SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) 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. Province, country or other jurisdiction of incorporation or organization

Metro Manila, 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 Bldg., 125 Pioneer St. Mandaluyong City
Postal Code
1550

7. Registrant's telephone number, including area code

(02) 8631-8151 to 52

8. Date, time and place of the meeting of security holders

21 JUNE 2023, 2:30 P.M., VIRTUAL MEETING

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 26, 2023

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

THE PHILODRILL CORPORATION

Address and Telephone No.

8TH FLOOR, QUAD ALPHA CENTRUM, 125 PIONEER STREET, MANDALUYONG CITY 1550, (632) 86318151-52

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 and Amount of Debt Outstanding
Common Shares	191,868,805,358

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

☑ Yes ☐ No

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

PHILIPPINE STOCK EXCHANGE, COMMON SHARES

The Philodrill Corporation
OV

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

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Date of Stockholders' Meeting	Jun 21, 2023
Type (Annual or Special)	Annual
Time	2:30 PM
Venue	Virtual Meeting
Record Date	Mar 15, 2023

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Mar 16, 2023
End date	Mar 17, 2023

Other Relevant Information
-

Filed on behalf by:

Name	Josephine Ilas
Designation	Assistant Corporate Secretary

COVER SHEET

3	8	6	8	3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

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) 8631-8151; 8631-1801 to 05; Fax (632) 8631-8080
E-mail: info@philodrill.com
Website: www.philodrill.com

Information Statement
Annual Stockholders' Meeting
21 June 2023

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 24 2023
MARKET REGULATION DEPT.
BY: TIME: 9:03

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)

December 31, 2022

Period Ended Date

(Secondary License Type and File Number)

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 **June 21, 2023 (Wednesday) 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 15, 2022 Annual Stockholders' Meeting.
4. Report of Management on the Company's Exploration and Production activities for the year ended December 31, 2022.
5. Presentation of Annual Report and Audited Financial Statements for the year ended December 31, 2022 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. Amendment of the Company's By-Laws
9. Election of Directors
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business hours on **March 15, 2023** are entitled to notice of, and to vote at this meeting.

In accordance with the Company's Amended By-Laws, stockholders may attend and participate in the meeting by remote communication or by voting through the Chairman of the meeting, as proxy. 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 *2023asm@philodrill.com* on or before June 14, 2023. 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 to 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 *2023asm@philodrill.com*for inspection, validation, and recording at least seven (7) days before the opening of the Annual Stockholders' Meeting, no later than *June 14, 2023.* 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 *2023asm@philodrill.com*. Stockholders who will participate 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, Interim Quarterly Report as of March 31, 2023 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. +6328403-2410 or via email directly to Mr. Richard Regala at *rdregala@stocktransfer.com.ph*

Very truly yours,

ADRIAN S. ARIAS
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

<u>Call to Order</u>.
The Chairman will formally open the meeting at approximately 2:30 in the afternoon and welcome all the participants. The members of the Board in attendance will be introduced.

<u>Certification of Notice and Quorum</u>(*and Rules of Conduct and Procedure*)
The Corporate Secretary will certify that the Commission's requirements on the alternative modes of distribution of Notice of Meeting have been complied with, all stockholders as of record date have been duly notified and that a quorum exists for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting in absentia by the stockholders, Philodrill has set up a registration and voting mechanism, which may be availed by the stockholders to register and vote on the matters at the meeting in absentia. A stockholder who votes in absentia shall be deemed present for purposes of quorum. Stockholders may attend and participate in the meeting by remote communication.

Stockholders who intend to attend and participate by remote communication shall inform Philodrill by email to ***2023asm@philodrill.com*** on or before June 14, 2023, subject to the procedure set in Item 19(b) of the Information Statement which is posted on Philodrill's website.

The following are the rules of conduct and procedures for the meeting:

1. Stockholders may vote by appointing the Chairman of the meeting as proxy, or by electronic voting in absentia. Stockholders voting by appointing the Chairman as proxy shall email the duly accomplished proxies for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, on or before June 14, 2023, to the Office of the Corporate Secretary at ***2023asm@philodrill.com***. Stockholders voting in absentia, who have previously registered through the registration and voting mechanism provided by Philodrill, may cast their votes electronically at the time provided for in the notice and mechanism.

2. As the matter for approval of stockholders involve amendments to the Company's By-Laws, the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock voting in absentia or voting through the Chairman of the meeting as proxy.

3. Each of the proposed resolutions and/or items in the Agenda will be shown on the screen as the same is taken up at the meeting.

4. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.

5. The Proxy Verification Committee will tabulate all votes received and an independent third party will validate the results.

6. The Corporate Secretary shall report the results of voting during the meeting.

7. Stockholders may email to ***2023asm@philodrill.com***questions or comments to matters that are relevant and of general concern to them on or before June 21, 2023 at the time of the Meeting.

8. A link to the recorded webcast of the meeting will be posted on Philodrill's website after the meeting.

9. Stockholders shall have two weeks from posting of the recorded webcast to raise to Philodrill any issues, clarifications and concerns on the matters arising from the meeting conducted.

Approval of Minutes of the Annual Meeting of Stockholders held on June 15, 2022

The Minutes of the annual meeting of stockholders held on June 15, 2022, as well the recordings of the actual meeting are posted at Philodrill's website, https://philodrill.com.Hard copies of the Minutes are available upon request by the stockholders before the meeting. A resolution approving the minutes will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding voting stock voting in absentia or voting through the Chairman of the meeting as proxy.

Report of Management

The Vice President for Exploration and Production, Mr. Dennis V. Panganiban will deliver a report to the stockholders on the Company's Exploration and Production activities for the year ended December 31, 2022 and an update on the current projects and prospects of the Company. The Audited Financial Statements as of December 31, 2022 will also be presented by the Treasurer and Vice President for Administration, Mr. Reynaldo E. Nazarea.These information are included in the Information Statement available for public viewing at the Company's website. A resolution noting the report and approving the 2022 Audited Financial Statements will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock, voting in absentia or voting through the Chairman of the meeting as proxy.

Ratification of all Previous Acts and Resolutions of the Board of Directors, Management and All Committees from June 15, 2022 up to May 2023

The acts and resolutions of the Board of Directors, Management and all Committees of Philodrill were those adoptedfrom **June 15, 2022 up to May 2023**. They include the approval of agreements, projects, investmentsand other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or in the general conduct of business. A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing a majority of the voting stock voting in absentia or voting through the Chairman of the meeting as proxy.

Appointment of External Auditors

The Audit Committee shall endorse to the stockholders the appointment of an external auditor for the ensuing year. The profile of the external auditor will be included in the Information Statement. A resolution for the election of the external auditor will be presented to the stockholders for adoption by the affirmative vote of the stockholders representing a majority of the voting stock voting in absentia or voting through the Chairman of the meeting as proxy.

