	26.10600
Block B (Matinloc)	**41.60800**	41.60800
Block B-1 (North Matinloc)	**33.11100**	33.11100
Block C-1 (Galoc)	**7.21495**	7.21495
Block C-2 (West Linapacan)	**28.07000**	28.07000
Block D (Retention Area)	**33.75100**	33.75100

In December 19, 2016, PPC assigned its remaining participating interests in SC-14 Tara Block of 22.50% to the Parent Company by creating a Deed of Assignment and Assumption. On April 12, 2018, DOE approved the transfer of PPC's remaining participating interests to the Parent Company.

SC-14 A & B
Production from the Nido, Matinloc and North Matinloc Fields in SC 14 continued to decline, owing to the decreasing pressure from the reservoir, indicative of depleting reserves. As at end of 2019, the Nido and Matinloc managed to produce about 20,641 barrels and about 1,551 barrels, respectively, while the remaining production well in North Matinloc ceased operation in June 2017.

With the decreasing output from the fields, the Parent Company shifted its focus from purely production activities to planning and execution of the mandatory plug & abandonment of existing wells and the eventual decommissioning of fixed offshore facilities. In 2014, EDSL Consultants was contracted to do the P&A of the Libro, Pandan and Tara South wells using the vessel MEO Glory. The first attempt to P&A Pandan was successful while similar attempts on the Tara and Libro wells failed. With CWT Consultancy Limited as the new contractor, the Tara South and Libro wells were successfully plugged and abandoned in May 2018 for which the Group incurred ₱115.9 million. The same group has been engaged anew to plan and execute the P&A of the remaining SC 14 wells and the P&A of the fixed offshore facilities in 2019. To be able to accomplish this, the Parent Company needed to terminate all production activities, with the Matinloc finally stopping commercial production in February 2019 and the Nido Field in March 2019.

During the 4th quarter of 2019, the Company carried out and completed the stripping of the Matinloc and Nido platforms as part of the preparations for the turnover of control of the platforms to the DOE. The Company together with the DOE and Department of National Defense, drafted the Deed of Donation that will govern the transfer of control of the facilities to DOE and eventually to the Armed Forces of the Philippines. Relatedly, the formal closing ceremonies celebrating the culmination of the long and fruitful operations of the Nido and Matinloc fields was successfully held on November 7, 2019 where representatives from DOE, the JV partners, national and local government entities and service companies took part in the ceremonies.

The Company continued the planning and preparation works for the completion of the P&A of the Nido A-1 and A-2 wells in the Nido AW platform scheduled in April 2020.

SC-14 C1 Galoc Block

Phase 2 Development

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

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

Galoc Mid Area Exploration

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

Change in management and block operatorship

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

In 2019 and 2018, the field produced around 0.74 million and 0.75 million barrels of oil, respectively.

On October 4, 2019, GPC carried out nitrogen bull-heading and G-4 restart operations on the G4 well which has been shut-in since January 2019. The procedure entailed injection of nitrogen gas at high pressure into the well to push the liquid column back into the reservoir and then immediately attempt a re-start of the well before the liquid column accumulates in the tubing again. This liquid column has long been suspected to prevent the well's TRSV to open for flow. The injection operation went per plan, with all technical aspects of the operations within expectation. The subsequent well re-start operations on G-4, however, were not successful. Subsequently, the other wells were put back in production, with the G3 well in cyclic production.

During the operations committee meeting held in late October, GPC presented alternative options for G4 re-instatement including a second bull-heading using larger N2 gas volumes as well as the use of gas lift technique. For the meantime, installation and utilization of the condensate recovery unit (CRU), currently stored in the EBS in Batangas, has again been deferred.

SC-14 C-2 West Linapacan Block
The DOE approved the farm-in and the transfer of 58.29075% participating interests and operatorship of the block to Pitkin Petroleum in September 2008. Later in February 2011, Pitkin concluded a farm-out agreement whereby Pitkin transferred 29.145375% participating interest to Resource Management Associates (HK) Limited (RMA) in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The farm-out agreement with RMA was approved by the DOE in July 2011.

Following the DOE approval, Pitkin and RMA started rig pre-qualification, review and costing for the 2 planned wells (WL A7 and WL A8) to be drilled on the fourth quarter 2014. Unfortunately, the drilling did not push through despite the several extensions granted to RMA to perform its commitments, prompting the farming-out partners to terminate the agreement. The contract reverted to its old participation structure with the Parent Company as the new operator effective March 12, 2015. As the new operator, the Parent Company carried out a 6-month technical and commercial audit of the service contract aimed at reconstituting the joint venture records and resources and better planning of all forward activities for the block. Later, a re-mapping of the West Linapacan Field was undertaken and this allowed continued geological and geophysical work on SC 14C-2 which was inadvertently put on hold by the RMA impasse.

Since then, the Parent Company continued to evaluate the West Linapacan A through in-house assessment studies and by engaging third-party consultants to re-validate reserves and to investigate viable re-development options for West Linapacan. In-depth interpretation of the 3D seismic data was carried out in 2017 and 2018 while for 2019, the Consortium approved plans to conduct QI work using re-processed 3D seismic and well data from existing WL A and WL B wells in conjunction with the parallel QI works in Service Contract 74.

In 2019, Desert Rose Petroleum Limited (DRPL) intended to acquire interests in the West Linapacan Block and submitted separate Non-Binding Offers to the JV partners willing to divest their interest on the block either by outright sale of their working interest or by farm-out. The Company opted for the sale of its working interest but still retaining portion of its interest through divestment by farm-out. As at December 2019, the JV partners have completed review of the Sale and Purchase Agreement (SPA) and the Farm-out Agreement (FOA) and have forwarded to DRPL for final review which will then issue execution copies for the partners' signatures. The farming out partners agreed to assign an additional undivided 15% interests to DRPL but retaining a combined interests of 5% after divestment of portion of their working interests, separately covered by the SPA along with other JV partners which opted for full divestment of their interests on the block. On January 7, 2020, SPA and FOA were already signed by DRPL and the JV partners and are awaiting approval from the DOE. As at May 29, 2020, the SPA and FOA has not yet completed the relevant closing conditions, which include regulatory approval.

8. Investments in Associates

The Group's associates include Penta Capital Investment Corporation (PCIC), Penta Capital Holdings, Inc. (PCHI), and Atlas Consolidated Mining and Development Corporation (ACMDC), companies incorporated in the Philippines, where the Group holds 40.00%, 13.21%, and 0.53% ownership interest, respectively. PCIC also has 29.54% ownership interest in PCHI, making the Group's effective ownership in PCHI at 25.03%.

PCIC is primarily engaged in business of financing, investing and brokering of loans and securities, real estate and providing financial services such as underwriting, financial advisory and management consultancy. Its principal place of business is 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City.

PCHI is engaged primarily in real estate, financial and securities transactions. The principal place of business is 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City.

ACMDC, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite concentrate. The principal place of business is Five E-com Center, Palm Coast Drive, Mall of Asia Complex, Pasay City, Metro Manila.

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

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

	2019	2018
Acquisition costs	**₱633,485,090**	₱633,485,090
Accumulated equity in net earnings:		
Beginning of year	**156,638,866**	151,377,848
Share in net income	**42,040,140**	32,379,852
Share in OCI of associates	**8,063,881**	(1,397,723)
Dividends	**(15,302,993)**	(14,642,396)
Write-off	–	(11,078,715)
End of year	**191,439,894**	156,638,866
	₱824,924,984	₱790,123,956

The Group's share in other comprehensive income (loss) of associates for the years ended December 31, 2019, 2018 and 2017 amounted to ₱8.1million, (₱1.4 million) and ₱19.4 million, respectively.

Following are the summarized financial information of ACMDC, PCIC and PCHI as at and for the years ended December 31, 2019 and 2018 (in thousands):

	2019			2018		
	ACMDC	**PCIC**	**PCHI**	ACMDC	PCIC	PCHI
Total current assets	**₱4,995,187**	**₱1,175,898**	**₱429,593**	₱7,252,006	₱801,897	₱386,179
Total noncurrent assets	**70,634,811**	**259,229**	**147,992**	71,743,872	240,990	168,363
Total current liabilities	**14,283,524**	**529,532**	**21,903**	16,101,446	217,547	14,209
Total noncurrent liabilities	**26,996,437**	**23,093**	–	27,281,681	22,727	–
Total equity	**34,350,037**	**882,502**	**555,682**	35,612,751	802,613	540,333

	2019			2018			2017		
	ACMDC	**PCIC**	**PCHI**	ACMDC	PCIC	PCHI	ACMDC	PCIC	PCHI
Revenue	**₱16,162,945**	**₱215,463**	**₱30,121**	₱13,295,913	₱198,959	₱93,719	₱11,070,571	₱206,612	₱85,900
Costs and expenses	**14,111,377**	**105,175**	**10,991**	13,092,699	94,604	32,620	10,096,189	99,046	32,303
Other income (charges)	**(1,900,971)**	–	**22,723**	(2,168,003)	–	(9,423)	(3,127,729)	–	(27,035)
Provision for (benefit from) income tax	**715,783**	**11,269**	**602**	(245,127)	15,397	6,438	(185,399)	29,466	4,375
Net income (loss)	**(565,186)**	**99,019**	**41,251**	(1,719,662)	88,958	45,238	(1,967,948)	78,100	22,187
Other comprehensive income (loss)	**(692,402)**	**10,920**	–	941,210	(2,987)	–	94,386	1,954	–
Total comprehensive income (loss)	**(₱1,257,588)**	**₱109,939**	**₱41,251**	(₱778,452)	₱85,971	₱45,238	(₱1,873,562)	₱80,054	₱22,187

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

9. Financial Assets at FVOCI

As at December 31, 2019, financial assets at FVOCI consists of investments in quoted shares:

	2019	2018
Quoted shares of stock	**₱113,481,698**	₱106,204,197
Net unrealized loss	**(40,974,343)**	(31,953,522)
	₱72,507,355	₱74,250,675

In 2019, the Group acquired an additional investment in the shares of Oriental Petroleum and Minerals Corporation (OPMC) and Shang Properties, Inc. with a total carrying value of ₱7.3 million.In the same year, the Group received cash dividends from OPMC amounting to ₱1.3 million.

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

	2019	2018
Beginning of year	**₱31,953,522**	₱30,285,162
Fair value changes during the year	**9,020,821**	1,668,360
End of year	**₱40,974,343**	₱31,953,522

10. Deferred Oil Exploration Costs

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

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

	2019	2018
Beginning of year	**₱1,058,527,067**	₱1,043,525,798
Additions	**15,835,658**	15,001,269
End of year	**₱1,074,362,725**	₱1,058,527,067

And below is the composition of the deferred oil exploration costs per SCs:

	2019	2018
SC-6 Block A (Octon)	**₱536,541,164**	₱529,930,659
SC-53 (Onshore Mindoro)	**194,794,563**	188,793,411
SC-41 (Sulu Sea)	**146,134,331**	146,206,530
SWAN Block	**99,392,028**	99,392,028
SC-6 Block B (Bonita)	**49,218,790**	47,585,938
SC-74 (Linapacan)	**48,281,849**	46,618,501
	₱1,074,362,725	₱1,058,527,067

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

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

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

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

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

The Group's participating interests (in percentage) in the different SCs under exploration as at December 31, 2019 and 2018 are as follows:

	Participating Interest (in percentage)	
Area	**2019**	2018
SC-6 (Northwest Palawan):		
Block A (Octon)	**51.65000**	51.65000
Block B (Bonita)	**17.45460**	58.18200
SC-53 (Onshore Mindoro)	**22.00000**[1]	22.00000
SC-74 (Linapacan)	**25.00000**	25.00000
SWAN Block (Northwest Palawan)	**28.12500**[2]	28.12500[2]
SC 41 (Sulu Sea)	**60.00000**	60.00000

[1] *Motion for Reconsideration on the termination of SC has been filed and is currently under review by the DOE.*
[2] *Ongoing negotiations with PNOC-EC.*

Assignment of PPC's participating interest to the Parent Company
In December 19, 2016, PPC assigned its remaining participating interests of 28.125% in SC 6B Block B (Bonita) to the Parent Company by creating a Deed of Assignment and Assumption. On April 12, 2018, DOE approved the transfer of PPC's remaining participating interests to the Parent Company.

SC-6 BLOCK A (Octon)
In June 2009, the Department of Energy extended the production of term SC 6A (Octon Block) for a series of three 5-year terms, subject to compliance with certain conditions such as yearly submission of work program and budget and payments of technical assistance and training fund to the DOE. The term extension is reckoned from March 1, 2009. Block operatorship remained with the Parent Company.

In April 2011, the SC 6A Joint Venture executed the farm-in of Pitkin Petroleum Plc (Pitkin). The farm-in agreement was signed on July 11, 2011 and approved by the DOE on December 6, 2011. Pitkin was appointed as the new operators with an earned interest of 70%. By virtue of the farm-in, Pitkin acquired some 500 sq km of 3D seismic data over the northern block with Seabird Exploration and Fairfield Limited as the acquisition and processing contractor, respectively.

In August 2014, Pitkin withdrew from the farm-in agreement and consequently from the Service Contract by the end of December 2014. The Parent Company was designated as the new block operator effective January 1, 2015. A Deed of Assignment formalized the transfer of Pitkin's interest back to the continuing partners.

In 2016, the SC 6A joint venture undertook quantitative interpretation (QI) work which entailed re-processing of a sizeable volume of 3D data to broadband quality, with DownUnder Geosolutions as contractor. The project was completed in November 2016.

In 2017, the SC 6A Consortium carried out the reprocessing of about 500 sq km of 3D PSDM data, which was followed by a re-run of QI work that was undertaken on the 3D dataset using PSTM processing.

As the 2018 work plan, the Parent Company undertook the interpretation of newly re-processed 3D seismic and integrated the results of the QI work for the risk and resource analysis of some structures of interest within the block. Much of these works will form part of the programmed activities for 2019 that were approved by the DOE including scoping project studies to assess viability of pursuing drilling in the northern sector of the block.

The SC6A Consortium had been negotiating a farm-in deal with Tamarind Resources, the operator of Galoc Field in SC 14C-1, anchored on the possible development of the Octon discovery operationally tied-up to the FPSO facility of the Galoc field. Under the deal, the farming out partners will assign participating interests to Tamarind after completion of each of the relevant phase of the farminee's earn-in obligations, with Tamarind carrying the partners free on the costs of activities in all the earn-in phases. As at May 29, 2020, the Company together with partner PetroEnergy, continue to review the most recent draft of the farm-in agreement with Tamarind Resources.

SC-6 BLOCK B (Bonita)
Similar to SC 6A, the DOE had likewise extended the production term of SC 6B (Bonita Block) which also reckoned from March 1, 2009. The Parent Company remained as block operator.

In 2014 to 2015, various works focused on the evaluation of the three major structures of interests within the Bonita Block. These are the Elephant prospect which has been identified as an upside, and the East Cadlao prospect and the Bonita discovery which were both deemed uneconomic to develop on a stand-alone basis. Further works were undertaken aimed at refining the interpretation and evaluation of these structures.