Amendment of the Company's By-Laws

The amendment of the By-Laws of The Philodrill Corporation are pursuant to the comments of the Corporate Governance and Finance Department (CGFD) of the Securities and Exchange Commission (SEC) on the Company's Amended By-Laws filed last October 18, 2022. The proposed amendments are in accordance with existing Corporate Governance rules and regulations of the SEC.

Election of Directors

A stockholder may submit to the Nomination Committee nominations to the Board no later than May 12, 2023. In accordance with the Company's Revised Manual on Corporate Governance, all nominees for Directors shall be pre-qualified and approved by the Corporate Governance and Nominations Committee who will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be included in the Information Statement.

Other Matters

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other relevant matters or issues that may be properly taken up at the meeting.

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 StreetMandaluyong City**
   Postal Code: **1550**

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

8. **June 21, 2023 at 2:30 p.m., the meeting will be presided at the 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: **May 26, 2023**

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 accordance with the SEC approved alternative mechanisms to ensure optimal participation in the governance of the Corporation, the 2023 Annual Stockholders Meeting of **The Philodrill Corporation** (the *"Company"*) will be held on ***June 21, 2023 (Wednesday), at 2:30 p.m.by remote communication***. The meeting will be presided by management at the principal office of the Company at the 8th Floor ofQuad 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 May 26, 2023.

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 June 21, 2023 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 approvedby 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 191,868,805,358shares. Each share is entitled to one (1) vote.

(b) Record Date. The Record Date for purposes of the Meeting is March 15, 2023. Only stockholders of record as at the close of business on March 15, 2023are 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 participatein 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 ***2023asm@philodrill.com*** for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, or on/before June 14, 2023. 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 March 31, 2023.

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 and B)	Filipino	74,510,446,753	38.834%
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 *(Note C)*	Filipino	30,388,193,010	15.838%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	*Anglo Philippine Holdings Corp.*	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	*Anglo Philippine Holdings Corp.* *(Note D)*	Filipino	536,170,330	0.279%

Note A: The number of shares held by PCD Nominee Corporation (PCD) is net of the 16,735,965,802 shares held by National Book Store Inc. (NBS), 17,218,365,801 (direct and indirect) shares of Alakor Corporation (AC) and 66,795,827,076 (direct & indirect) shares of Anglo Philippine Holdings Corp. (Anglo).

Note B: Of the 74,510,446,753 shares held by PCD, 73,367,990,451 shares have been fully paid and issued, while 1,142,456,302 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed.

Note C: Of the shares held by Alakor Securities Corp., 482,400,000 shares (i.e.,0.25%) are beneficially owned by Alakor Corp. and 29,905,793,010 shares (15.59%) are for Anglo.

Note D: This includes the 108,936,264 certificated shares of Anglo and the 427,234,066 shares subscribed under the SRO.

Note E: 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. Adrian Paulino S. Ramos was 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 March 31, 2023:

		Number/Nature of Beneficial Ownership			
		Issued			
Class	**Name of Beneficial Owner**	**Direct**	**Indirect**	**Citizenship**	**Ownership**
Common	Gerard Anton S. Ramos (Chairman)	100,000	0	Filipino	0.000%
Common	Adrian Paulino S. Ramos (CEO)	1,250,000	33,323,125	Filipino	0.018%
Common	Presentacion S. Ramos (D)	125,000	77,000,000	Filipino	0.040%
Common	Maureen Alexandra R. Padilla (D)	10,000	80,000	Filipino	<0.000%
Common	Christopher M. Gotanco (D)	4,860,025	245,463,375	Filipino	< 0.130%
Common	Reynaldo E. Nazarea (D/O)	100,000	86,056,250	Filipino	0.045%
Common	Vincent L. Tempongko (nominee)	-	-	Filipino	0.000%
Common	Allen L. Copok (nominee)	-	-	Filipino	0.000%
Common	John Peter Hager (nominee)	-	-	Filipino	0.000%
Common	Dennis V. Panganiban (O)	0	1,000,000	Filipino	<0.000%
Common	Jennifer P. Tombaga (O)	0	6,000,000	Filipino	<0.000%

As of March 31, 2023 the aggregate number of shares owned by the Company's directors, Chief Executive Officer, four (4) most highly compensated officers and nominees is 848,467,775 shares or approximately 0.442% of the Company's outstanding capital stock.

As of May 19, 2023, the nominees for Independent Directors own the following shares: Mr. Copok – 1,000,000 shares; Mr. Hager – 5,000,000 shares and Mr. Tempongko – 1,000,000 shares.

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
Gerard Anton S. Ramos	48	Filipino	Director	Dec 16, 2015 - present	CG & Nominations Committee	2017
Adrian PaulinoS. Ramos	44	Filipino	Director	Jan 18, 2006 - Present	CG & Nominations Committee/ Compensation & Remunerations Committee Audit Committee	2006 - Present
Christopher M. Gotanco	73	Filipino	Director	Aug 17, 2005 – Present	CG &Nominations Committee; Audit Committee	2008 - Present
Vincent L. Tempongko	45	Filipino	Independent Director	Nominee	N.A.	Nominee
Allen L.Copok	46	Filipino	Independent Director	Nominee	N.A.	Nominee
John Peter C. Hager	53	Filipino	Independent Director	Nominee	N.A	Nominee
Presentacion S. Ramos	80	Filipino	Director	May 28, 1997 - Present	None	N.A.
Maureen Alexandra Ramos-Padilla	50	Filipino	Director	Jun 19, 2013 - Present	None	N.A.
Reynaldo E. Nazarea	71	Filipino	VP-Administration Treasurer Director	May 1, 1992 - present May 1, 2005 - present June 21, 2017- present	Compensation & Remunerations Committee	2004 – Present
Dennis V. Panganiban	60	Filipino	VP Exploration & Production	Sept 1, 2022 - present	None	N.A
Jennifer P. Tombaga	58	Filipino	AVP Finance	Jan. 1, 2022 - present	None	N.A
Arturo B. Maulion	60	Filipino	AVP Exploration & Production	November 7, 2022 - present	None	N.A
Adrian S. Arias	60	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) Incumbent Directors of the Company were elected in the 2022 Annual Stockholders' Meeting held on June 15, 2022 and have since served in such capacity.

(3) The names of the current 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	–	Independent Director, Member
Alfredo C. Ramos†	–	Director, Member
Christopher M. Gotanco	–	Director, Member
Gerard Anton S. Ramos	–	Director, Member

Compensation & Remuneration Committee

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

Audit Committee

Honorio A. Poblador	–	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 the 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 who will serve until the expiration of their term. In accordance with the provisions of the Code of Corporate Governance for PLCs, the Company has accepted the nomination for new Independent Directors.