In August 2016, the SC 6B joint venture requested for the amendment of SC 6B (Bonita) to include the Cadlao Field as most of the partners can only support a forward program for SC 6B with the Cadlao Field appended to it. While the request was still pending, the Parent Company received from a potential Europe-based company a farm-in offer premised on the DOE approving the inclusion of Cadlao Field. A farm-in agreement was eventually signed in September 2017, with the indicative work program geared towards reviving production from the Cadlao Field. The DOE formally approved the joint venture request on March 18, 2018 subject to the execution of the Amendment to SC 6B which basically defines the geographical coordinates of SC 6B with Cadlao Block appended to it. The DOE approved on June 1, 2018 the First Amendment to Petroleum Service Contract 6B. The DOE approved on October 17, 2019 the transfer of participating interests in SC 6B and the operatorship of the block to Manta Oil Company (MOCL) with the condition that MOCL will be required to submit additional documents proving their capability to continue the execution phase of the Cadlao Field Development within 18 months period after the receipt of the approval. The JV partners and MOCL discussed the various activities for the block, including the need for securing government approvals and policy directives.

SC-53

The DOE approved in June 2008 the transfer of interest previously held by erstwhile operator Laxmi Organic Industries Ltd to Pitkin Petroleum. Under the first sub-phases of the contract term, Pitkin carried out low-key and limited geophysical activities owing to the scarce available data Mindoro. In April 2009 in response to Pitkin's request, the DOE merged the first 2 sub-phases into a new Sub-Phase 1, requiring a commitment to drill 2 wells.

Pitkin later transferred 35% participating interest to RMA with Pitkin retaining the operatorship of the block. It then acquired airborne gravity and LIDAR data under the merged sub-phase. From 2011 to 2015, Pitkin carried out various activities in preparation for the drilling of Progreso-2, including acquisition of requisite government permits, equipment and services bid tenders. For some reasons, the target schedule for the well drilling has been moved to various dates. This prompted the DOE to revoke in July 2015 the approval of the Deed of Assignment between Pitkin and RMA and the corresponding transfer of Pitkin's 35% interests to RMA. This came after RMA failed to present categorical proof of financial capability to perform its obligations under the DOA. This development again prevented any drilling to happen in 2015.

In January 2016, Pitkin started to negotiate with Mindoro-Palawan Oil and Gas Inc. (MPOGI) for the sale and transfer of Pitkin's 70% interest to MPOGI. The DOE approved the transfer of interest and the appointment of MPOGI as the new block operator later in October 2017. During a December 2016 TCM that MPOGI presided for the first time as operator, the joint venture approved to delay the spudding of the Progreso-2 well to December 2017. This was set further back due to MPOGI's lack of manpower and technical expertise to prosecute the work commitments. They offered instead to divest its stake on the Onshore Mindoro.

At the end of 2018, MPOGI has yet to provide the joint venture with a concrete plan for the block, specifically the activities to execute the JV's commitments including the drilling of Progreso as well as the status of their negotiations with Gas2Grid which earlier indicated interests on the Progreso project through possible drill-for-equity arrangement with the Onshore Mindoro joint venture.

In a letter to MPOGI dated June 14, 2019, the DOE terminated SC 53 due to the operator's continued failure to comply with their reportorial obligations. The non-operator partners, through a letter on July 8, 2019 and during a meeting with the DOE on July 12, 2019 have manifested to reconstitute the JV and agreed to continue the service contract and deliver the SC 53 commitments. As at December 2019, the DOE was still evaluating the merits of the motion for reconsideration (MR) that the continuing partners filed with DOE in June 2019.

SC-74
Service Contract 74 was awarded in September 2013 following the successful joint bid of the Parent Company and Pitkin under PECR4. Pitkin, as operator, owned 70% interest and the Parent Company the remaining 30%. Prior to the submission of the bid, the Parent Company agreed to assign 5% from the Parent Company's interests to PNOC-EC. The block covers an area of 4,240 sq km and is located in shallow waters of the NW Palawan area.

For the most part of 2013 to 2014, Pitkin carried out seismic data re-processing, petrophysical well analyses and geological fieldwork as part of the activities under the contract's Phase 1 which the DOE extended to August 2015 and further extended to February 2016. As this developed, Pitkin's affiliate Philex had already initiated the transfer of Pitkin's interest to them. The transfer, which was approved by the DOE in April 2016, paved the way for PXP Energy to assume the operatorship of the block. PXP eventually acquired for the Joint Venture a significant broadband seismic, gravity and magnetic data during its seismic survey campaign in 2016.

The SC 74 JV worked together on the evaluation of the potential of the Linapacan Block using the MC2D data that CGG acquired in 2016, with the Parent Company and PNOC-EC completing their respective share of the works to complement PXP's interpretation work on the MC2D data. The Parent Company was tasked to evaluate the Linapacan A and B structures and provide preliminary resource estimates for the 2 fields. PNOC-EC, on the other hand, was tasked to undertake engineering studies, screening concepts and development plans to determine the viability of the Linapacan discoveries.

The Phase 1A of the joint QI project over a 30sq km area covering SC 14C2 and SC 74 was completed, and the results were presented to the SC 74 JV in October 2019. Preliminary findings indicate the presence of hydrocarbons in the Linapacan A-B structure but absence in the West Linapacan B. As envisioned, the results of the JI-FI work will determine if a full inversion work on the larger 480 areas of both blocks may be pursued.

In December 2019, the DOE approved the submitted work program and budget for 2020, with an advice that PXP Energy should have identified a drillable prospect as the end of the Sub- Phase 3. The evaluation of the requested Sub-Phase 3 extension until December 13, 2020 remains pending.

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

From 2007 and as at May 29, 2020, the Parent Company continued to wait for PNOC-EC to agree to a possible interest swap that will pave the way for the SWAN Group's participation in the two deepwater SCs of PNOC-EC. Under this set-up, the SWAN consortium will get 15% carried interests in each of SC 57 and SC 58 in exchange for the 5% interest in West Linapacan Block to be assigned to PNOC-EC. The offer was amended in 2012 with PNOC-EC to acquire interests instead in the Nido Ix-1 project. In both cases, PNOC-EC requested that they be given ample time to conduct due diligence to evaluate the merits of the proposed interest swap.

Efforts in finalizing an agreement with PNOC-EC, however, are hampered by Executive Order (EO) 556 issued by the Office of the President of the Philippines which directs PNOC-EC to forge partnership with other service contractors through the normal means of farm-in/farm-out mechanisms but only through a strict bidding process. On May 29, 2019, EO No. 80 s2019 was signed by the President of the Philippines which rationalizes the rules for the engagement of third-party participants under petroleum SC, repealing for the purpose of EO 556.

A confidentiality agreement has been executed with PNOC-EC in line with the Company's interest to potentially participate in the farm-in program of PNOC-EC for their SC 57. As at May 29, 2020, the Company continues to compile all available exploration data on the deep-water areas offshore Northwest Palawan, in line with the planned participation in the farm-in program and possible participation in exploration ventures on other deep-water blocks in the West Philippine Sea region.

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

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

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

The DOE has put in abeyance the awarding of SC for areas under the jurisdiction of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) until an Executive Order is signed by the President. The EO clarifies the extent of BARMM's participation and entitlements from energy contracts within BARMM.

11. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts with partners (see Note 6)	**₱2,699,979**	₱1,552,586
Share-based liability	**2,613,857**	4,839,924
Accrued liabilities	**946,155**	3,859,616
Withholding taxes	**831,306**	943,418
Others	**81,936**	511,518
	₱7,173,233	₱11,707,062

Accounts with partners represent payables arising from transactions of the consortium.

Share-based liability pertains to the share appreciation rights (SAR) plan.

On April 11, 2011, the Parent Company's BOD approved the initial award of 2.0 billion rights to the Parent Company's qualified employees and directors in accordance with the SAR plan. The award price is ₱0.0143, based on the average of the Parent Company's share price for the period March 14, 2011 to April 8, 2011. The SARs are only redeemable from the Parent Company in cash. The fair value of the SARs is measured at each reporting period using binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Maximum number of outstanding rights as of any given time should not exceed 4% of the outstanding common shares of the Parent Company. The SARs shall become vested as follows: 35% upon award, 35% on first anniversary of award and 30% on second anniversary of award.

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

The following illustrates the movement of SARs as at December 31, 2019 and 2018:

	2019		2018	
	Number	**Amount**	Number	Amount
Beginning of year	**816,500,000**	**₱4,839,924**	816,500,000	₱4,344,718
SAR expense	–	**(2,226,067)**	–	495,206
Forfeited during the year	–	–	–	–
End of year	**816,500,000**	**₱2,613,857**	816,500,000	₱4,839,924
Exercisable at December 31	**816,500,000**	**₱2,613,857**	816,500,000	₱4,839,924

Accrued liabilities include accrual for bonus, salaries and other employee benefits.

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

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

12. Provision for Plug and Abandonment Costs

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

The final P&A costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of decommissioning activities, technological changes, regulatory changes and changes in discount rates of 3.83% and 7.02% as at December 31, 2019 and 2018, respectively. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provision established, which could affect future financial results.

As at December 31, 2019 and 2018, the noncurrent provision for P&A is as follows:

	2019	2018
Beginning of year	**₱21,149,782**	₱24,171,093
Accretion of interest	**1,801,147**	1,345,063
Effect of translation adjustment	**(997,079)**	4,366,374
Effect of change in estimate	**1,994,156**	(8,732,748)
End of year	**₱23,948,006**	₱21,149,782

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

In relation to the decommissioning liability, the Group established a decommissioning fund equivalent to its current contribution to settle its share in the P&A costs of Galoc oil field. As at December 31, 2019 and 2018, the fund has a balance of ₱9.2 million, which is recognized under "Other noncurrent assets". Foreign exchange gain on revaluation of the decommissioning fund was ₱1.0 million and ₱0.3 million in 2019 and 2018, respectively.

SC 14A, B&B-1 Nido, Matinloc & North Matinloc Fields
The nine (9) wells at the Nido, Matinloc and North Matinloc fields have already reached their end of life, having been in production since the late 1970's to early 1980's. Using the workboat ENA Habitat, the Group has successfully completed the P&A of the seven (7) wells of Nido, Matinloc and North Matinloc fields. The Company continued the planning and preparation works for the completion of the P&A of the remaining Nido A-1 and A-2 wells scheduled in April 2020.

In 2018, the Group incurred P&A costs amounting to ₱116.0 million related to the P&A planning of Nido - Matinloc wells of which, ₱104.9 million remains unpaid and presented as "Current portion of provision for plug and abandonment costs" in the consolidated statement of financial position as at December 31, 2018.

In 2019, the Group incurred additional P&A costs amounting to ₱39.0 million related to the P&A of Nido A-1 and A-2 wells which remains unpaid and presented as "Current portion of provision for P&A costs" in the consolidated statement of financial position as at December 31, 2019.

13. Equity

Capital Stock
As at December 31, 2019 and 2018 , capital stock consists of:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Capital stock - ₱0.01 par value				
Authorized – 200,000,000,000 shares				
Issued and subscribed	**191,868,672,258**	**₱1,918,686,722**	191,868,805,358	₱1,918,688,053
Subscription receivable	**(17,533,425,505)**	**(175,334,255)**	(17,533,428,605)	(175,334,286)
	174,335,246,753	**₱1,743,352,467**	174,335,376,753	₱1,743,353,767

On December 18, 2019, the BOD approved that the 50% balance on subscriptions to the Parent Company's 2009 stock rights offering shall be called for payment by the BOD no later than December 31, 2020, instead of December 31, 2019.

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

Retained Earnings
As at December 31, 2019 and 2018, the Group has unpaid dividends amounting to ₱33.1 million and ₱33.3 million, respectively. In accordance with Revised SRC Rule 68, Annex 68-D, the Group's retained earnings available for dividend declaration amounted to ₱1,382.0 million as at December 31, 2019.

14. Earnings (Loss) Per Share

	2019	2018	2017
Net income (loss)	**(₱63,218,421)**	(₱261,957,274)	(₱6,366,746)
Weighted average number of common shares issued and outstanding during the year (see Note 13)	**191,868,672,258**	191,868,805,358	191,868,805,358
Basic/Diluted Earnings (Loss) per Share	**(₱0.0003)**	(₱0.0014)	(₱0.0000)

As at December 31, 2019 and 2018, the equivalent potential common shares issued were the subscriptions to common shares.

There were no dilutive shares as at December 31, 2019 and 2018.

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

15. Related Party Transactions

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

The Group, in the normal course of business, has transactions with related parties which principally consist of loans and cash advances.

a. As at December 31, 2019 and 2018, the Group's advances to related parties and the corresponding interest income from these advances are as follows:

Related Party		Volumes	Advances to related parties (see Note 5)	Accrued interest receivable (see Note 5)	Terms	Condition
Stockholder						
Alakor	**2019**	**₱–**	**₱160,000,000**	**₱1,941,356**	Collectible on demand; 3.58% interest; 4.75% from September 28, 2019 onwards	Unsecured, no impairment
	2018	₱7,128,632	₱188,145,000	₱17,926,755		
Under common stockholders						
Fil-Energy Corporation	**2019**	–	**4,753,762**	**16,166,436**	Collectible on demand; non-interest bearing	Unsecured, fully impaired
	2018	–	4,753,762	16,166,436		Unsecured, no impairment
United Paragon Mining Corporation	**2019**	–	**1,055,839**	–	Collectible on demand; non-interest bearing	Unsecured, no impairment
	2018	–	1,055,839	–		
National Bookstore, Inc. (NBS)	**2019**	**0,635,000**	**50,635,000**	**19,692**	Collectible on June 30, 2020; interest-bearing	Unsecured, no impairment
	2018	–	–	–		
Total	**2019**		**₱216,444,601**	**₱18,127,484**		
Total	2018		₱193,954,601	₱34,093,191		

In August 2017, Alakor borrowed ₱15.0 million from the Group also with an interest rate of 3.58% per annum, fixed until the full payment of loan. Also, on November 3, 2017, the Group made an additional advance amounting to $0.3 million.

In June 2019, NBS borrowed $1.0 million from the Group with an interest rate of 3.5% per annum, fixed until the full payment of loan, for a term of 90 days. On September 18, 2019, the BOD approved the extension of the maturity date of the short-term loan from September 29, 2019 to December 27, 2019. On December 18, 2019, the BOD approved the further extension of the said loan to June 30, 2020.

In 2019, 2018 and 2017, unrealized foreign exchange gains (losses) attributable to foreign-currency denominated related party transactions amounted to (₱0.7 million), ₱0.7 million, and ₱0.4 million, respectively.

As at December 31, 2019 and 2018, intercompany receivables and payables eliminated during consolidation amounted to ₱8.7 million and ₱8.8 million, respectively. This pertains to non interest-bearing advances made by the Parent Company to PPC, its wholly owned subsidiary (see Notes 5 and 11).