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. Jeciel Benavidez nominated Mr. Allen Licup Copok and Mr. Vincent L. Tempongko, while Mr. Pacifico Tombaga Jr. nominated Mr. John Peter C. Hagerfor election as independent directors of the Company for the ensuing fiscal year 2023. Messrs. Benavidez and Tombaga Jr. are not related to any of the nominees for Independent Director.

Messrs. Copok, Tempongko and Hager possess all 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.

PRESENTACION S. RAMOS ***(81, Filipino)***is a Member of the Board of **The Philodrill Corporation** since May 1997. Mrs. Ramos also serves as Chairman of the Board of Alakor Securities Corporation and sits in the Board of Anglo Philippine Holdings Corporation (1984 to date), United Paragon Mining Corporation (1993 to date) and Philippine Red Cross. Mrs. Ramos also serves as Executive Officer of Peakpres Corporation, Abacus Book & Card Corp., National Book Store, Inc., NBS Express, Inc., Power Books, Inc., Zenith Holdings Corporation and Alakor Corporation.

GERARD ANTON S. RAMOS ***(48, 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 Chairman and Executive Vice President for Investments at Anglo Philippine Holdings Corp.; Chairman at Alakor Corporation, President and Nominee at Alakor Securities Corporation and President and Chief Executive Officer of United Paragon Mining Corp.; Chairman and Chief Operating Officer of National Bookstore, Inc.

ADRIAN PAULINO S. RAMOS ***(44, 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.;Vice President and Treasurer of United Paragon Mining Corp. He is also the current President of Alakor Corporation and President of National Book Store, Inc.

MAUREEN ALEXANDRA RAMOS-PADILLA ***(50, 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 ***(73, 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), United Paragon and Mining Corporation (Director from 2006 to date), Penta Capital Investment Corporation (Director, from 2007 to date; Vice-Chairman, 2007-2018; Chairman, 2018-2019); Penta Capital Finance Corporation (Director from 2007 to date; Chairman, 2007-2019), and Boulevard Holdings, Inc (Director from 2007 to date).

REYNALDO E. NAZAREA ***(71, 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 Corporationand PentaCapital Holdings, Inc.,

ALLEN L. COPOK ***(46, Filipino)*** He founded and co-created several entrepreneurial companies since 2003 which are engaged in the industries of financing and lending, real estate development and cold storage supply chain.

Mr. Copok holds various positions in several corporations, as President of Laguna AAA Prime Holdings and Blue Lagoon Holdings. He is currently the Chief Executive Officer and Corporate Secretary of Cavite APC Lending Corporation and Corp. Sec. of ALC Empire Holdings. He is Treasurer of Ice House Inc., and Nordic Strong Ice Inc.

VINCENT L. TEMPONGKO ***(45, Filipino)*** Over twenty (20) years of Technology Management experience across Program Management, Strategic Planning, Network Investments, Business Development, Operations Management and Site Acquisition. A Transformational Leader with previous experience in Offshore and Global Operations.

Mr. Tempongko serves as Co-Coordinator of Eastern Telecommunications Philippines. Inc. (ETPI) and Co-General Manager of Globe Telecom at Bell Telecommunications Philippines, Inc. (2021-Present).

JOHN PETER C. HAGER ***(53, Filipino)*** For the past five (5) years, Mr. Hager has been working in various management capacities and serves as Managing Director for trading companies actively involved in: metals, minerals, pulp, paper, packaging, coconut oil and related products, security paper, security printing products, grains, feeds and countertrade.

His business activities also include managing local interests of foreign principals and serving as commercial advisor to several international companies and local agents. He is the incumbent President of the Spanish Chamber of Commerce in the Philippines.

Mr. Hager is currently the Independent Director of Alakor Securities Corp. and United Paragon Mining Corporation.

DENNIS V. PANGANIBAN ***(60, Filipino)*** was appointed Vice President for Exploration and Production on September 1, 2022. Mr. Panganiban oversees the implementation of Philodrill's exploration and development programs. He graduated with B.Sc. Degree in Geology from the University of thePhilippines in 1984 and obtained his professional license in Geology in 1989. He has more than 38 years of experience in the upstream petroleum industry. Mr. Panganiban started his career with the Philippine National Oil Company-Exploration Corporation in 1985 and has since then held senior positions with Semirara Coal Corporation, the Office of the Energy Affairs (now the Philippines Department of Energy), E.F Durkee and Associates, Cophil Exploration Corporation and Coplex Energy Corporation. Before joining Philodrill in 2011, Mr. Panganiban was a Joint Venture and Assets Manager of Norasian Energy Ltd.

JENNIFER P. TOMBAGA ***(58, Filipino)*** was appointed Asst. Vice President for Finance on January 1, 2022. She served the Company as Accounting Manager for 13 years prior to her assumption as AVP.

ARTURO B. MAULION ***(60, Filipino)*** was appointed Asst. Vice President for Exploration and Production on November 7, 2022.

He held various positions in Seafront Resources Corporation, PetroEnergy Resources Corporation and Pitkin Petroleum Ltd. as technical person, assistant/corporate secretary, chief administrative officer, legal and human resources manager.

He is a geologist and a lawyer for more than 30 years.

ADRIAN S. ARIAS ***(60,*** **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.), and rail transport (Metro Rail Transit Corp.).

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

Presentacion S. Ramos	Anglo Philippine Holdings Corporation
	United Paragon Mining Corporation
Christopher M. Gotanco	Anglo Philippine Holdings Corporation
	Boulevard Holdings, Inc.
	United Paragon Mining Corporation
AdrianPaulino S. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining & Dev't. Corp.
	United Paragon Mining Corporation
	Vulcan Industrial & Mining Corporation
	Alakor 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
	Alakor Corporation
Vincent L. Tempongko	none
Allen L. Copok	none
John Peter C. Hager	United Paragon Mining Corporation
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. Messrs. Gerard Anton S. Ramos and Adrian Paulino S. Ramos together with Mrs. Maureen Alexandra Ramos-Padilla are siblings, they are childern of the late 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.

Except for the following cases pending with the Department of Justice (DOJ):

The former President, Mr. Francisco Navarro, filed three (3) separate Petitions for Review with the 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. Reynaldo E. Nazarea and Ms. Matela (now retired).

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

- Violation of Sec. 28 in relation to Sec. 144 of the Corporation Code/Corporation Code Case against Messrs. Rey Nazarea, Alfredo C. Ramos†, Gerard Anton S. Ramos,Christopher M. Gotanco, Mrs. Presentacion S. Ramos and Mrs. Maureen Alexandra R. Padilla, including the Corporate SecretaryAtty. Adrian S. 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 remains pending with the DOJ.

The Company maintains that Mr. Navarro's pending Petition for Review presents no new or substantial issues 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 16 to the Company's 2022 Audited Consolidated Financial Statements, a copy of which is included in this Annual Report.

(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 16 to the Company's 2022 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

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, 2022)*	Year	Salary	Bonus	Other Compensation (PD, SARS, PS)
Adrian Paulino S. Ramos Reynaldo E. Nazarea Dennis V. Panganiban Jennifer P. Tombaga Atty. Adrian S. Arias	CEO/President Treasurer & VP-Admin VP-Exploration&Production AVP-Finance Corporate Secretary				
		2021	20,085,109	-0-	-0-
		2022	19,130,520	-0-	-0-
		2023 (estimate)	12,153,799		
All Officers and directors as a group unnamed					
		2021	25,966,056	-0-	3,868,550
		2022	21,291,015	-0-	340,000
		2023 (estimate)	16,570,120	-0-	300,000

For the years 2021 and 2022 and the first quarter of 2023, 13th month pay and other compensation were paid to directors and executive officers, which are already included in the amounts above.

For the three most recently completed year, directors received a per diem of P10,000 per meeting (in attending board meetings and committee meetings) which will continue to be received in the ensuing year. Other than this, there is no other arrangement for compensation of directors.

The Company maintains standard employment contracts with Messrs. Adrian Paulino S. Ramos, Reynaldo E. Nazarea, Dennis V. Panganiban, Ms. Jennifer P. Tombaga and Atty. Adrian S. Arias, 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 P2,500,000.00 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 percentageof 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 P2,500,000.00.

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

Item 7. Independent Public Accountants

(a) The accounting firm of SyCipGorresVelayo& Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed as the external auditor of the Company in the 2022, 2021 and 2020 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 2023, SGV will be recommended for appointment as independent public accountant for fiscal year 2023.

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

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2022	**P1,155,000**	**-0-**	**-0-**
2021	P1,100,000	-0-	-0-
2020	P1,100,000	-0-	-0-

For the past three (3) years, the Company has engaged the services of SGV for the audit of the annual consolidated financial statements in connection with statutory and regulatory filings for years 2022, 2021 and 2020.The amounts under the caption "Audit and Audit Related Fees" for the years 2022, 2021 and 2020 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.

(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.In 2020, Mr. del Rosario was replaced by Ms. Editha V. Estacio as partner-in-charge of The Philodrill Corporation's audit.Ms. Estacio remains as the Partner-in-Charge for 2022.

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 2022 Audited Consolidated Financial Statements and Interim Financial Statements (17-Q, 2023)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 2022) 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 15 June 2022 Annual Meeting of Stockholders

Approval of the Minutes of the 15 June 2022Annual 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 2022 (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 (15 June 2022) to the present including, but not limited to, the following:

1) Confirmation of the Appointment of Mr. Dennis V. Panganiban as Vice President for Exploration and Production

2) Resolution Expressing Gratitute to Mr. Alessandro O. Sales, former Vice President for Exploration and Production, for his 25 years of service to the Company;

3) Authority to open an Account with Security Bank and avail its products;

4) Authority of Mr. Dennis V. Panganiban to nominate and bid for a new Petroleum Service Contract under PCECP over the surrendered SC 6A Block;

5) Authority of Mr. Dennis V. Panganiban to sign application/s for Permits, as well as any and all documents pertaining to the exploration and development of the Onshore Mindoro Block;

6) Resolution of Appreciation to the invaluable contribution of Mr. Alfredo C. Ramos to the Company;

7) Filling up of Vacancies for Chairman and President;

8) Updating of Bank Signatories, Authorized Representatives;

9) Resolutions on Bank Updating and Accounts Opening to Landbank, BDO, PNB, PBCom, Security Bank and BPI;

10) 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, 2023 instead of December 31, 2022;

11) Amendment to the Short-term loan facility granted to NBS, extending maturity date from December 27, 2022 to June 30, 2023;

12) Authority to Sell Motorcyclein favor of the highest bidder;

13) Authority of Ms. Jennifer P. Tombaga &Ana Liza G. Machica to represent the Company with Pag-ibig;

14) Authority of Ms. Jennifer P. Tombaga &Ana Liza G. Machica to represent the Company with Philhealth;

15) Authority of Ms. Jennifer P. Tombaga &Ana Liza G. Machica to represent the Company with SSS;

16) Setting of Annual Stockholders' Meeting - that the Corporation sets the Annual Stockholders' meeting on June 21, 2023, Wednesday at 2:30 P.M. via remote communication, with the record date, for purposes of determining the stockholders of record entitled to notice of and vote at said meeting, of March 15, 2023;

17) Approval of the 2022 Audited Financial Statements;

18) Amendment of the Company's By-Laws;

19) Authority of Atty. Josephine L. Ilas to sign, execute and/or deliver any and all documents relating to the application for Import/Export Permit in Optical Media Board.

20) Authority of Mr. Reynaldo E. Nazarea to sign, execute and/or deliver any and all documents relating to Asalus Corporation.

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 17. Amendment of Charter, By-laws or Other Documents

The following are the matters to be taken up in the meeting with respect to the amendment of the By-Laws of the Corporation:

In order to align certain provisions of the Company's By-Laws with the Revised Corporation Code (RCC), and the Code of Corporate Governance for PLCs, as well as to formalize certain standards, procedures and rules that the Corporation shall follow for efficient operation, the BOD resolution amending The Philodrill's By-Laws, Article I, Sec. 2 and Article 2, Sec. 9, will be presented to the Shareholders for their approval. The following are the proposed amendments:

FROM	TO
ARTICLE I SECTION 2 **SECTION 2. SPECIAL MEETINGS –** Special meetings of the stockholders may be called by the Chairman of the Board, or by the President, or by order of the Board of Directors, whenever either one or the Board shall deem it necessary, and it shall be the duty of the Chairman or the President to order and call such meetings whenever the holders of record of not less than one-fourth of the outstanding capital stock of the Company with voting privilege shall, in writing, so request. All stockholders may attend meetings or vote in person through remote communication or voting in absentia.	**ARTICLE I SECTION 2** **SECTION 2. – SPECIAL MEETINGS –** Special meetings of the stockholders may be called by the Chairman of the Board, or by the President, or by order of the Board of Directors, whenever either one or the Board shall deem it necessary, and it shall be the duty of the Chairman or the President to order and call such meetings whenever the holders of record of **at least ten percent (10%) or more** of the outstanding capital stock of the Company with voting privilege shall, in writing, so request. All stockholders may attend meetings or vote in person through remote communication or voting in absentia.
ARTICLE II SECTION 9 **SECTION 9. – INDEPENDENT DIRECTORS –** The Company shall have two (2) independent directors or at least 20% of its board size, at any one time, whichever is lesser.	**ARTICLE II SECTION 9** **SECTION 9. – INDEPENDENT DIRECTORS –** The Company shall have **independent directors constituting at least 20% of its board size.**

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 *2023asm@philodrill.com* beginning May 31, 2023 at 8:00 am until June 14, 2023 at 5:00 pm.