As at December 31, 2019 and 2018, the Group recognized allowance for ECL amounting to ₱20.9 million.

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

	2019	2018	2017
Alakor	**₱7,321,444**	₱6,660,441	₱6,022,356
National Bookstore	**913,586**	–	–
	₱8,235,030	₱6,660,441	₱6,022,356

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

	2019	2018	2017
Short-term employee benefits	**₱17,480,031**	₱15,568,548	₱17,437,262
Post-employment benefits	**5,915,225**	5,992,380	5,841,332
	₱23,395,256	₱21,560,928	₱23,278,594

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

The Group's related party transactions which are 10% and above of the consolidated total assets are reviewed and approved by the Related Party Transactions Committee.

16. Share in Costs and Operating Expenses

	2019	2018	2017
Petroleum operations	**₱282,075,830**	₱484,560,544	₱284,643,234
Personnel costs	**5,211,083**	5,825,151	6,550,121
	₱287,286,913	₱490,385,695	₱291,193,355

Share in petroleum operations consist of the Group's share in the production costs, lifting and marketing fees, and other operating expenses of the SC-14 Nido, Matinloc, and North Matinloc and SC14-C1 Galoc oil fields.

In 2019 and 2018, share in costs and operating expenses include P&A cost amounting to ₱39.0 million, which pertains to estimated and actual costs to P&A the remaining A-1 and A-2 wells from Nido field, and ₱242.0 million, which pertains to estimated and actual costs to P&A Libro-1, Tara South-1 wells, and 9 wells from Nido, Matinloc and North Matinloc fields, respectively.

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

17. General and Administrative Expenses

	2019	2018	2017
Personnel costs	**₱32,789,290**	₱33,406,232	₱30,544,186
Entertainment, amusement and recreation	**6,297,679**	6,306,825	6,535,469
Transportation and travel	**5,287,366**	4,866,901	5,386,637
Depreciation (see Note 7)	**3,071,693**	3,029,377	2,915,815
Supplies	**3,013,453**	2,972,468	3,039,693
Outside services	**2,827,842**	3,480,970	4,517,033
Taxes and licenses	**2,795,984**	17,223,266	244,749
Dues and subscriptions	**1,822,760**	5,814,966	1,976,389
Insurance	**1,691,287**	1,834,271	1,841,680
Utilities	**1,578,770**	1,356,387	1,489,601
Repairs and maintenance	**575,210**	558,530	512,089
Rent	**372,647**	447,204	374,091
Software licenses and maintenance fees	**333,269**	203,438	105,198
Advertising	**154,525**	175,773	170,401
Others	**50,000**	310,781	72,002
	₱62,661,775	₱81,987,389	₱59,725,033

Personnel costs include salaries, allowances and employee benefits and facilities.

18. Retirement Benefit Liability

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

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

The following table summarizes the details in the latest Actuarial Valuation Report as at December 31, 2019.

Changes in defined benefit liability and fair value of plan assets in 2019 are as follows:

	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	**₱90,693,763**	**(₱80,754,180)**	**₱9,939,583**
Current service cost	**3,720,836**	**–**	**3,720,836**
Net interest	**4,589,592**	**(4,055,430)**	**534,162**
Retirement benefit expense (income) charged to profit or loss	**8,310,428**	**(4,055,430)**	**4,254,998**
Actuarial changes arising from:			
Experience adjustments	**1,826,685**	**–**	**1,826,685**
Financial assumptions	**7,894,541**	**–**	**7,894,541**
Gain on plan assets (excluding amount included in net interest)	**–**	**(4,142,476)**	**(4,142,476)**
Pension cost charged to OCI	**9,721,226**	**(4,142,476)**	**5,578,750**
At December 31	**₱108,725,417**	**(₱88,952,086)**	**₱19,773,331**

Changes in defined benefit liability and fair value of plan assets in 2018 are as follows:

	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱86,981,078	(₱82,149,921)	₱4,831,157
Current service cost	3,631,934	–	3,631,934
Net interest	3,714,675	(3,587,860)	126,815
Retirement benefit expense (income) charged to profit or loss	7,346,609	(3,587,860)	3,758,749
Benefits paid	(1,411,547)	1,411,547	–
Actuarial changes arising from:			
Experience adjustments	3,098,683	–	3,098,683
Financial assumptions	(4,798,144)	–	(4,798,144)
Demographic assumptions	(522,916)	–	(522,916)
Loss on plan assets (excluding amount included in net interest)	–	3,572,054	3,572,054
Pension cost charged to OCI	(2,222,377)	3,572,054	1,349,677
At December 31	₱90,693,763	(₱80,754,180)	₱9,939,583

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

	2019	2018	2017
Current service cost	**₱3,720,836**	₱3,631,934	₱3,641,938
Net interest	**534,162**	126,815	(6,926)
	₱4,254,998	₱3,758,749	₱3,635,012

The latest actuarial valuation of the plan is as at December 31, 2019. The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2019	2018	2017
Discount rate	**4.60%**	7.18%	5.44%
Investment yield	**3.00%**	4.00%	2.50%
Salary increase	**3.00%**	3.00%	3.00%

Assumptions regarding future mortality rate are based on 2017 Philippine Intercompany Mortality Table.

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

	Increase (decrease)	2019	2018	2017
Discount rates	+1%	**₱105,436,276**	₱88,261,613	₱84,182,922
	-1%	**112,369,381**	93,357,289	90,068,196
Salary increase rate	+1%	**112,879,014**	93,933,144	90,628,524
	-1%	**104,891,239**	87,674,910	83,605,853

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2019	2018	2017
Fixed income securities	**98.96%**	99.00%	99.29%
Deposits in banks	**0.01%**	0.00%	0.00%
Interest receivable	**1.03%**	1.11%	0.81%
Receivables	**0.00%**	0.04%	0.00%
Others	**0.00%**	(0.15%)	(0.10%)
	100.00%	100.00%	100.00%

The Group expects to contribute ₱5.0 million to the defined benefit pension plan in 2020.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019:

Within the next twelve (12) months	₱61,785,336
Between one (1) and five (5) years	27,397,812
Between five (5) and ten (10) years	41,706,241
Between ten (10) and fifteen (15) years	5,098,915
Between fifteen (15) and twenty (20) years	10,297,020
More than twenty (20) years	22,879,577
Total expected payments	₱169,164,901

The average duration of the defined retirement benefits liability as at December 31, 2019 and 2018 are 7.52 and 7.92 years, respectively.

The Group's remeasurement gain (loss) on retirement benefit liability for the years ended December 31, 2019, 2018 and 2017 amounted to (₱3.9million), (₱0.9 million) and ₱1.0 million, respectively.

19. Income Taxes

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

	2019	2018	2017
MCIT	**₱737,289**	₱220,137	₱931,256
Final taxes	**2,019,426**	1,879,553	1,384,149
	₱2,756,715	₱2,099,690	₱2,315,405

b. The reconciliation of benefit from income tax computed using the statutory income tax rate with benefit from income tax in the consolidated statements of income is as follows:

	2019	2018	2017
Benefit from income tax computed at the statutory income tax rate	**(₱36,914,699)**	(₱105,735,016)	(₱5,499,628)
Add (deduct) tax effect of:			
Nondeductible expenses	**2,694,666**	78,742,845	88,736,344
Nontaxable income	**(24,715,866)**	(99,861,083)	(92,947,406)
Movement in unrecognized deferred tax assets	**19,701**	19,200	33,865
Income subjected to final tax	**(3,183,639)**	(3,986,741)	(3,672,671)
Final tax on interest income	**2,019,426**	1,879,553	1,384,149
Expired portion of excess MCIT over RCIT	**249,837**	–	–
Write-off of:			
Property and equipment	**–**	23,703,649	–
Receivables	**–**	11,421,201	–
Investments in associate	**–**	3,323,614	–
Benefit from income tax	**(₱59,830,574)**	(₱90,492,778)	(₱11,965,347)

c. Net deferred income tax assets represent the following:

	2019	2018
Deferred income tax assets on:		
Net operating loss carry-over (NOLCO)	**₱145,460,987**	₱74,951,999
Provision for P&A costs	**18,895,705**	37,804,143
Retirement benefits and unamortized past service cost	**8,588,628**	8,142,501
Provision for impairment of receivables	**6,276,059**	6,276,059
Unrealized foreign exchange loss	**5,183,132**	–
Excess of MCIT over RCIT	**1,888,682**	1,401,230
SAR expense	**784,157**	1,451,977
	187,077,350	130,027,909
Deferred income tax liabilities on:		
Decommissioning asset	**(1,618,288)**	(1,262,899)
Unrealized foreign exchange gains	**–**	(7,566,862)
	(1,618,288)	(8,829,761)
	₱185,459,062	₱121,198,148

The Group has NOLCO and excess MCIT that can be claimed as deduction from future taxable income and future income tax due as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2017	2020	₱58,328,343	₱931,256
2018	2021	191,511,653	220,137
2019	2022	235,029,959	737,289
		₱484,869,955	₱1,888,682

NOLCO	**2019**	2018
Beginning balance	**₱249,839,996**	₱58,328,343
Addition	**235,029,959**	191,511,653
Ending balance	**₱484,869,955**	₱249,839,996

MCIT	**2019**	2018
Beginning balance	**₱1,401,230**	₱1,181,093
Addition	**737,289**	220,137
Expiration	**(249,837)**	–
Ending balance	**₱1,888,682**	₱1,401,230

d. As at December 31, 2019 and 2018, the Group has unrecognized deferred income tax asset amounting to ₱65,666 and ₱85,320, respectively which pertains to NOLCO of its subsidiary.

20. Financial Value Measurement

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

Fair Value Hierarchy

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

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
Financial assets at FVOCI	**₱68,257,355**	**₱4,250,000**	**₱–**	**₱72,507,355**

2018	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Financial assets at FVOCI	₱70,510,675	₱3,740,000	₱–	₱74,250,675

As at December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

21. Financial Risk Management Objectives and Policies

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

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

Credit Risk
Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short-term investments, receivables, financial assets at FVOCI and advances to related parties, the Group's exposure to credit risk could arise from default of the counterparty.

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

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:

	2019	2018
Amortized costs:		
Cash in banks and cash equivalents	**₱403,258,189**	₱536,606,020
Receivables:		
Advances to related parties	**216,444,601**	193,954,601
Accounts with contract operators	**54,048,865**	5,141,708
Accrued interest from related parties	**18,127,484**	34,093,191
Accrued interest from banks	**734,854**	2,233,660
Others	**1,521,579**	1,752,591
Financial assets at FVOCI	**72,507,355**	74,250,675
Decommissioning fund under "Other noncurrent assets"	**9,176,309**	9,528,791
	₱775,819,236	₱857,561,237

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

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

Liquidity Risk

Liquidity risk is the risk that 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 on the next page summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets that are used to manage the liquidity risk of the Group.

2019	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	₱6,254,216	₱–	₱–	₱6,254,216
Dividends payable	33,143,698	–	–	33,143,698
	₱39,397,914	₱–	₱–	₱39,397,914

**Excluding government payables*

2019	Less than three months	Three to twelve months	More than twelve months	Total
Financial assets				
Cash on hand and in banks and cash equivalents	₱403,258,189	₱–	₱–	₱403,258,189
Receivables:				
Advances to related parties	210,635,000	1,055,839	4,753,762	216,444,601
Accounts with contract operators	54,048,865	–	–	54,048,865
Accrued interest	2,631,953	63,950	16,166,435	18,862,338
Others	1,192,897	328,682	–	1,521,579
Financial assets at FVOCI	72,507,355	–	–	72,507,355
Other noncurrent assets	9,176,309	–	–	9,176,309
	₱753,450,568	₱1,448,471	₱20,920,197	₱775,819,236

2018	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	₱8,471,930	₱–	₱–	₱8,471,930
Dividends payable	33,258,021	₱–	₱–	33,258,021
	₱41,729,951	₱–	₱–	₱41,729,951

**Excluding government payables*

2018	Less than three months	Three to twelve months	More than twelve months	Total
Financial assets				
Cash in banks and cash equivalents	₱536,606,020	₱–	₱–	₱536,606,020
Receivables:				
Advances to related parties	188,145,000	1,055,839	4,753,762	193,954,601
Accrued interest	4,409,629	15,750,787	16,166,435	36,326,851
Accounts with contract operators	5,141,708	–	–	5,141,708
Others	1,445,917	306,674	–	1,752,591
Financial assets at FVOCI	74,250,675	–	–	74,250,675
Other noncurrent assets	9,528,791	–	–	9,528,791
	₱819,527,740	₱17,113,300	₱20,920,197	₱857,561,237

Market Risk

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

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 Group's foreign currency-denominated monetary assets as at December 31, 2019 and 2018 follow:

	2019		2018	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Cash and cash equivalents (see Note 4)	**$6,737,648**	**₱341,194,495**	$8,625,788	₱453,543,954
Receivables (see Note 5)	**2,408,664**	**121,974,745**	1,645,737	86,532,829
Monetary assets	**$9,146,312**	**₱463,169,240**	$10,271,525	₱540,076,783

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

	Change in Foreign Exchange Rate	Effect on Income Before Income Tax
2019	**Depreciates by ₱0.61**	**(₱5,624,982)**
	Appreciates by ₱0.55	**5,007,606**
2018	Depreciates by ₱0.44	(₱4,519,471)
	Appreciates by ₱0.66	6,830,564

As at December 31, 2019 and 2018, the exchange rate of the Philippine peso to the US$ is ₱50.64 and ₱52.58 to US$1.00, respectively.

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

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

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

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

	Percentage Change in PSEi	Effect on Equity
2019	**Increase by 14%**	**₱6,246,131**
	Decrease by 14%	**(6,246,131)**
2018	Increase by 21%	₱9,687,752
	Decrease by 21%	(9,687,752)

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

22. Capital Management

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

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

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

	2019	2018
Capital stock	**₱1,568,018,150**	₱1,568,018,150
Subscribed capital	**350,668,572**	350,669,903
Subscriptions receivable	**(175,334,255)**	(175,334,286)
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Retained earnings	**1,524,683,765**	1,587,902,186
	₱3,269,660,244	₱3,332,879,965

23. Changes in Liabilities Arising from Financing Activity

	January 1, 2019	Cash flows	Foreign exchange movement	Other	December 31, 2019
Current					
Unclaimed cash dividends payable (see Note 13)	**₱33,258,021**	**(₱114,323)**	**₱–**	**₱–**	**₱33,143,698**
Total liabilities from financing activity	**₱33,258,021**	**(₱114,323)**	**₱–**	**₱–**	**₱33,143,698**

	January 1, 2018	Cash flows	Foreign exchange movement	Other	December 31, 2018
Current					
Unclaimed cash dividends payable (see Note 13)	₱33,316,756	(₱58,735)	₱–	₱–	₱33,258,021
Total liabilities from financing activity	₱33,316,756	(₱58,735)	₱–	₱–	₱33,258,021

24. Segment Information

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

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

	2019			
	Oil and Gas	**Power**	**Elimination**	**Total**
Consolidated revenue				
External customers	**₱246,487,516**	**₱–**	**₱–**	**₱246,487,516**
Share in costs and operating expenses	**287,286,913**	**–**	**–**	**287,286,913**
General and administrative expenses	**59,524,916**	**65,166**	**–**	**59,590,082**
	(100,324,313)	**(65,166)**	**–**	**(100,389,479)**
Share in net income of associates	**42,040,140**	**–**	**–**	**42,040,140**
Foreign exchange losses - net	**(15,155,824)**	**–**	**–**	**(15,155,824)**
Accretion expense	**(1,801,147)**	**–**	**–**	**(1,801,147)**
Dividend income	**1,255,800**	**–**	**–**	**1,255,800**
Other charges – net	**(920,009)**	**(500)**	**–**	**(920,509)**
Losses before interest, taxes, depreciation and depletion	**(74,905,353)**	**(65,666)**	**–**	**(74,971,019)**
Interest income	**19,591,102**	**–**	**–**	**19,591,102**
Depreciation and depletion	**(67,669,078)**	**–**	**–**	**(67,669,078)**

(Forward)

	2019			
	Oil and Gas	**Power**	**Elimination**	**Total**
Loss before income tax	**(₱122,983,329)**	**(₱65,666)**	**₱–**	**(₱123,048,995)**
Benefit from income tax	**59,830,574**	**–**	**–**	**59,830,574**
Net loss	**(₱63,152,755)**	**(₱65,666)**	**₱–**	**(₱63,218,421)**
Segment assets	**₱3,363,580,567**	**₱8,644,542**	**(₱17,645,282)**	**₱3,354,579,827**
Segment liabilities	**₱131,955,237**	**₱44,800**	**(₱8,710,208)**	**₱123,289,829**

	2018			
	Oil and Gas	Power	Elimination	Total
Consolidated revenue				
External customers	₱382,676,049	₱–	₱–	₱382,676,049
Share in costs and operating expenses	490,385,695	–	–	490,385,695
General and administrative expenses	78,894,011	64,001	–	78,958,012
	(186,603,657)	(64,001)	–	(186,667,658)
Loss on write-off of:				
Property and equipment	(79,012,162)	–	–	(79,012,162)
Receivables	(38,070,669)	–	–	(38,070,669)
Investment in associates	(11,078,715)	–	–	(11,078,715)
Share in net income of associates	32,379,852	–	–	32,379,852
Foreign exchange gains – net	22,484,713	–	–	22,484,713
Provision for expected credit loss	(20,920,198)	–	–	(20,920,198)
Accretion expense	(1,345,063)	–	–	(1,345,063)
Gain on sale of investment	–	–	–	–
Other income (charges) – net	221,808	–	–	221,808
Losses before interest, taxes, depreciation and depletion	(281,944,091)	(64,001)	–	(282,008,092)
Interest income	20,995,400	–	–	20,995,400
Depreciation and depletion	(91,437,360)	–	–	(91,437,360)
Loss before income tax	(352,386,051)	(64,001)	–	(352,450,052)
Benefit from income tax	90,492,778	–	–	90,492,778
Net loss	(₱261,893,273)	(₱64,001)	₱–	(₱261,957,274)
Segment assets	₱3,489,326,680	₱8,710,208	(₱17,703,683)	₱3,480,333,205
Segment liabilities	₱189,685,230	₱44,800	(₱8,768,609)	₱180,961,421

	2017			
	Oil and Gas	Power	Elimination	Total
Consolidated revenue				
External customers	₱388,201,800	₱–	₱–	₱388,201,800
Share in costs and operating expenses	291,193,355	–	–	291,193,355
General and administrative expenses	56,696,332	112,886	–	56,809,218
	40,312,113	(112,886)	–	40,199,227
Loss on write-off of:				
Property and equipment	–	–	–	–
Receivables	–	–	–	–
Investment in associates	–	–	–	–
Share in net income of associates	15,781,372	–	–	15,781,372
Foreign exchange gains – net	2,616,446	–	–	2,616,446
Accretion expense	(1,407,057)	–	–	(1,407,057)
Gain on sale of investment	85,102	–	–	85,102
Other income (charges) – net	(2,239,878)	–	–	(2,239,878)
Earnings before interest, taxes, depreciation and depletion	55,148,098	(112,886)	–	55,035,212
Interest income	19,318,922	–	–	19,318,922
Depreciation and depletion	(92,686,227)	–	–	(92,686,227)
Loss before income tax	(18,219,207)	(112,886)	–	(18,332,093)
Benefit from income tax	11,965,347	–	–	11,965,347
Net loss	(₱6,253,860)	(₱112,886)	₱–	(₱6,366,746)
Segment assets	₱3,650,055,529	₱8,768,608	(₱17,703,683)	₱3,641,120,454
Segment liabilities	₱84,509,947	₱39,200	(₱8,768,608)	₱75,780,539

25. Contingent Liability

In relation to the Group's acquisition of VIMC's interest in Octon block, the Group is contingently liable for $500,000 which is payable within sixty (60) days from the date of commercial discovery in the contract areas.

26. Events after the Reporting Period

Impact of the recent Novel Coronavirus (COVID-19)
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020. On April 7, 2020, the Office of the President of the Philippines issued a Memorandum in extending the ECQ up to April 30, 2020 upon the recommendation of the Inter-agency Task Force (IATF) in its Joint Resolution No. 20 dated April 6, 2020.

On April 23, 2020, the President of the Philippines has ordered the extension of the ECQ in Metro Manila, Central Luzon, Calabarzon, and other "high-risk" areas in Luzon until May 15, 2020. This marks the third extension of the ECQ since it was imposed in NCR to curb the spread of the COVID-19. On May 12, 2020, Malacañang announced that a modified ECQ (MECQ) will be enforced over the entire NCR, Laguna and Cebu from May 16 to May 31 based on the recommendations from the

IATF for the Management of Emerging Infectious Diseases Resolution No. 35. On May 28, 2020, the President of the Philippines, upon recommendation of IATF, approved to downgrade the quarantine restrictions over the country's capital region from "high-to-moderate-risk area", as a result, NCR transitioned to General Community Quarantine (GCQ) starting June 1, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of The Philodrill Corporation as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, 2018, and 2017, included in this Form 17-A and have issued our report thereon dated May 29, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125228, January 7, 2020, Makati City

May 29, 2020

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

SUPPLEMENTARY SCHEDULES

SCHEDULE I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2019

THE PHILODRILL CORPORATION AND SUBSIDIARY
8th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱1,455,794,497
Unrealized foreign exchange loss - net except those attributable to cash and cash equivalents		1,807,221
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		1,457,601,718
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(89,889,902)	
Less:Non-actual/unrealized income net of tax		
Share in net income of associate/joint venture	29,428,098	
Unrealized foreign exchange gain (loss) - net (except those attributable to cash and cash equivalents)	(2,176,136)	
Unrealized actuarial gain	(3,905,125)	
Fair value adjustment (mark-to-market gains)	(9,020,821)	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	(75,563,886)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period		
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	–	(75,563,886)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		₱1,382,037,832

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

SCHEDULE A. FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
Cash			
Cash in banks and cash equivalents	N/A	₱403,279,202	₱734,854
Receivables			
Advances to related parties	N/A	₱216,444,601	₱18,127,484
Accrued interest	N/A	₱18,862,338	₱18,862,338
Others	N/A	₱1,521,579	₱–
Financial assets at FVOCI			
Vulcan Industrial and Mining Company	3,200,000	₱2,752,000	₱–
United Paragon Mining Corporation	6,839,068,254	₱35,563,155	₱–
Camp John Hay Golf Club	17	₱4,250,000	₱–
Oriental Petroleum and Minerals Corporation	2,677,800,000	₱29,455,800	₱–
Shang Properties, Inc.	152,000	₱486,400	₱–

SCHEDULE II - B

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

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

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end period
Advances to related parties							
Alakor Corporation	₱188,145,000	₱503,750	₱28,648,750	–	₱160,000,000	–	₱160,000,000
Fil-Energy Corporation (San Jose Oil)	4,753,762	–	–	–	4,753,762	–	4,753,762
United Paragon Minerals Corporation	1,055,839	–	–	–	1,055,839	–	1,055,839
National Bookstore	–	50,635,000	–		50,635,000	–	50,635,000

SCHEDULE II - C

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

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

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Amounts Written off	Current	Not Current	Balance at end period
Philodrill Power Corp. (Wholly-owned subsidiary)	₱8,768,609	₱–	₱58,401	₱–	₱8,710,208	₱–	₱8,710,208

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
-None-						

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

SCHEDULE E. LONG-TERM DEBT

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

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

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

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

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

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

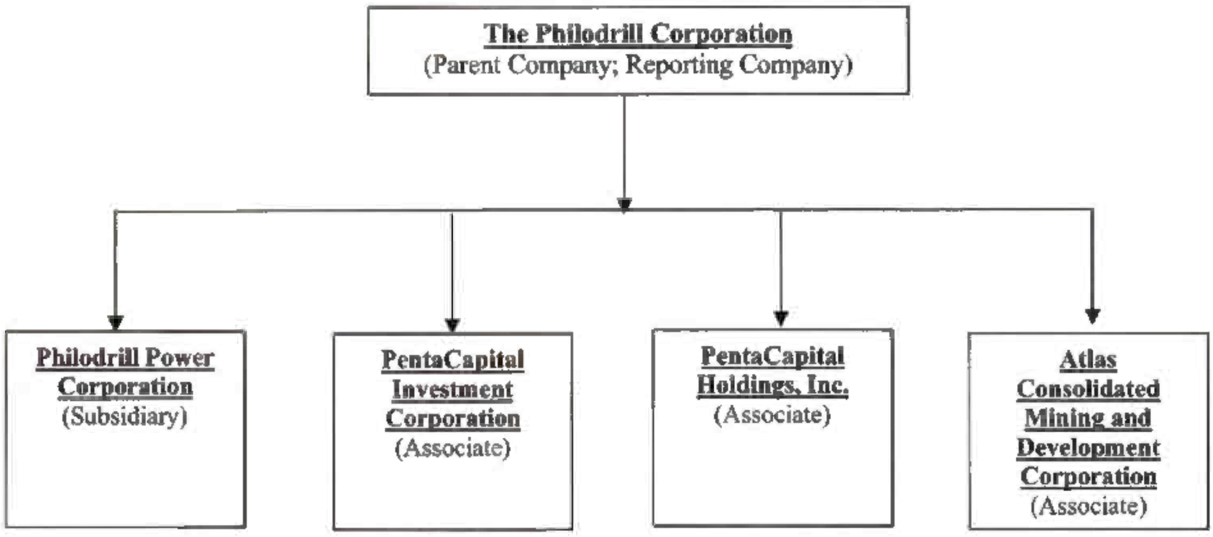
THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

SCHEDULE H. CAPITAL STOCK

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	200,000,000,000	191,868,672,258		102,188,694,943	1,208,071,573	1,024,136

SCHEDULE III

THE PHILODRILL CORPORATION AND SUBSIDIARY MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2019



SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of The Philodrill Corporation as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, 2018, and 2017, and have issued our report thereon dated May 29, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 2018, and 2017, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125228, January 7, 2020, Makati City

May 29, 2020

SCHEDULE IV

THE PHILODRILL CORPORATION AND SUBSIDIARY
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2019 and 2018:

	2019	2018
Profitability Ratios:		
Return on assets	(1.88%)	(7.53%)
Return on equity	(1.96%)	(7.94%)
Gross profit margin	(42.76%)	(51.25%)
Net profit margin	(49.92%)	(92.10%)
Liquidity Ratios:		
Current ratio	8.72:1.00	6.13:1.00
Quick ratio	8.58:1.00	5.56:1.00
Financial Leverage Ratios:		
Asset to equity ratio	1.04:1.00	1.06:1.00
Debt to equity ratio	0.04:1.00	0.05:1.00

Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	THE PHILODRILL CORPORATION
Location of Headquarters Location of Operations	8TH F, Quad Alpha Centrum Bldg., 125 Pioneer St., Mandaluyong El Nido, Palawan
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	THE PHILODRILL CORPORATION
Business Model, including Primary Activities, Brands, Products, and Services	Oil and Gas Exploration and Production
Reporting Period	2019
Highest Ranking Person responsible for this report	ALFREDO C. RAMOS Chairman & President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
The Philodrill Corporation recognizes the value of sustainability reporting as a useful risk management tool that will generate savings for the Company and help attain its goal of increased shareholder value. Philodrill is committed to providing access to affordable, reliable energy that is essential to fuel our economy and improve living conditions. Material topics were determined through the engagement of stakeholders (both internal and external) and rationalize the factors that have the most impact, where it occurs or how such factors affected the respondents' lives. This Report will provide insight on the Company's risk management policies and governance practices and what it does to manage social, environmental, and economic sustainability.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	246,487,516	PhP
Direct economic value distributed:		
Operating costs	248,249,237	PhP
Employee wages and benefits	32,789,289.78	PhP
Payments to suppliers, other operating costs	39,037,676 (accrued P&A costs)	PhP
Dividends given to stockholders and interest payments to loan providers	0	
Taxes given to government	5,552,698.78	PhP
Investments to community (e.g. donations, CSR)	50,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The impact of economic performance is on the primary business operations of the Company. As the upstream O&G industry is a capital intensive business, strong economic performance means more projects are carried out. The impact is directly caused by the company as it is the measure of its performance in operating the business.	Strong economic performance means that value is delivered to our **shareholders**, value is delivered through our services to **society**, **employees** are offered competitive salaries and benefits, obligations to **suppliers and creditors** are met, **custome**r orders are fulfilled, **Government** gains revenues and the **local communities** receive investment.	The Company implements Enterprise Risk Management (ERM). ERM provides reasonable assurance regarding the achievement of the Company's objectives. Philodrill can identify, assess, respond and monitor the outcomes of the industry's leading risk factors with an Enterprise Risk Management system in place.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		

In the oil and gas industry, managing capital projects, in particular large capital projects, in a global environment is becoming increasingly complex. Oil and gas companies need to make strategic decisions about which projects should be developed first to ensure their company's best performance. 1. **Price Risk**. The price of oil and gas is the primary factor in deciding whether a reserve is economically feasible. Basically, the higher the geological barriers to easy extraction, the more price risk a given project faces. This is because unconventional extraction usually costs more than a vertical drill down to a deposit. 2. **Supply and Demand Risk.** Operations take a lot of capital and time to get going, and they are not easy to shut down when prices go south or to ramp up when they go north. The uneven nature of production is part of what makes the price of oil and gas so volatile. Other economic factors also play into this, as financial crises and macroeconomic factors can dry up capital or otherwise affect the industry independently of the usual price risks. 3. **Cost Risk**. The more onerous the regulation and the more difficult the drill, the more expensive a project becomes. 4. **Operational Risk.** Companies struggle to find and retain the qualified workers that they need to operate the field.	The Company itself, employees, suppliers and creditors, contractors	Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to the risks and opportunities
What are the Opportunity/ies	**Which stakeholders are**	**Management Approach**

Identified?	affected?	
Identify the opportunity/ies related to material topic of the organization		
Good economic performance opens opportunities for the Company to participate in more exploration projects and enter into Joint Venture agreements. Provides the Company resources to offer competitive compensation package and benefits for its employees, and share profit to its stockholders. But more importantly, the Government gains more revenues and better investments are returned back to the local communities.	The stockholders, employees, National Government and the local community	Management implements rationalization of exploration projects, prioritizing those within the medium-term prospects. In all its undertakings, tighter measures are employed to ensure efficient utilization of resources to minimize cost and dependence on outsourced services that are more costly.