(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

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 *2023asm@philodrill.com* on or before June 14, 2023, 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 governmentissued 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
2023 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 June 21, 2023 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 15, 2023.

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 May 31, 2023 at 8:00am until June 14, 2023 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 2023asm@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: *As theCOVID-19 pandemic continues, 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 *2023asm@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 *2023asm@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 May____, 2023.

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 2022 and for the quarter ended March 31, 2023
5. Audited Consolidated Financial Statements for 2022
6. First Quarter Report ended 31 March 2023 (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 **June 21, 2023 (Wednesday) 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 15, 2022 Annual Stockholders' Meeting.
4. Report of Management on the Company's Exploration and Production activities for the year ended December 31, 2022.
5. Presentation of Annual Report and Audited Financial Statements for the year ended December 31, 2022 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. Amendment of the Company's By-Laws
9. Election of Directors
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business hours on **March 15, 2023** are entitled to notice of, and to vote at this meeting.

In accordance with the Company's Amended By-Laws, stockholders may attend and participate in the meeting by remote communication or by voting through the Chairman of the meeting, as proxy. Stockholders who intend to attend by remote communication are required to accomplish the Registration Form[2] and submit it together with the required documents to *2023asm@philodrill.com* on or before June 14, 2023. 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 to 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 *2023asm@philodrill.com*for inspection, validation, and recording at least seven (7) days before the opening of the Annual Stockholders' Meeting, no later than *June 14, 2023.* 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.

[2]*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 *2023asm@philodrill.com*. Stockholders who will participate 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, Interim Quarterly Report as of March 31, 2023 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.comor 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. +6328403-2410 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 June 21, 2023:

☐ 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 **May 31, 2023 at 8:00 am until June 14, 2023 at 5:00 pm**. 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 2023asm@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 15, 2022 Annual Stockholders' Meeting			
II.	Approval of the 2022 Annual Report.			
III.	Ratification of all previous Acts and Resolutions of the Board of Directors, Management and All Committees			
IV.	Appointment of SyCip GorresVelayo& Co. as the independent auditor and fixing of their remuneration.			
V.	Amendment of the Company's By-Laws			
A.	**ARTICLE I SECTION 2** **SPECIAL MEETINGS –** Special meetings of the stockholders may be called by the Chairman of the Board, or by the President, or by order of the Board of Directors, whenever either one or the Board shall deem it necessary, and it shall be the duty of the Chairman or the President to order and call such meetings whenever the holders of record of **<u>at least ten percent (10%) or more</u>** of the outstanding capital stock of the Company with voting privilege shall, in writing, so request. All stockholders may attend meetings or vote in person through remote communication or voting in absentia.			
B.	**ARTICLE II SECTION 9** **INDEPENDENT DIRECTORS –** The Company shall have **<u>independent directors constituting at least 20% of its board size.</u>**			

VI.	Election of Directors for 2023-2024	**NUMBER OF VOTES**
	1. Gerard Anton S. Ramos	
	2. Presentacion S. Ramos	
	3. Adrian Paulino S. Ramos	
	4. Maureen Alexandra Ramos-Padilla	
	5. Christopher M. Gotanco	
	6. Reynaldo E. Nazarea	
	7. Vincent L. Tempongko *(Independent Director)*	
	8. Allen L. Copok *(Independent Director)*	
	9. John Peter C. Hager *(Independent Director)*	

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 2023 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 15, 2023.

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 2023asm@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 2023asm@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
Vincent L. Tempongko	45	Independent Director	N.A.	
Allen L. Copok	46	Independent Director	N.A.	
John Peter C. Hager	53	Independent Director	N.A	

Messrs. Tempongko, Copok and Hager possess allthe 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. Allen L. Copok, *Mr. Vincent L. Tempongko* and *Mr. John Peter C. Hager* are the nominees for Independent Directors of the Company.

Mr. Copok founded and co-created several entrepreneurial companies since 2003, which are engaged in the industries of financing and lending, real estate development and cold storage supply chain.

He held the position of President in various corporations, namely, Laguna AAA Prime Holdings and Blue Lagoon Holdings. He is currently the Chief Executive Officer and Corporate Secretary of Cavite APC Lending Corporation. The Treasurer at Ice House Inc, and Nordic Strong Ice Inc. He is also the Corp. Secretary of ALC Empire Holdings.

Mr. Tempongko has over twenty (20) years of experience in Technology Management, Program Management, Strategic Planning, Network Investments, Business Development, Operations Management and Site Acquisition. He is a transformational Leader with previous experience in Offshore and Global

Operations. He serves as Co-coordinator of Globe Telecom in ETPI and Co-Manager of Bell Telecommunications Philippines, Inc.

Mr. Hager serves as Managing Director for trading companies actively involved in: metals, minerals, pulp, paper, packaging, coconut oil and related products, security paper, security printing products, grains, feeds and countertrade.
His business activities also include managing local interests of foreign principals and serving as commercial advisor to several international companies and local agents. He is the incumbent President of the Spanish Chamber of Commerce in the Philippines.

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

Vincent L. Tempongko	none
Allen L. Copok	none
John Peter C. Hager	United Paragon Mining Corporation

(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 date of this Report:

Class	Beneficial Owner	Number/Nature of Beneficial Ownership				Citizenship	Percent Ownership
		Issued		Subscribed			
		Direct	Indirect	Direct	Indirect		
Common	Vincent L. Tempongko	0	1,000,000	0	1,000,000	Filipino	0.000%
Common	Allen L. Copok	0	1,000,000	0	1,000,000	Filipino	0.000%
Common	John Peter C. Hager	0	5,000,000	0	5,000,000	Filipino	0.000%

As of the date of this Information Statement, the aggregate number of shares beneficially owned by the candidates for election as independent director is 7,000,000 shares, or approximately 0.004% 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.