Climate-related risks and opportunities[15]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	*Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material*	*Disclose how the organization identifies, assesses, and manages climate-related risks*	*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material*
The Philodrill's Board of Directors ensures that a comprehensive, corporate-wide climate change mitigation or adaptation strategy is in place.	Philodrill is committed to protecting the environment. It works hard to cause no harm to people. The Company as Operator sets environmental standards in	The Company adheres to processes that assess and mitigate risks and support decision making. These processes include the following: *Enterprise Risk*	The Company has not set targets for emissions reduction for the most recent years as most of its major assets are still in the exploration stage while Greenhouse Gas

Executive Management must identify adaptation measures and opportunities to mitigate energy cost, carbon and carbon related regulatory measures. The most cost effective measures the Company can take to adapt to physical risks (to build resilience for climate changes which can no longer be avoided) and mitigate energy costs and carbon risks (reduce exposure) are then described based on observation of global best practices. These measures should not be considered in isolation but within the capital planning cycle of the Company.	accordance with global best practices, which meet all regulatory requirements. The company's standards cover its environmental performance including: managing emissions of greenhouse gases, using less energy more efficiently, flaring and burning off less gas during oil production, preventing spills and leaks of hazardous materials, using less fresh water and conserving biodiversity wherever we operate. It encourages the Partners in the consortium to comply with the best standards. The Company works in partnership with the government (DOE, PCSD), Academics (UP Geological Society) and local community (El Nido) to maintain and sustain its high standards.	*Management.* ERM process provides corporate oversight for identifying major risks to the Company and ensuring mitigation plans are in place. The ERM process includes risk review with executive management and the Board of Directors that identifies risks inherent in our business. Risks assessed through this process include financial, operational, geopolitical, commodity pricing, security, geological and technological as well as climate change risks. *Strategic and business planning processes*. The Mancom is responsible for managing the strategic and business planning processes at the Board's direction. These processes are designed to ensure that our business remains resilient under a variety of circumstances, and they include examination of external points of view, ongoing assessment of the dynamics of the energy sector, monitoring of policy and regulatory developments, and	(GHG) emissions at the office has minimal impact to the environment. However, for the Galoc Operations, wherein Philodrill has a participating interest, GHG emission and gas flaring are being monitored and measured. The Company, once producing again will actively engage in direct and indirect monitoring of GHG emissions.

		examination of trends, such as advancements in technology and evolution of consumer preferences. *Portfolio management.* The Company manages its portfolio of assets to meet objectives in accordance with its strategic and/ or business plans. A decision to invest in an asset and add it to the Company's portfolio is made based on the then-current view of factors, including anticipated future cost, NPVs, market, pricing and regulatory conditions.	
Recommended Disclosures			
Describe the board's oversight of climate-related risks and opportunities	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Describe the organization's processes for identifying and assessing climate-related risks	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

The Philodrill Corporation, through its Board of Directors, is committed to its goal of energy sufficiency, but remains focused on operating responsibly and safely. The Board meets regularly, on a monthly basis to discuss updates of company assets which includes climate-related concerns. During these meetings, decision-making issues that require top-level approval are presented. The management assures that the impacts on the environment (i.e., climate change) are carefully considered in the choices presented to the board. Updates on policies implemented, actions undertaken, and effects of these decisions are discussed with the board.	As most the assets are still in the exploration stage, the bulk of the workload is tied in office works. Production of paper wastes is the most common short-term environmental risk the Company is facing. By going electronic, not only is the Company reducing paper wastes but also operational expenses. The more intense extreme rainfall events and other natural disasters were identified as affecting its employees in a short- term period. The flaring of natural gases in the Galoc asset emits tonnes of GHG into the atmosphere thus causing medium-term health hazards to the employees onboard the platform and long- term effect on global warming.	During the last meeting for the year, Management discusses with the Board the work program and budget (WP&B) plans for the succeeding year. The Exploration program such as Geological & Geophysical activities are strategically scheduled all throughout the coming year. Management identifies possible environmental (including climate-related) risks that may impede the accomplishment of the said activities or cause any disruption in the operations. Guidance from the Board is sought on the implementation of cost-effective adaptation strategies. Previously collected data such as rainfall quantity, ocean current pattern, and gas emissions helps in forecasting risks that may arise during the implementation of G&G activities. The occurrence probability of these risks and the object which it will directly and indirectly affect are considered carefully.	Philodrill's operated blocks are strictly complying with RA 8749 or the Philippine Clean Air Act of 1999 which has the Department of Environment and Natural Resources (DENR) as the lead agency. The quality and quantity of gas emissions during operations are compared to the standard limits set by the DENR. Philodrill adheres to the DOE standards concerning regulations in the energy industry. The Company regularly submits quarterly and annual operations reports and results of exploration activities of the Company's operated service contract. The Company's plans are also aligned with the department's mission to be globally-competitive while improving the quality of life of Filipino communities.
Describe management's role in assessing and managing climate-related risks and	Describe the impact of climate-related risks and opportunities on the organization's	Describe the organization's processes for managing climate-related risks	Describe the targets used by the organization to manage climate-related risks and

opportunities	businesses, strategy and financial planning.		opportunities and performance against targets
Management provides the link between its employees and the host communities that are directly exposed to climate-related risks to the Board which is the decision-making body of the Company. Management is also responsible in providing immediate sound decisions and actions toward these risks. Management oversees all operations and assesses possible environmental impacts of the Company's activities.	Philodrill is exposed to many weather related climate change risks that could result in construction delays, production downgrades or blow outs to decommissioning costs, if not managed well. Company activities are planned and scheduled accordingly to lessen climate-related risks (e.g., weather pattern) that will incur additional expenses. Environmental factors, such as the reuse of materials and appropriate disposal, are considered when closing down a site.	During the initial planning stages of our major projects, a screening process is implemented to identify potential environmental and social impacts. These may include impacts on sensitive areas and freshwater resources, as well as the prevalence of bribery and corruption in the LGU, local employment and community health and safety. The results are used to identify actions and mitigation measures and then implement these in project design, construction and operations. The Management team works hard to understand environmental and social sensitivities in the areas where we operate with the aim of avoiding, minimizing and mitigating any potential impacts.	The primary target of the Company is to lessen carbon footprint and the negative environmental impact of its exploration activities. Recycling is practiced in the office premises. Reusable items such as papers, newspapers, carton boxes, plastic bags, and plastic/glass bottles are either reused or if unrecyclable are sold and proceeds distributed to the staff. These measures that not only aid the employees in work but also benefits the Company by lessening operational expenses and providing additional income. Conservation of electricity and water is also a constant practice. The Company is contributing less air pollutants with the efficient use of GHG-emitting equipment. Management ensures that the facilities of producing oil fields are in good condition so that emissions of hazardous matters are at the minimum

			or acceptable limits.
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	
	The Company's management and staff plan and create scenario analysis prior to implementation of projects. A contingency plan is always included in the programs presented to the board. Usually, an additional 10-20% of the total project budget and total number of working days is allocated as contingent measures.	Management practices a holistic approach in doing the Company's overall risk management. After identification, assessment, and action preparation for the climate-related risks, integration with the other risks are done. A cause-and-effect relationship is established on the risks associated with each other. G&G activities are undertaken during favorable weather window periods taking into consideration weather downtime, thus limiting risks and expenses and ensuring the safety of operations.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Php48,525,198.66	97%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Localizing supply chain represents an opportunity to help reduce emissions and energy usage. Local supplies do not create large carbon footprints through overseas plane travel or long truck trips. This cuts down on fuel consumption and air pollution.	Suppliers	Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inability of local suppliers to meet the demand.	suppliers	Management assesses the availability and competency of local suppliers. Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		

The Company reduces shipping and storage cost while increasing revenue of the local economy by involving local suppliers. This presents opportunity to the Company to be more competitive in terms of its pricing of local crude oil produce and sold to refineries or end users.	Suppliers and other oil and gas companies	The Company seeks and maintains mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.

ENVIRONMENT

Resource Management

Energy consumption within the organization: (*Annual Consumption at the Principal office)*

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	No data available	GJ
Energy consumption (LPG)	N.A.	GJ
Energy consumption (diesel)	32.12	GJ
Energy consumption (electricity)	5,290	kWh

**Electricity consumption at the principal office for 2019*

Energy consumption on site: *(average monthly consumption)*

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0.33/month	GJ
Energy consumption (gasoline)	2.17/month	GJ
Energy consumption (LPG)	N.A.	GJ
Energy consumption (diesel)	1,025.40/month	GJ
Energy consumption (electricity)	N/A (off grid)	kWh

Reduction of energy consumption *(no comparative data yet)*

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business	*(e.g. employees, community, suppliers,*	*What policies, commitments, goals and targets, responsibilities, resources,*

operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*government, vulnerable groups)*	*grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Energy directly impacts the Company's operations. Energy resources are vital and necessary to the daily operations of the oil fields. Rationalization of energy consumption involves the Company, its employees and contractors both onsite (field operations) and offsite (office site). Continuous reduction of energy consumption is being done through implementation of energy conservation measures.	*Employees, contractors, JV partners, community*	Philodrill is committed to using less energy and more efficiently, flaring and burning off less gas during oil production. It encourages Partners in joint ventures to comply with global standards and best practices. The Company is also implementing cost-cutting measures resulting to the proper monitoring of and reduction in general & administrative expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inefficient use of equipment resulting to higher energy consumption.	Employees, personnel working on site	Continuous monitoring and constant reminder to company employees of efficient use of office equipment. Orient maintenance staff on the schedule of switching on and off of lights, aircon, workstations, and other electrical equipment. Encourage employees to car pool, if possible, to save on gasoline/diesel Facilities at site are well maintained and kept at best condition to work efficiently.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
The Company will assess the impact of implementing alternative work scheme including an option to work	Employees	Continuous assessment of practicality and viability of implementing alternative

from home to decrease operational costs and increase employees' productivity by minimizing travel time.		work scheme.

Water consumption within the organization (off site – Office)

Disclosure	Quantity	Units
Water withdrawal	No data	Cubic meters
Water consumption	441.5	Cubic meters
Water recycled and reused	0	Cubic meters

Water consumption on site (Palawan)

Disclosure	Quantity	Units
Water withdrawal	n/a (with own desalination/water maker)	Cubic meters
Water consumption	4/day	Cubic meters
Water recycled and reused	0	Cubic meters

**Note that we are manufacturing/making our own fresh water that was converted from the sea water within the area.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
As the country experienced water crisis in 2019, the Company has been prioritizing water management, so as not to contribute further to the depletion of our water resources. At the Platform, we use reverse osmosis in seawater desalination to produce clean water that can be used for drinking, bathing, food preparation, and other general purposes.	Community, Employees, and personnel working in the platforms	The Company educates and constantly reminds its employees on the efficient use of water. Reprocessing of seawater to produce clean, safe, and fresh water to be self-sufficient, instead of relying on water tank refilling by supply vessels, which will entail additional logistical processes is continuously being implemented.

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Within the office premises, some personnel are unaware that they irresponsibly use water facilities resulting to higher consumption.	Employees	The Company constantly reminds its employees to practice water conservation. Management lowered the water pressure in the comfort rooms, to control water flow and avoid spillage. Also, management ensures that there are no faucet and toilet leaks to avoid water wastage by conducting regular inspections
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Efficient water consumption leads to financial savings, which can be appropriated by the Company for other purposes. Additionally, water conservation helps the community as a whole in prolonging the water supply especially during dry seasons from March to May wherein the water in reservoirs falls below normal level.	Employees and Building Management	The Company constantly reminds employees to use water responsibly.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	2 sites, Matinloc and AP platform. Location: Matinloc Terminal is located in South China Sea 28 NM Northwest of El Nido Airport at Latitude 11° 28'46.9" North and Longitude 119° 01'18.17' East. Nido Terminal is located in South China Sea 35 NM West Southwest of El Nido Airport at latitude: 11°02' 19.0" North and Longitude: 118° 49' 57.4" East.	
Habitats protected or restored	none	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

**Note that we have a full copy of the Marine Protected Areas (MPA) for the whole Occidental Mindoro and Palawan with given locations and areas. Species are generally referred to as fishes, corals, seaweeds and the like.*

What is the impact and where organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company ensures strict compliance with environmental laws and policies by securing required permits from the DOE, DENR-EMB. Philodrill supports the conservation and preservation of protected areas that house our country's rich	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company secures a Certificate of Non Coverage (CNC) or Environmental Compliance Certificate (ECC), whichever is applicable, from the Environmental Management Bureau (EMB) of the DENR to cover all its exploration activities, as well as Strategic Environmental Plan Clearance (SEPC) from Palawan Council for Sustainable Development (PCSD).

natural resources (both flora and fauna).		1. Service Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016 2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016 3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are**	Management Approach

	affected?	
Identify risk/s related to material topic of the organization		
For the fieldworks, marine and land seismic and gravity surveys, drilling and production activities, the risk include the disturbance of local ecosystem in the area (i.e. cutting of trees, oil spill, improper disposal of large volumes of saline water, and gas flaring).	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company strictly abides with Environmental laws and policies. The exploration, production and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment, soils, surface, ground, and marine waters. Regular Health, Safety, Security and Environment (HSSE) meetings are being conducted during onshore and offshore operations. The Company conducts Bathymetric Survey to determine the shallow water areas or pinnacles to be avoided during seismic surveys. The P&A of production wells in SC 14A and SC 14B in 2018 and 2019 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later disposal. With regard to the SC 14C-1, Galoc field operations, Oil Spill Contingency Plans are in place in case of any untoward incidents. Produced water and petroleum wastes are being monitored in compliance with the standard acceptable amount defined by the DENR. Used diesel is being monitored to ensure that there is no spillage.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		
Decrease of negative environmental impact while minimizing incurred operational cost by partnering with other companies that provide exploration services within adjacent areas. In the office, decrease environment	Local communities adjacent or within the SCs, Employees, and Third Party Contractors	The SC 14 JV turned over the Nido and Matinloc platforms to the DOE last December 2019 so that they can be used by the DND-AFP for national defense, instead of creating a new outpost.

impact and CO2 imprint by going paperless/electronic. In offshore operations, JV partners devise ways to repurpose old platforms (they were converted as defense outpost of the government) instead of building or manufacturing a new one.		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	794.949504	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

**Note that CO2 emissions were computed based on the diesel consumed/burnt during the period of January 2019 to December 2019.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
At the office, usage of air conditioning (AC) systems that release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs) which are GHGs that trap heat and cause depletion of the ozone layer. Natural gases (i.e. methane (CH4), ethane, propane, butane, and other heavier components), which are GHG and VOCs, produced in the Galoc field are flared out as these are not economical to be developed and also pose safety and health hazards (i.e. major blowout accident leading to destruction and	Employees of Philodrill and personnel onboard the platform, and nearby communities	The Company regulates its AC systems to lessen its power consumption. Out of twenty two (22) AC systems pre-installed in the office, only twelve (12) are regularly in operation during work hours (8:00- 17:00). These units are those near work desks occupied by the Company's employees. As an alternative, Management has opted to purchase AC systems with HFCs refrigerants instead of CFCs, since the former have lesser detrimental effects to the environment.

fatality) if not attended properly. Flaring natural gases results to byproducts or GHGs such as CO, CO2, VOCs, NOX, SOX, and other air pollutants		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Emission of GHG into the environme HFCs represent only a small portion of the total GHG emissions. However, they trap heat in the atmosphere as much as CO2. Although flaring/burning of natural gases emits a number of pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases/GHGs may cause health hazards to the platform's crew and contribute to ozone destruction and global warming.	Employees of Philodrill and personnel onboard the platform, and nearby communities	Together with the reduced usage of AC units in the office, routine check and maintenance are also being implemented to ensure efficiency of the AC systems. To prevent major blowout accidents, flaring is favored by the management than venting off natural gases.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		

In the office, decrease environment impact and CO2 footprint by going electronic. Less electricity consumption brought about by the minimal use of AC units and the cost-effective performance resulting from the regular maintenance will lead to savings that can be allocated to other company expenses. At the site, proposal to use a device which could reduce the gas flaring is seriously being considered.	Employees	The Company is practicing energy conservation measures. Philodrill is implementing paperless approach to certain transactions to minimize paper consumption and CO2 emission during printing and photocopying. Although the abovementioned energy conservation measures can be considered basic with minimal effect to the environment, Philodrill believes that this effort will still be beneficial to the community and environment in the long run.

Air pollutants

Disclosure	Quantity	Units
NO_x	172,418*	kg
SO_x	11*	kg
Persistent organic pollutants (POPs)	None*	kg
Volatile organic compounds (VOCs)	275,560*	kg
Hazardous air pollutants (HAPs)	None*	kg
Particulate matter (PM)	3,730	kg

**Data is from SC 14C-1 FPSO gas flaring and fuel combustion for the year 2019. No measured/reported POPs and HAPs in SC 14C-1.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
NOx, SOx, VOCs, and PMs are products of fuel combustion and ship emissions. These are released into the atmosphere and affect the ozone layer and contribute to global warming.	Employees onboard the platform, FPSO, and nearby communities	In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly

In SC 14C-1, flaring of natural gases (i.e. methane (CH_4), ethane, propane, butane and other heavier petroleum components) results to by-products or air pollutants such NOx, SOx, VOCs, and PM. Ethane and propane are the most abundant non-methane hydrocarbon compounds found in natural gas.		enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Abundant NOX and SOX released into the environment from ship emission/fossil fuel combustion causes acid deposition. These gaseous pollutants are the major components of acid rain and smog apart from its contribution to greenhouse effect and global warming. Although flaring/burning of gases emits certain pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases may cause health hazards to the platform crew.	Employees onboard the platform, FPSO, and nearby communities	Strict implementation of the MARPOL guidelines to decrease ship emissions. FPSO/Ship engines are also properly maintained to avoid machine failures that could increase the ship's intake of fossil fuel which in turn leads to an increase in combusted fuel. The management opted to do gas flaring rather than venting to minimize health hazards and accidents.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Strict compliance with the laws governing air and seas/water will enable the Company and Galoc JV to operate without interruption. Fines and penalties will also be avoided. A healthier and more conducive environment for the employees onboard the platform and FPSO.	Employees onboard the platform/FPSO and nearby communities	Strict compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	13,170.41	Cubic meters
Percent of wastewater recycled		%

**Note that majority of waste water produced from extraction of crude oil was treated before discharging overboard based on the accepted level of effluents set by the international standards and EMB.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Offshore International and National Guidelines for Wastewater Discharges to the surface and bottom of the sea should be followed, as to control pollution and to have minimal impact to the marine environment and ecosystem. Maximum defined contamination levels should be followed.	Personnel at the platform, Fishermen, and Community	In offshore petroleum operations of the Company, subsidiaries, and JV partners, the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
The effluents with oil and other toxic waste contents exceeding the acceptable amount set by the MARPOL guidelines will contaminate the sea and sea bottom. This will cause damage to marine flora and fauna and can possibly cause related health implications to the community.	Personnel at the platform, Fishermen, and Community	Strict implementation of safety and environmental standards of the JV consortium. In case of untoward incidents, mitigation procedures are in place. At the FPSO vessel and platforms, produced water is analyzed and discharged overboard if it has less than 15 ppm of oil content. If the produced water exceeds the 15 ppm allowable limit, procedures under the Oil Spill Contingency Plan are carried out to treat the water before disposal.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Some produced formation water or effluent is being reprocessed and used onboard.	Marine crew at the FPSO, Fishermen, and Community	Reprocessed or treated water discharges onboard by Nido/Matinloc and Galoc consortium can be utilized for other general purposes in the vessel or platform.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Philodrill is serious in complying with Environmental Laws and Policies	Employees and Community adjacent or within the SCs	Philodrill acquired CNC/PCC from EMB-DENR to cover its exploration activities, as well as SEPC from PCSD as follows: 1. Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016

		2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016 3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Non-compliance with environmental laws and regulations might lead to imposition of penalties and fines, or even to the extent of cancellation of the SC	Employees and Company	The Company continues strict adherence to environmental laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Philodrill management consistently maintains an environmentally, ergonomically, and legally compliant operations	Employees and Community	The Company adheres strictly to environmental laws and regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]	27	#
a. Number of female employees	16	#
b. Number of male employees	11	#
Attrition rate[19]	0	rate
Ratio of lowest paid employee against minimum wage	2:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	33%	42%
PhilHealth	Y	3%	0
Pag-ibig	Y	15%	33%
Parental leaves	Y	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	71%	27%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	-	-
Further education support	Y	-	-
Company stock options	Y	-	-
Telecommuting	Y	-	-
Flexible-working Hours	Y	100%	100%
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Provides assistance in facilitating and processing of the applications. The Company ensures regular and timely remittance of the employee's monthly premiums. Philodrill provides assistance to employees in facilitating and processing of the applications when availing other SSS and Pag-Ibig benefits.	The Company considers its people its greatest asset. Employees are provided with benefits packages (i.e. Maternity Benefit, Sickness Benefit and, Salary Loans) along with a wide range of learning and professional development opportunities to help them achieve their full potential. Benefits provided for the employees are as follows: 1. Base Salary; 2. Medical Coverage for Employees and their spouses and dependents; 3. Employees' Annual Medical Check-Ups and HMO; 4. Life and Accident Insurance; 5. Educational assistance; 6. Annual Vacation Leave – 15 days; 7. Annual Sick Leave – 15 days; and 8. Other allowances (transportation, rice, mobile phone). The Company also promotes work-life balance and the welfare of the employees. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Magna Carta of Women (RA 9710) and Solo Parent Welfare Act of 2000 (RA 8972).
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Non-adherence to providing benefits mandated by the government is a violation of the law and will subject the Company to civil and criminal liabilities in addition to revocation of license to operate.	All employees enter into labor contracts for legal employment with the Company. The Company exercises check-and-balance practices to ensure that various policies are properly implemented.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
The Company is considering telecommuting or work from home arrangements. Work from home arrangement decreases operational expenses of the Company and increases employees' work efficiency.	The Company prioritizes management of its employees to ensure that it maintains a high performing workforce that is at par with the best in the industry.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	120	hours
b. Male employees	48	hours
Average training hours provided to employees		
a. Female employees	40	hours/employee
b. Male employees	24	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Philodrill exerts effort to attract, motivate, develop and retain the best local talent and equip our people with the right skills for the future. The Company's performance and ability to thrive in this environment depend on it. The onshore and offshore petroleum competency requirement is complex and requires high standard of safety and proficiency. Philodrill believes that its employees are the main asset of the Company and continuous training and development should be implemented.	Technical personnel are attending SEAPEX meetings/seminars both local and abroad, as well as annual Philippine Geological Conferences. A Basin Analysis training course was attended by a Philodrill geologist, together with other geoscientists from local petroleum operators. HSSE trainings such as First Aid and Basic Life Saving Trainings are attended by assigned personnel every two years. Earthquake and fire drills are also implemented by the Company
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Globally, the petroleum industry is experiencing a downturn, which caused a slowdown in overall operations and sustenance of personnel training and development.	The training and development budget will be realigned in response to the oil price crash. Our personnel are encouraged to take advantage of free webinar courses provided by technical experts.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
While petroleum operations are slowing down, the Company should take this opportunity to avail of training which is much cheaper if done locally with other petroleum operators. Also, online trainings are cheaper as they will not require travel and accommodation costs. HSSE trainings should be attended by all personnel with different definitions of safety standards.	Cooperation with other Petroleum Exploration Companies in organizing an international training course but is conducted locally. First aid training by the Red Cross should be attended by employees. The Company looks for opportunities for inexpensive local or online training if available. Additionally, technical personnel are participating on free online courses offered by petroleum experts.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	16	59%
% of male workers in the workforce	11	41%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Company activities such as hiring, promotion, and compensation are conducted without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, marital status, dependents, genetics, disability, age, social class, or political views.	The management of Philodrill is committed to respecting people's differences and creating an inclusive workplace culture. It does not tolerate any kind of harassment or prejudice. In order to respect and value the diversity of the employees and all with whom the Company do business, managers are required to ensure that the working environment is free from any form of harassment and discrimination. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Solo Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277). The company's board diversity policy can be found in the Company's website through this link: https://philodrill.com/documents14/ov_diversity_policy.pdf
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
The Company has not identified any violation relating to diversity and equal opportunity.	All employees are provided with equal career opportunities and recognize that people bring different skill qualities to the work place.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
As at March 31 2020, the Company has 27 employees comprising 16 females and 11 males. The Company will continue to encourage: - greater female participation; and - executive senior professional	The Company will continue to promote inclusiveness to help break down barriers and reduce the fear of being rejected, not only for who the employees are, but also for the ideas

employees to look for mentoring opportunities for more junior employees to gain valuable insights into the Company and the oil & gas industry, generally. Diversity creates goodwill within the community and within the industry.	they voice. Continuous hiring of both local and foreign consultants for the company's exploration projects.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	207,543*	Man-hours
No. of work-related injuries	None	#
No. of work-related fatalities	None	#
No. of work related ill-health	None	#
No. of safety drills	1	#

**Data is from the SC 14 C-1 Galoc FPSO for the year 2019.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company and its Subsidiaries consistently foster a safe working environment. Philodrill implements employee health and safety measures and training programs that protect people from occupational hazards by preventing injury, illness, and fatality.	The Company strictly complies with all relevant occupational health and safety laws and regulations. Philodrill aims to achieve a zero injury and fatality rate for its entire staff. Same is true with offshore operations of subsidiaries, which adhere to international HSSE policies. At the work site, first aid kits and fire extinguishing equipment are conspicuously located and properly maintained. To ensure emergency preparedness, staff participates in regular fire and earthquake evacuation drills. Regular first aid and lifesaving trainings are being attended by assigned safety officer at the office.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the Organization	
No fatal cases, occupational injuries or incidents were recorded during the year at the office as well as in the field. Failure to manage workplace safety would negatively impact employee health and productivity.	The Company enforces occupational health and safety protocols for the benefit of the employees, contractors, and host communities.

What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization	
By properly managing and implementing health and safety trainings, employees and contractors can handle their jobs safely for the benefit of the organization and all stakeholders. The Company aims to be up-to-date with current best practices in HSSE.	The Company will continue to provide the necessary equipment, training, and resources to enable employees and contractors to work safely. Philodrill will consistently encourage and empower employees by letting them attend safety trainings and retake training sessions, if necessary, to refresh their memory.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Oil & Gas Exploration & Production	Economic growth	Environmental damage associated with field operations.	Strict compliance to government laws and regulations on health and environmental safety.
Oil & Gas Exploration & Production	Decent work	Health & Safety	Conduct IEC campaign prior to the fieldwork.
Oil & Gas Exploration & Production	Welfare of vulnerable groups	Traditional lifestyle of indigenous people are affected	Careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Reynaldo E. Nazarea	631-8151
Contact Person	Company Telephone Number

06	30	SEC Form 17-Q (June 2020)	08	13
Month	*Day*	**FORM TYPE**	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8563	P0.00	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-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 June 30, 2020

2. SEC Identification Number: 38683

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

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

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

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

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

9. Not Applicable

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

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

Amount of Debt Outstanding

Total Loans Payable ₱ 0.00

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

Yes [x] No [ ]

12. Check whether the issuer

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

Yes [x] No [ ]

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

Yes [x] No [ ]

TABLE OF CONTENTS

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 2nd quarter ended 30 June 2020 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 June 2020), with comparative Statement of Operations for the comparable period (01 January to 30 June 2019) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 30 June 2020), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 30 June 2019) 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 June 2020), as well as the basis of computation thereof.

5. The Company's interim financial report for the 2nd quarter 2020 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 June, 2020) as compared with the most recent annual financial statements (2019), 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 June 2020), 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 (2019), which had a material effect in the current interim period (01 January to 30 June, 2020).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to June 30, 2020).

11. For the period January 1 to June 30, 2020, 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 June 30, 2020) 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 June 30, 2020) 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, 2019) and as of end of current interim period (June 30, 2020), EXCEPT those disclosed in Note 25 to the Company's 2019 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 June 30, 2020).

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

Financial Performance

Total revenues for the first two quarters ended June 30, 2020 decreased by ₱70.1 million or 54% to ₱60.1 million from ₱130.2 million for the same period last year. Petroleum revenues decreased by ₱60.2 million or 60.1% to ₱40.0 million from ₱100.2 million for the same period last year. The decrease was brought mainly by the decrease in crude prices and production volume for the first two quarters of 2020 as compared to the same period last year. The combined gross production decreased to 350,957 barrels for the first two quarters ended June 30, 2020, from 396,730 barrels produced for the same period last year. The average price per barrel decreased to $33.64 for the period ended June 30, 2020 as compared to $64.46 for the same period last year. Equity in net earnings of associates decreased by ₱7.9 million. Interest income decreased by ₱2.0 million.

Total costs and expenses including foreign exchange losses decreased by ₱37.9 million from ₱154.8 million for the first two quarters of 2019 to ₱116.9 million for the first two quarters of 2020. Operating costs decreased by 27%. Foreign exchange loss amounted to ₱5.4 million for the first two quarters of 2020 as compared to ₱10.1 million for the same period last year. The company's net loss after tax amounted to ₱44.3 million for the first two quarters of 2020 as compared to ₱6.9 million for the same period last year.