The nominees for Independent Directors are not enegeged in any business or other relationship with the Company.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Allen Licup Copok**, Filipino, of legal age and a resident of 1 Sanso St., Corinthian Gardens, Quezon City, having been duly sworn to in accordance with law do hereby declare that:

1. I am a first-time nominee for Independent Director of The Philodrill Corporation.

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

Company/Organization	Position/ Relationship	Period of Service
Cavite APC Lending Corporation	Chief Executive Officer & Corporate Secretary	2008-Present
Ice House Inc.	Treasurer	2020-Present
Nordic Strong Ice Inc.	Treasurer	2019-Present
Laguna AAA Prime Holdings	President	2015-Present
ALC Empire Holdings	Corporate Secretary	2014-Present
Blue Lagoon Holdings	President	2013-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 <u>**N.A**</u> 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 <u>**N.A**</u> to be an Independent Director in <u>**N.A**</u>, pursuant to the Office of the President

Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

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 0 8 MAY 2023 at MANDALUYONG CITY.

ALLEN LICUP COPOK
Affiant

SUBSCRIBED AND SWORN to before me this 0 8 MAY 2023 at MANDALUYONG CITY City, affiant exhibiting to me his competent ID ______ issued at ______ on ______.

Doc. No. 35;
Page No. 8,
Book No. 1;
Series of 2023.

ATTY. JOSEPHINE C. LAFIGUERA - ILAS
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 0644-23 UNTIL 12-31-2024
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3131139/ MANDALUYONG CITY / 01-16-2023
IBP NO. 273594/01-06-2023/RSM CHAPTER
MCLE COMPLIANCE NO. VI-0030421/04-14-2022
ROLL NO. 44784

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Vincent L. Tempongko**, Filipino, of legal age and a resident of Unit 433 Valero Plaza, Valero Street, Salcedo Village, Brgy. Bel-Air, Makati City, having been duly sworn to in accordance with law do hereby declare that:

1. I am a first-time nominee for Independent Director of The Philodrill Corporation.

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

Company/Organization	Position/ Relationship	Period of Service
Globe Telecom, Inc.	Co-Coordinator – Eastern Telecommunications Philippines. Inc.	2021-Present
	Co-General Manager- Bell Telecommunication Philippines, Inc.	2021-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. To 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.

WM

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 10 MAY 2023 at MANDALUYONG CITY

VINCENT L. TEMPONGKO
Affiant

SUBSCRIBED AND SWORN to before me this 10 MAY 2023 at MANDALUYONG CITY City, affiant exhibiting to me hiscompetent Identification ______________, issued at ______________ on ______________

Doc. No. 36;
Page No. 9;
Book No. 1;
Series of 2023.

ATTY. JOSEPHINE C. LAFIGUERA - ILAS
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0644-23 UNTIL 12-31-2024
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3131139/ MANDALUYONG CITY / 01-16-2023
IBP NO. 273594/01-06-2023/RSM CHAPTER
MCLE COMPLIANCE NO. VI-0030421/04-14-2022
ROLL NO. 44784

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **John Peter Chuidian Hager**, Filipino, of legal age and a resident of 16 Ormoc Street, Alabang Hills Village, Muntinlupa City, having been duly sworn to in accordance with law do hereby declare that:

1. I am a first-time nominee for Independent Director of The Philodrill Corporation.

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

Company/Organization	**Position/ Relationship**	**Period of Service**
Waxiefied Sound Production Corporation	Treasurer & Corporate Secretary	2022-Present
Stargrove Productions Inc.	President	2022-Present
Squires Bingham Sports, Inc	Independent Director	2019-Present
Raco Trading (Asia) Development Corp.	Vice President	2015-Present
~~Alakor Securities Corporation~~	~~Independent Director~~	~~2014-Present~~
United Paragon Mining Corporation	Independent Director	2012-Present
Raco Commodities Phils., Inc.	Member of the Board Vice-President	2009-Present 2008-Present
Raco Trading Phils., Inc.	Managing Director	2001-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. To 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.

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 17 MAY 2023 at MANDALUYONG CITY.

JOHN PETER CHUIDIAN HAGER
Affiant

SUBSCRIBED AND SWORN to before me this 17 MAY 2023 at MANDALUYONG CITY City, affiant exhibiting to me his competent Identification ____________, issued at ____________ on ____________.

Doc. No. 39;
Page No. 9;
Book No. 1;
Series of 2023.

ATTY. JOSEPHINE C. LAFIGUERA - ILAS
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 0644-23 UNTIL 12-31-2024
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3131139/ MANDALUYONG CITY / 01-16-2023
IBP NO. 273594/01-06-2023/RSM CHAPTER
MCLE COMPLIANCE NO. VI-0030421/04-14-2022
ROLL NO. 44784

THE PHILODRILL CORPORATION

8th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Philippines
Tel (632) 8631-8151; 8631-1801 to 05; Fax (632) 8631-8080

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 2022 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 2022, 2021and 2020 are presented below:

(in thousands of pesos)	**2022**	2021	2020
Petroleum Revenues	**237,489**	207,127	90,399
Investment Income	**33,163**	38,046	17,313
Interest Income	**15,705**	12,305	14,252
Net Income (Loss)	**(339,334)**	36,325	(251,881)
Total Assets	**2,768,914**	3,093,817	3,074,238
Net Worth	**2,686,866**	3,013,703	2,975,332
Issued & Subscribed Capital	**1,918,688**	1,918,688	1,918,688

PETROLEUM PROJECTS

SERVICE CONTRACT NO. 6A (SC6A Octon)

The previous Joint Venture (JV) took a proactive decision of relinquishing SC6A in 2021. A new JV, with Philodrill as designated operator, is now in the process of applying for a new SC by nomination under the DOE's Philippine Conventional Energy Contracting Program (PCECP).

The surrender of the Service Contract (SC) was approved by the Department of Energy (DOE) on September 5, 2022. Philodrill started working on the nomination/application process for a new service contract under the PCECP.

In a letter dated November 7, 2022, the DOE granted the Area Clearance for the nomination of the former SC 6A Block, the Area of Interest (AOI), with an area of 108,000 hectares. However, the AOI was subsequently increased to 160,000 hectares when portions of the adjacent SC74 block became available from their mandatory 25% area relinquishment.

A new Area Clearance was requested on the 9th of January 2023, and this was granted by the DOE in its letter of January 26, 2023. The same letter also advised Philodrill to submit the Letter of Intent formally nominating the AOI for a new SC Application.

A new Joint Application and Participation Agreement was executed by the joint venture partners without Alcorn and PetroEnergy. The new participating interests of the remaining Joint Venture members are as follows:

Joint Venture Members	Participating Interest (%)
Philodrill	72.1662
Anglo	14.1460
Forum	6.8439
PXP Energy	6.8439

The nomination of the AOI for a new SC application was approved by the DOE on 23 February 2023. Philodrill was directed to proceed with the PCECP nomination/application process. In compliance with the DOE's directive, Philodrill, on March 9, 2023, remitted PHP 200,000 to the DOE for the payment of the application fee, published the application in 2 broadsheet newspapers on March 15, 2023, and submitted the bid documents on March 17, 2023. Per the DOE's schedule, the opening of the bid document will be on May 15, 2023.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)
Following Manta Oil Corp.'s (MOC) withdrawal from the SC, its 70% withdrawn PI was reassigned pro-rata to the remaining members as provided in the Joint Operating Agreement (JOA). The operatorship of the SC reverted to Philodrill and the JV decided to designate Nido Petroleum Phil. Pty. Ltd. (Nido) as the technical operator to progress the redevelopment plan for Cadlao.

In February 2022, Nido entered a Farmin Agreement (FIA) with the rest of the JV to increase its equity in the SC. Under the FIA, Nido acquired an additional 63.637% to bring its PI to 72.727%. This is in consideration of Nido funding 100% of the costs and operating the planned Phased Redevelopment of the Cadlao Oil Field. Phase 1 of the redevelopment plan will entail the drilling and Extended Well Test (EWT) of Cadlao-4, while the full-field redevelopment with the drilling of additional infill production wells and the installation of permanent facilities will comprise Phase 2. After the divestment of PI under the FIA, Philodrill maintained a significant level of participation in the SC at 17.4546%.

Joint Venture Member	Participating Interest	
	Pre-FIA	Post-FIA
Philodrill	58.182%	17.4546%
Nido	9.090%	72.7270%
Oriental	16.364%	4.9092%
Alcorn	8.182%	2.4546%
Forum	8.182%	2.4546%
TOTAL	100.000%	100.000%

The 2022 Work Program and Budget (WP&B) was submitted to the DOE on January 31, 2022.

Nido subsequently proposed to revise the WP&B to increase the Firm Component from USD 0.5 MM to USD 1.7817 MM to accelerate the drilling preparation in the 2nd half of 2022 including the conduct of a geophysical site survey and initial drilling and EWT planning for Cadlao-4.

The revised WP&B was submitted to the DOE on April 12, 2022, together with the Deed of Assignment with Nido. The WP&B was approved by the DOE on May 26, 2022 while the approval of the DOA was given on 19 December 2022. With the approval of the DOA, the operatorship of the SC was transferred to Nido. The JV is presently finalizing a new Joint Operating Agreement.

Under the revised WP&B, the drilling of the Cadlao-4 appraisal will immediately be followed by an EWT for six months or until 10% of the 2C reserves have been produced, whichever comes first. The gross resource estimate of the remaining oil in Cadlao is shown in the table below:

Summary of Gross Contingent Resource for the Cadlao Field

Redevelopment (MMstb)		
1C	2C	3C
4.5	6.2	8.2

The geophysical site survey over Cadlao was scheduled for April 2022. The survey would have dovetailed with the similar surveys in SC54 and SC74 of Nido and Forum, respectively, to save on mob/demob costs and to ensure the availability of the survey vessel. The survey in SC 72 was, however, canceled following the suspension of drilling activity in that SC. The DOE issued a directive putting on hold all exploration activities of PXP/Forum in SC 72 and its other operated area, SC 75, that are within the contested area in the West Philippines Sea.Nido similarly cancelled the site survey in SC 6B to avoid stand-by costs due to delays. After retendering, the geophysical site survey was carried out on November 28, 2022, using the vessel Cassandra VI and completed on December 1, 2022. The marine vessel was able to survey a total of 10.5 sq. km. over the proposed Cadlao-4 location.

The Certificate of Non-Coverage (CNC) for the conduct of exploration activities including drilling at Cadlao was issued by the DENR-EMB on the 11th of May 2022. Nido also proceeded to the preparation of an Environmental Impact Assessment (EIA) for the Environmental Compliance Certificate (ECC) with the DENR's Environmental Management Bureau (DENR-EMB) to ensure a smooth transition from the EWT to full-field redevelopment and commercial production.

In October 2022, the JV approved the 2023 WP&B of USD 34,015,015. The proposed WP&B has a firm component of USD 19.8 MM for drilling and a contingent portion of USD 14.2 MM for the EWT. The WP&B was approved by the DOE on 25 January 2023. Philodrill, under the FIA with Nido, is carried on the cost of drilling and EWT.

SERVICE CONTRACT NO. 14 (Nido, Matinloc, and North Matinloc Blocks)
The surrender of the Service Contract was formally approved by the DOE on May 18, 2022.The conversion to electronic format of the physical files from the production operations was started and completed. After the review of the scanned documents, the hard copies were disposed of as scrap materials. The DOE requested that digital copies of the files and documents be submitted.

SERVICE CONTRACT NO. 14C-1 (Galoc)
The total production for the year 2022 was 565,026 barrels, bringing the field's Total Cumulative Gross Field Production to 23,983,683 barrels of oil at the end of the year. Three (3) oil liftings (Cargoes #71, #72, and #73) were completed in the year with a total volume of 479,995 barrels. The most recent offtake from the field, Cargo Palawan 074, was completed on January 4, 2023, with a volume of 136,087 barrels.

NPG continued to manage the remaining production wells (G3, G5, and G6) in line with the End of Field Life (EOFL) management strategy.The Deed of Assignment (DOA), for the assignment of KUFPEC's withdrawn interest, and a Side Letter Agreement, for the settlement of liabilities between them and the joint venture was signed and made effective on April 30. Under the DOA, Philodrill's PI in the SC was increased from 7.21495% to 10.1778%. The DOA was formally approved by the DOE in October 2022.

In October 2022, the joint venture approved the 2023 OPEX Budget. The budget includes a firm portion of USD 24.3 MM and a contingent portion of USD 0.45 MM. The budget was approved by the DOE in January 2023.

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

The 2-phased technical assessment on West Linapacan B (WLB), undertaken with ERCE, an independent petroleum engineering firm, was completed in early 2022. The work was part of the approved 2021 WP&B.Phase 1 of the study indicated that reservoir quality is poorer, and fractures are less prevalent at WLB compared to West Linapacan A (WLA) based on the petrophysical review and image log analysis. The Phase-1 work predicted low recoverable oil volumes (0.5 – 2.3 MMstb).For Phase 2, ERCE formulated an appraisal/conceptual development strategy and performed an economic analysis of resource and joint development scenarios of WLA and WLB.

The 2022 WP&B and Budget was prepared with a firm component of USD 87,660 to cover the continuing technical studies to assess and fully understand the feasibility of the joint development of West Linapacan A & B and a contingent budget of USD 35,400 for a third-party seismic velocity study.The 2022 WP&B was approved by the DOE on April 8, 2022. The seismic velocity study was eventually done in-house. The results of the work suggest that there are no appreciable differences in the computed resource estimates from the depth-converted West Linapacan B structure using the generated velocity models.