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

	June 30 , 2020	December 31, 2019
Current Ratio	*8.35 : 1*	*8.72 : 1*
Current Assets	654,593,280	693,735,475
Current Liabilities	78,388,703	79,568,492
Debt to Equity Ratio	*0.04 : 1*	*0.04 : 1*
Total Liabilities	124,641,251	123,289,829
Stockholders Equity	3,170,457,383	3,231,289,998
Equity to Debt Ratio	*25.44 : 1*	*26.21 : 1*
Stockholders Equity	3,170,457,383	3,231,289,998
Total Liabilities	124,641,251	123,289,829
Book Value per Share	*0.0165*	*0.0168*
Stockholders Equity	3,170,457,383	3,231,289,998
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	*(0.00023)*	*0.00004*
Net Income (Loss)*	(44,279,717)	(6,869,768)
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to June 30*

The current ratios as of December 31, 2019 and June 30, 2020 are 8.72:1 and 8.35:1, respectively. The Company's current assets exceeded its current liabilities by ₱576.2 million and ₱614.2 million as of June 30, 2020 and December 31, 2019, 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 ₱56.9 million as of June 30, 2020 and ₱72.5 million as of December 31, 2019. If these shares would be considered part of Current Assets, the recomputed current ratio would be 9.08:1 as of June 30, 2020 and 9.63:1 as of December 31, 2019.

Total assets decreased from ₱3.354 billion as of December 31, 2019 to ₱3.295 billion as of June 30, 2020. Cash and cash equivalents reflected a net decrease of ₱74.5 million or 18% due to the payment of company's share in operating expenses of Galoc. Receivables increased by ₱41.0 million. Crude oil inventory decreased by ₱4.1 million or 54% due to lower price and volume of crude oil on storage as of June 30, 2020. Other current assets decreased by ₱1.5 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱30.8 million to ₱447.0 million as of June 30, 2020 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI decreased by ₱15.6 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱2.4 million due to additional project costs. Deferred tax assets increased by ₱13.1 million or 7% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities slightly increased by ₱1.4 million from ₱123.3 million as of December 31, 2019 to ₱124.6 million as of June 30, 2020.

Stockholders' equity decreased by ₱60.8million from ₱3.231 billion as of December 31, 2019 to ₱3.170 billion as of June 30, 2020. For the first two quarters, an adjustment for the decline in value of financial assets at FVOCI of ₱16.7 million in the valuation reserve of the company's listed stock investments was booked. As of June 30, 2020, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱57.7 million as compared to ₱41.0 million as of December 31, 2019. The company's retained earnings amounted to ₱1.480 billion as of June 30, 2020 as compared to ₱1.524 billion as of December 31, 2019.

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:

	June 30, 2020	December 31, 2019
Current Ratio	*192.96:1*	*192.96 :1*
Current Assets	8,644,542	8,644,542
Current Liabilities	44,800	44,800
Debt to Equity Ratio	*0.005:1*	*0.005 :1*
Total Liabilities	44,800	44,800
Stockholders' Equity	8,599,742	8,665,408
Equity to Debt Ratio	*191.96:1*	*193.42 :1*
Stockholders' Equity	8,599,742	8,665,408
Total Liabilities	44,800	44,800
Book Value per Share	*0.000688*	*0.000693*
Stockholders Equity	8,599,742	8,665,408
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 2019 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 ₱74.5 million or 18% due to the payment of company's share in operating expenses of Galoc.

   Receivables increased by ₱41.0 million or 15% due to the accrual of trade and other receivables as of end of the interim period.

   Crude oil inventory decreased by ₱4.1 million or 54% due to the lower price and volume of crude oil on storage as of end of the interim period.

   Other current assets decreased by ₱1.5 million due to the amortization of prepaid expenses booked during the interim period.

   Property and equipment reflected a decrease of ₱30.8 million to ₱447.0 million as of June 30, 2020 due to the booking of depletion and depreciation costs.

   Financial assets at FVOCI decreased by ₱15.6 million or 22% due to the adjustment in the valuation reserve of the company's listed stock investments.

   Deferred tax assets increased by ₱13.1 million or 7% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱1.0 million decrease due to the payment of accrued expenses during the interim period.

Income tax payable reflected an decrease of ₱0.16 million due to the payment of income tax during the interim period.

Retirement benefit liability increased by ₱2.5 million or 13% mainly due the booking of additional pension liability as of the end of the interim period.

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2019 amounted to ₱41.0 million. For the interim period, ₱16.7 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of June 30, 2020, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱57.7 million.

The company's retained earnings amounted to ₱1.480 billion as of June 30, 2020 as compared to ₱1.524 billion as of December 31, 2019. The decrease of ₱44.3 million was due to the net loss booked for the first two quarters of 2020.

Petroleum revenues decreased by ₱60.2 million or 61% to ₱40.0 million from ₱100.2 million for the same period last year due to lower production volume and crude price. The gross production decreased to 350,957 barrels for the first two quarters ended June 30, 2020 from 396,730 barrels produced for the same period last year. The average price per barrel decreased to $33.64 for the period ended June 30, 2020 as compared to $64.46 per barrel for the same period last year.

Equity in net earnings of associates decreased by ₱8.0 million due to the lower level of income booked by affiliates.

Interest income decreased by ₱2.0 million from ₱9.4 million to ₱7.4 million for the first two quarters ended June 30, 2020.

Foreign exchange loss amounted to ₱5.4 million for the first two quarters of 2020 as compared to ₱10.1 million for the same period last year.

Share in costs and operating decreased by ₱30.0 million or 27% due to lower level of production costs booked during the first two quarters of 2020.

Net loss amounted to ₱44.3 million for the first two quarters of 2020, as compared to ₱6.9 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 June 2020	Consolidated Unaudited June 2020	Consolidated Audited December 2019	Consolidated Audited December 2019
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	328,777,471	328,777,471	403,279,202	403,279,202
Advances to related companies	224,639,601	224,639,601	216,444,601	216,444,601
Accrued interest receivables	22,943,618	22,943,618	18,862,338	18,862,338
Other noncurrent assets	9,176,309	9,176,309	9,176,309	9,176,309
Accounts with partners, others	1,997,659	1,997,659	1,323,191	1,323,191
Financial assets at FVOCI	56,870,619	56,870,619	72,507,355	72,507,355
	644,405,277	**644,405,277**	**721,592,996**	**721,592,996**
FINANCIAL LIABILITIES				

Accounts payable and accrued liabilities	5,246,721	5,246,721	6,423,300	6,423,300
Dividends payable	33,143,698	33,143,698	33,143,698	33,143,698
	38,390,419	**38,390,419**	**39,566,998**	**39,566,998**

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 possibility of loss for the Group if its receivable counterparties fail 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 June 30, 2020, all of the outstanding trade receivables are from the SC14 A, B & C-1 consortiums. For SC14 C-1 consortium, the operator, Galoc Production Company 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 June 30, 2020
Loans and receivables	
Cash and cash equivalents	328,777,471

Advances to related companies	224,639,601
Accounts with contract operators and partners	1,997,659
Accrued interest	22,943,618
Other noncurrent assets	9,176,309
Financial assets at FVOCI	56,870,619
Gross maximum credit risk exposure	644,405,277

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2020 based on the Group's credit evaluation process:

			Past due but not impaired				
	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	1-30 days	31-90 days	Over 90 days	Impaired Financial Assets	Total
Loans and receivables							
Cash and cash equivalents	328,777,471						328,777,471
Advances to related companies	218,830,000				1,055,839	4,753,762	224,639,601
Accounts with partners	1,997,659						1,997,659
Accrued interest	6,777,182					16,166,436	22,943,618
Other noncurrent assets	9,176,309						9,176,309
Financial assets at FVOCI	56,870,619						56,870,619
Total	622,429,240				1,055,939	20,920,198	644,405,277

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 June 30, 2020 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	328,777,471	0	328,777,471

Receivables			
Advances to related parties	0	224,639,601	224,639,601
Accounts with partners	1,997,659	0	1,997,659
Accrued interest	2,421,881	20,521,737	22,943,618
Other noncurrent assets	9,176,309	0	9,176,309
AFS financial assets	56,870,619	0	56,870,619
	399,243,939	245,161,378	644,405,277

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
June 30, 2020	38,390,419		38,390,419

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 June 30, 2020, the exchange rate of the Philippine peso to the US$ is ₱49.83 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

1.0 **Service Contract 6A (Octon)**

The recent oil price crash has impacted the production operations at the Galoc Field and subsequently pushed back farm-in negotiations with Galoc Field operator Tamarind Resources.

LMKR's Proof of Concept (POC) study over the north block was completed in early March 2020. The POC results were consistent with the in-house analysis done by Philodrill and supported the general well location being identified in the area. Philodrill, as operator of the

SC, recommended to progress the POC work to a full Quantitative Interpretation (QI)/Reservoir Characterization Study work over the north block which the consortium approved. An amended SC 6A 2020 WP&B incorporating the study has been submitted to the DOE for their approval.

NWP Ventures Ltd., an affiliate of Manta Oil, expressed interest in looking at the north block for possible farm-in. A Confidentiality Agreement, granting them access to data on the area, was executed in February and data transmittal was completed only in early July due to the Enhanced Community Quarantine (ECQ) and lockdown.

2.0 Service Contract 6B (Bonita/Cadlao)

Manta Oil continues their subsurface evaluation of the Cadlao Field. Phase 1 of programmed G&G work involves remapping and identification of prospects and leads in the area. Three major prospects have been previously identified: East Cadlao, Elephant and Bonita. East Cadlao is ranked as having better prospectivity due to its proximity to the Cadlao oil field

Manta sees a PSDM seismic data reprocessing as an integral part of their subsurface evaluation, and are currently in talks with several third-party contractors who can provide PSDM work.

3.0 Service Contract No. 14 (Nido/Matinloc)

The program for the final plug and abandonment (P&A) for the Nido A-1 and A-2 wells was suspended due to the Covid-19 situation and the implemented ECQ which restricted movement of personnel and deployment of the vessels that will execute the P&A works. The current plan is to resume the P&A operations within the next weather window in September 2020. All contract and operational programs remain valid. In addition, almost all the equipment and personnel required to resume operations are available. A slight increase in the P&A budget brought by the deferment of the P&A execution was also approved by the Joint Venture.

4.0 Service Contract No. 14 C-1 (Galoc)

The Galoc Field produced 176,913 barrels during the second quarter of 2020, slightly higher than the previous quarter's output of 173,600 barrels. As at end-June 2020, about 26,034 barrels of crude remain on board the FPSO Intrepid after the completion of the latest Galoc offtake of about 220,000 barrels on June 28, 2020.

As reported earlier, FPSO owner served a Notice of Termination of the FPSO contract that will result in the suspension of production operations by 24 September 2020. Within the 6-months preceding the termination, production operations continue despite restricted movements of the offshore crew who remained on an extended tour of duty due to the Covid-19 pandemic.

While production operations will continue until the said date, GPC, however continued its other programs and commitments on the Galoc Block. During a Technical Committee Meeting held in May, GPC presented the results of their latest subsurface modelling works which point to a paradigm shift in the geological understanding of the Galoc reservoir. With a new model, GPC is in a better position to identify potential development opportunities and to design future plans when the Galoc field resumes production in 2022.

The DOE had been notified of the temporary shut-down of the field. GPC is currently drawing plans for the temporary suspension of the Galoc wells and the eventual release of the FPSO from the site by October 2020. At the same time, GPC continues to work on firming up the re-start plans for the Galoc Field.

5.0 Service Contract No. 14 C-2 (West Linapacan)

The Deed of Assignment (DOA) arising from the Farm-out Agreement with Desert Rose Petroleum Limited had been reviewed, with the partners finally approving the document in June. Copies of the documents are being prepared for transmittal to DRPL for signing and once fully executed by all parties will be submitted to the DOE. Meanwhile, Philodrill has been compiling the necessary documentation for the submission of the DOA and the Sale and Purchase Agreement to the DOE.

The report on the in-house evaluation work on the West Linapacan Field B is being finalized. The work focused on re-assessing the structure's resource potential using reservoir parameters derived from basic seismic attribute analysis.

5.0 Service Contract No. 53 (Onshore Mindoro)

The DOE continued evaluating the merits of the Motion for Reconsideration (MR) on the termination of the SC that the continuing partners filed with the DOE in June 2019. While awaiting favourable decision from the DOE on the pending MR, Philodrill, on behalf of the SC 53 remaining partners, concluded the sale of the long lead items intended for the Progreso drilling project to buyer Felpet Trading to avoid further deterioration of the items and continuing costs for storage. Felpet had to wait until early June to pull out the said LLIs because of restricted access to the Energy Supply Base during the Covid lockdown. Philodrill is now finalizing the Service Contract 53 accounts to determine the status of all joint venture obligations.

6.0 Service Contract No. 74 (Linapacan)

PXP, on behalf of the Joint Venture partners, requested to the DOE the imposition of a Force Majeure over SC 74 for nine (9) months starting from 13 March 2020 to 12 December 2020, citing the negative impact of the COVID-19 pandemic on business operations and implementation of SC 74 work activities.

Following an initial pilot study, additional rock samples obtained from the Calamian Island fieldwork are being prepared to be sent to Core Laboratories Malaysia for analysis. The samples will first be submitted to the Mines and Geosciences Bureau (MGB) for Megascopic Analysis and the issuance of a Certificate of Transport once a virtual consultation with MGB has been conducted.

The Quantitative Inversion (QI) project by contractor IKON Science was completed last June 16, 2020. Due to the challenges brought about by working remotely during the quarantine period, project completion was delayed by about 1.5 months. The study was unable to determine the fluid/hydrocarbon distribution over the Linapacan areas due to its overlap with the local elastic rock properties and the poor to moderate seismic data quality. However, the study managed to adequately predict the lithological facies at the wells, allowing a porosity model to be derived over the area. PXP has commenced seismic interpretation of the QI deliverables and expects to be done within the next 6 months.

7.0 SULU SEA (PCECP Area 7)

Philodrill continue to await DOE advice on the awarding of contracts that DOE had put in abeyance over areas under the jurisdiction of the Bangsamoro Autonomous Region in Muslim Mindanao including Area 7 in the Sulu Sea under the Philippine Conventional Energy Contracting Program (PCECP).

8.0 SWAN Block (Deepwater Northwest Palawan)

Philodrill continued the review of available data within the SWAN Block to assess potential participation of the Company in exploration opportunities in the deepwater areas of NW Palawan.

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 June 2020).

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: 7/15	Date: 7/15/20
ALFREDO C. RAMOS	REYNALDO E. NAZAREA
President	Treasurer & VP-Administration

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

*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) June 30 2020	(Audited) December 31 2019
ASSETS		
Current Assets		
Cash & cash equivalents	328,777,471	403,279,202
Receivables	320,675,304	279,705,544
Crude oil inventory	3,546,229	7,678,642
Other current assets	1,594,276	3,072,087
Total Current Assets	654,593,280	693,735,475
Noncurrent Assets		
Property and equipment - net	446,954,957	477,731,394
Investments - Associates	836,575,112	824,924,984
Financial assets at fair value through other comprehensive income	56,870,620	72,507,355
Deferred oil exploration and development costs	1,076,792,929	1,074,362,725
Deferred tax assets	198,516,710	185,459,062
Other noncurrent assets	24,795,028	25,858,832
Total Noncurrent Assets	2,640,505,356	2,660,844,352
TOTAL ASSETS	3,295,098,636	3,354,579,827
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	6,150,921	7,173,233
Current portion of provision for plug and abandonment costs	39,037,676	39,037,676
Income tax payable	56,408	213,885
Dividends payable	33,143,698	33,143,698
Total Current Liabilities	78,388,703	79,568,492
Noncurrent Liability		
Non current portion of provision for plug and abandonment costs	23,948,006	23,948,006
Retirement benefit liability	22,304,542	19,773,331
Total Noncurrent Liabilities	46,252,548	43,721,337
TOTAL LIABILITIES	124,641,251	123,289,829
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,270,502	1,568,018,150
Subscribed	350,416,220	350,668,571
Subscriptions receivable	(175,208,078)	(175,334,254)
Paid in capital from sale of treasury	1,624,012	1,624,012
Share in other comprehensive income of an associate	43,398,972	43,398,972
Unrealized loss on decline in value of financial assets at FVOCI	(57,653,420)	(40,974,343)
Remeasurement loss on retirement benefit liability	(40,794,875)	(40,794,875)
Retained Earnings	1,480,404,050	1,524,683,765
Total Equity	3,170,457,383	3,231,289,998
TOTAL LIABILITIES AND EQUITY	3,295,098,634	3,354,579,827

THE PHILODRILL CORPORATION

Consolidated Statement of Comprehensive Income

	January 1 to June 30 2020	Jan 1 to Jun 30 2019	Apr 1 to Jun 30 2020	Apr 1 to Jun 30 2019
PETROLEUM REVENUE	40,000,351	100,226,140	26,014,493	37,579,927
COSTS AND EXPENSES				
Share in costs and operating	(80,480,239)	(110,444,356)	(41,748,822)	(50,821,406)
General and administrative	(30,977,475)	(34,324,253)	(14,667,889)	(17,528,761)
	(111,457,714)	(144,768,609)	(56,416,711)	(68,350,167)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates - net	11,650,129	19,596,564	385,884	14,387,419
Interest income	7,425,324	9,423,526	3,588,127	4,972,725
Foreign exchange gains (losses)	(5,446,511)	(10,059,089)	(5,927,920)	(9,420,267)
Others	1,019,196	942,481	22,765	234
	14,648,138	19,903,482	(1,931,144)	9,940,111
INCOME (LOSS) BEFORE INCOME TAX	(56,809,225)	(24,638,987)	(32,333,362)	(20,830,129)
PROVISION FOR INCOME TAX	(12,529,508)	(17,769,219)	(6,101,595)	(4,915,481)
NET INCOME (LOSS)	(44,279,717)	(6,869,768)	(26,231,767)	(15,914,648)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in unrealized losses on financial assets at financial value through other comprehensive income	(16,679,077)	1,798,708	(470,047)	(6,068,157)
TOTAL COMPREHENSIVE INCOME (LOSS)	(60,958,794)	(5,071,060)	(26,701,814)	(21,982,805)

Earnings (loss) per share was computed as follows:

Net income (loss)	(44,279,717)	(6,869,768)	(26,231,767)	(15,914,648)
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	(0.00023)	(0.00004)	(0.00014)	(0.00008)

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to June 30 2020	January 1 to June 30 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(44,279,717)	(6,869,768)
Adjustments for:		
Depletion, depreciation and amortization	32,473,917	32,166,418
Equity in net losses (earnings) of associates - net	(11,650,129)	(19,596,564)
Operating loss before working capital changes	(23,455,929)	5,700,086
Decrease (increase) in:		
Receivables	(32,209,054)	(77,242,401)
Crude oil inventory	4,132,413	69,041,160
Other current assets	1,477,811	796,829
Retirement benefits assets	2,531,211	2,127,499
Increase in accounts payable and accrued expenses	(1,394,856)	(88,711,837)
Net cash from (used in) operating activities	(48,918,403)	(88,288,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	0	15,302,994
Reductions in (additions to):		
Property and equipment	(1,697,480)	(22,902,758)
Deferred oil exploration costs and other inv	(2,430,204)	(5,901,591)
Advances to affiliated companies - net	(8,545,637)	335,000
Investments	(1,042,342)	(3,701,160)
Other noncurrent assets	(11,993,842)	(19,135,326)
Subscriptions payable	0	0
Net cash from (used in) investing activities	(25,709,505)	(36,002,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/Adjustments (Payments) of:		
Subscriptions receivable	126,176	0
Dividends payable	0	(61,883)
Loans payable	0	0
Net cash from (used in) financing activities	126,176	(61,883)
NET INCREASE (DECREASE) IN CASH	(74,501,731)	(124,353,386)
CASH, BEGINNING	403,279,202	536,627,072
CASH, ENDING	328,777,471	412,273,686

THE PHILODRILL CORPORATION

Consolidated Statements of Changes in Equity

	Unaudited June 2020	June 2019
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,018,150	1,568,018,150
Issuances for the period	252,352	0
Balance at end of second quarter	1,568,270,502	1,568,018,150
Subscribed		
Balance at the beginning of year	350,668,572	350,669,903
Issuances for the period	(252,352)	0
Balance at end of second quarter	350,416,220	350,669,903
Subscriptions receivable		
Balance at the beginning of year	(175,334,254)	(175,334,286)
Collection of subscriptions receivable	126,176	
Adjustment		0
Balance at end of second quarter	(175,208,078)	(175,334,286)
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	(40,974,343)	(31,953,523)
Adjustment during the period	(16,679,077)	1,798,709
Balance at end of second quarter	(57,653,420)	(30,154,814)
Share in other comprehensive income of associates		
Balance at the beginning of year	43,398,972	35,335,091
Movements during the period	0	0
Balance at end of second quarter	43,398,972	35,335,091
Remeasurement loss on retirement benefit liability		
Balance at the beginning of year	(40,794,875)	(36,889,750)
Movements during the period		
Balance at end of second quarter	(40,794,875)	(36,889,750)
Retained Earnings		
Balance at the beginning of year	1,524,683,765	1,587,902,186
Cash dividend declared	0	0
Net income (loss) for the period	(44,279,717)	(6,869,768)
Balance at end of second quarter	1,480,404,048	1,581,032,418
Total Stockholders' Equity	3,170,457,383	3,294,300,724

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED JUNE 30, 2020

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	1,796,885	13,418	387,293		1,423,010		1,423,010
	1,796,885	13,418	387,293	0	1,423,010	0	1,423,010

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE QUARTER ENDED JUNE 30, 2020

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/
Name of Issuing Entity and Description of Investment	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Accrued from Investments Not Accounted for by the Equity Method
Investments in associates:									
Penta Capital Investment Corp.	1,600,000	346,686,565	(292,320)				1,600,000	346,394,245	
Penta Capital Holdings, Inc.	300,000	75,870,412	678,203				300,000	76,548,615	
Atlas Consolidated Mining and Development Corporation	19,000,000	413,632,251					19,000,000	413,632,251	
		836,189,228	385,883	0	0	0		836,575,112	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	4,150,876				0	3,200,000	4,150,875	
Oriental Petroleum & Mining Corp	2,760,800,000	35,021,307	16,827				2,760,800,000	35,038,134	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
Shang Properties	202,000	651,076					202,000	651,076	
		114,507,214	16,827	0	0	0		114,524,040	0
less-allowance for decline in market value		(57,183,372)				(470,048)		(57,653,420)	
		57,323,842	16,827	0	0	(470,048)	0	56,870,620	0
		893,513,070	402,710	0	0	(470,048)	0	893,445,732	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED JUNE 30, 2020

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	169,000,000	169,000,000
National Book Store, Inc.	50,680,000	49,830,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,055,839	1,055,839
	225,489,601	224,639,601
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	220,735,839	219,885,839

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE SECOND QUARTER ENDED JUNE 30, 2020

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,441,068,890	433,863			1,441,502,753
Office condominium units and improvements	18,961,929	0			18,961,929
Office furniture, fixtures and equipment	7,798,025	43,000			7,841,025
Transportation equipment	13,887,100				13,887,100
	1,481,715,944	476,863	0	0	1,482,192,807

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE SECOND QUARTER ENDED JUNE 30, 2020

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	989,582,222	15,221,381			1,004,803,603
Office condominium units and improvements	12,795,414	136,778			12,932,192
Office furniture, fixtures and equipment	7,397,660	36,929			7,434,589
Transportation equipment	9,464,367	603,100			10,067,467
	1,019,239,663	15,998,187	0	0	1,035,237,850

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE SECOND QUARTER ENDED JUNE 30, 2020

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	1,077,179,161				(386,232)	1,076,792,929
	1,077,179,161	0	0	0	(386,232)	1,076,792,929

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE QUARTER ENDED JUNE 30, 2020

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	1,556,071,573	190,312,733,785

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE SECOND QUARTER ENDED JUNE 30, 2020

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 receviables									
1) Account with contract operator	90,591,614	29,495,888		24,046,856	37,048,870				
less allowance for doubtful accounts	0								
2) Account with partners	1,318,341		1,318,341						
Net Trade Receivables	91,909,955	29,495,888	1,318,341	24,046,856	37,048,870	0	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	22,943,618	798,246	1,623,635	4,355,301				16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Account with officers and employees	1,423,010			1,423,010					
3) Advances to related companies	224,639,602			9,000,000	209,830,000			5,809,602	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
4) Others	679,318			679,318					
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	228,765,350	798,246	1,623,635	15,457,629	209,830,000	0	0	1,055,840	0
Net Receivables	320,675,305	30,294,134	2,941,976	39,504,485	246,878,870	0	0	1,055,840	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

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

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
JUNE 30, 2020

Profitablity Ratios:	June 2020	December 2019
Return on assets	-1.34%	-1.88%
Return on equity	-1.40%	-1.96%
Gross profit margin	-101.20%	-42.76%
Net profit margin	-142.02%	-142.99%
Liquidity Ratios:		
Current ratio	8.35 :1	8.72 :1
Quick ratio	8.29 :1	8.58 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.04 :1	1.04 :1
Debt to equity ratio	0.04 :1	0.04 :1

Basis of Preparation, Basis of Consolidation, Statement of Compliance, Changes in Accounting Policies and Disclosures, Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group 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.
The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions. 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 Parent Company 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 Parent Company controls an investee if and only if the Parent Company 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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 Parent Company 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date the Parent Company 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 Parent Company'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, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The adoption of this standard did not have any significant impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The adoption of this interpretation does not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  These amendments have no impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after
January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

Effective beginning on or after January 1, 2023

- 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*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.
  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The new standard is not expected to have any impact on the consolidated financial statements of the Group.

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 Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (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.

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statement of comprehensive income.

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 three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

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.

Financial assets - Initial Recognition, Subsequent Measurement and Impairment Effective January 1, 2018

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

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. The Group 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.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payment 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 FVTPL, irrespective of the business model.

The Group's business model for managing financial assets that refers to how it manages its financial assets in order to generate cash flows. The business model determine whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group 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 FVOCI with recycling of cumulative gains and losses upon derecognition (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon recognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on a specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

As at December 31, 2019 and 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, receivables (except advances to officers and employees) and other financial assets under "Other current assets" and "Other noncurrent assets" (see Notes 4 and 5).

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value changed in OCI is recycled to profit or loss.

As at December 31, 2019 and 2018, the Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at FVOCI 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 as 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's financial assets at FVOCI includes investment in quoted equity instruments (see Note 9).

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risk are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Reassessment only occurs if there is a change in in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group does not have financial assets at FVTPL as at December 31, 2019 and 2018.

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 Group's consolidated 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 it rights to receive cash flows from an asset or has entered into 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 ofthe asset, nor transferred control of the asset, the Group continues to recognize the transferred assetto the extent of its continuing involvement. In that case, the Group also recognizes an associatedliability. The transferred asset and the associated liability are measured on a basis that reflects therights 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 ECLs for all debt instruments not held at FVTPL. 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 EIR. 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.

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 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 considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers accounts with contract operators in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk 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 considersreasonable 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.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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 significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- month ECL.

Financial Assets - Initial Recognition, Subsequent Measurement and Impairment Prior to January 1, 2018

Initial Recognition and Measurement
Financial assets are classified, at initial recognition asfinancial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial assets.

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 Group commits to purchase or sell the asset.

Subsequent Measurement
Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Group's loans and receivables consist of cashand cash equivalents and receivables (see Notes 4 and 5).

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as
"Net unrealized gains (losses) on decline in value of AFS financial assets".

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2017, the Group classifies its investments in shares of stocks as AFS financial assets.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of the financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets at Amortized Cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. Objective impairment evidence may constitute the increased probability of insolvency, or significant financial difficulties, of the debtor. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets
For AFS financial assets, the Group assesses at end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI, is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

If there is objective evidence of impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

The Group's financial assets are in the nature of AFS financial assets and loans and receivables. As at December 31, 2017, the Group has no financial assets at FVTPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

<u>Financial liabilities</u>
Initial measurement and recognition
Financial liabilities are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and borrowings, payables, or as 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 attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. As at December 31, 2019 and 2018, the Group has not designated any financial liability as at FVTPL.

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 consolidated statement of income.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Fair Value Measurement</u>
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 close 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 Jointly Controlled Operations
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
- Expenses, including its share of any expenses incurred jointly

These are consolidated on a line by line basis.

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

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

The initial cost of property and equipment, other than wells, platforms, and other facilities, 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 reservesexcept in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

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

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

Depletion and depreciationof 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. The investment in associates are accounted using equity method.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in OCI is recognized in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Deferred OilExploration 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 oilexploration costs are specifically identified of each Service Contract (SC) area. All oilexploration 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 ofincome 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 oilexploration 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 oilexploration costs.

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

Deferred oilexploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value fromthe 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.

The recoverability of deferred oilexploration 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 farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor 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.

Impairment of Nonfinancial Assets

Investments in Associates

The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the associate and the carrying value and recognizes the amount as part of "Others - net" in the consolidated statement of income.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statement of income.

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 against 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.

Property and Equipment, Nonfinancial Prepayments and Other Current and Noncurrent Assets

The Group assesses, at each reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

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 averagenumber 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 commonshares 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.

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.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

OCI

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

Share-Based Payment Transactions

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

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 11.

Provisions

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

Provision for P&A costs

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

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

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

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

Retirement Benefit Liability

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as "Retirement benefit expense" under personnel costs in the consolidated statement ofincome. 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 income" 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 foreign subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will no reverse in a foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in foreign subsidiaries 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.

In respect of deductible temporary differences associated with investment in associates, 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 profit will be available against which the temporary differences can be utilized.

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 only one business segment. PPC has not yet started commercial operation since its incorporation therefore, expenses were only incurred during the year.

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.