In line with the efforts to farm out, Philodrill signed a Confidentiality Agreement with NPG on the 15th of June 2022 for the latter to evaluate the technical data of WLA for a potential farm-in transaction/acquisition of participating interests in the SC. NPG's technical review was completed in October showing the potential of a WLA redevelopment. Their farm-in proposal, however, did not get the JV's approval.

Nido Petroleum, which is a member of the joint venture, also submitted its proposal to increase its equity participation in the SC by way of a farm in the redevelopment of West Linapacan.Nido requested the JV to respond to the offer by October 31, 2022, for them to lock in the rig and start ordering the long lead items. Philodrill, on behalf of the Filipino Partners, submitted a counterproposal to Nido's farm-in terms on October 28, 2022.

Since the farm-in arrangement with Nido was not yet finalized, the JV agreed to submit a provisional work program and budget of USD 152,810 to comply with the extended deadline on the submission of the 2023 WP&B given by the DOE. A final WP&B will be submitted once a firm proposal for a 2023 WPB is submitted by Nido under a farm-in and approved by the JV.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)
Philodrill continued to coordinate with the National Commission on Indigenous People (NCIP) for the application of the Certificate of Non-Overlap (CNO) and Certification Precondition for the SC 53 project areas, Progreso and Cambayan, respectively. The application documents for the planned Progreso-2 drilling project, along with the DOE's endorsement letter, were submitted to the NCIP Region IV-B office via courier last November 17, 2021.

As directed on separate occasions, Philodrill submitted by courier on March 11, 2022, additional SEC-certified documents and a Project Profile to the NCIP Region IV-B office in Cubao, as well as to its satellite office in Calapan, Oriental Mindoro.

The coordination for the Progreso Application was done with the NCIP field office in San Jose, Occidental Mindoro. For the Cambayan Application, which straddles the boundary of Occidental and Oriental Mindoro, coordination was done with both the Occidental and Oriental Mindoro Field Offices.

The Occidental Mindoro office affirmed that a Field-Based Investigation (FBI) for the Progreso Application area was not needed since a prior CNO has been granted to Pitkin Petroleum, the former operator of the block. The CNO for the Progreso Well Drilling Project issued to Philodrill was received on December 6, 2022.

The officer-in-charge of the San Jose NCIP office also confirmed that an FBI for Magsaysay, Occidental Mindoro (Cambayan area) will not be required since the ancestral domain covered by the application has already been identified by a previous FBI that they conducted for a telecommunications company.

A pre-Free Prior and Informed Consent (pre-FPIC) meeting was held with the San Jose, Occidental Mindoro-NCIP officer and staff and the Work and Financial Plan was approved by the parties. The First Community Assembly of the Hagura Tribe was facilitated by the NCIP personnel. They reported that the Hanunoo and Gubatnon groups attended the community assembly, but the Ratagnon group did not participate. A conflict resolution meeting was then held on November 9, 2022, to resolve any issues of the Ratagnon group.

The Second Community Assembly was held on November 22, 2022 and the decision-making process (the third activity of FPIC) of the Hagura tribe was held on November

28, 2022. After the two community assemblies and the decision-making process were concluded in November 2022, the Memorandum of Agreement (MOA) Negotiation and Drafting was held on March 9, 2023, in Magsaysay, Occidental Mindoro. The resulting draft MOA was sent to NCIP 4B Legal Affairs Office for review.

Philodrill approved a Work and Financial Plan for the FBI of the proposed area for the Cambayan drilling project under the jurisdiction of Bulalacao, Oriental Mindoro. The Work and Financial Plan for the FPIC in Bulalacao, Oriental Mindoro will be finalized as soon as the Work Order is issued by NCIP.

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

Following the successful completion of Browse Energy's test reprocessing work on key seismic lines at the Cambayan and Progreso Prospects in Q1, a full reprocessing work on the rest of the seismic lines in the Progreso area was carried out in the 2nd half of 2022. The reprocessing work consisting of fourteen (14) seismic lines with a total length of 102.69 kilometers was completed by Browse at the end of the year.

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

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

Philodrill continued with its farm-out efforts in the SC. Confidentiality Agreements were signed with Triangle Energy, based in Perth, and Nido Petroleum in July and October respectively. Both companies were interested to evaluate the potential of SC 53, particularly the Progreso Gas Prospect for a possible farm-in. The available technical data on the SC was shared with Triangle and Nido through an online data room.

Philodrill met with Triangle Energy online on August 5 to present a technical overview of the Progreso Prospect and the SC. However, on September 15, Triangle advised that they decided not to proceed further with the opportunity. At the end of the year, Nido continued with its evaluation of the SC.

The 2023 WP&B was presented and approved in a partners' meeting in December 2022. The JV-approved budget amounts to USD 185,330 composed of a firm budget of USD 145,430 and a contingent budget of USD 39,900. The WP&B was submitted to the DOE on December 14, 2022, for approval.

SERVICE CONTRACT NO. 74 (Linapacan)

PXP Energy, under the approved 2022 WPB, engaged ERCE to conduct a third-party technical review and resource assessment of the LinapacanA& B fields and other nearby prospects and leads. ERCE commenced its evaluation and resource calculation over the Linapacan fields in February 2022. The study which took about two months to complete included a definitive combined development concept with the West Linapacan field and the project economics.

During the Phase 1 update meeting, ERCE discussed with PXP the challenges of developing the Linapacan A and B Fields and the South Linapacan Lead. Based on their review, Linapacan A is not advisable to develop due to the immobility of oil, low initial reservoir pressure, and the presence of very sour gas with extremely high H_2S and CO_2 measurements. The South Linapacan structure, on the other hand, was interpreted as not closing towards the south based on mapping.

PXP completed the Technical Evaluation Study of the Linapacan Field with ERCE in June 2022. The appraisal/development strategy and economic analysis scopes of the study focused on the Linapacan B prospect since the results of the resource evaluation indicated that developing the two other prospects, Linapacan A and South Linapacan, are not viable.

In a partners' meeting in July, the JV agreed that the recovery factor used by ERCE in its assessment of Linapcan B is too low. The JV arrived at a consensus to undertake further studies on the potential development of Linapacan B with new technology and other development concepts, that were not considered in the ERCE study. The contemplated studies will focus on oil recovery enhancement (e.g., the use of artificial lift systems) in developing Linapacan B. The JV further agreed to request a 2-year Moratorium from the DOE during which period the technical studies will be undertaken. The time under the Moratorium would allow the JV to formulate the appropriate technology needed to develop Linapacan B which would increase the production rate and, thus, the recoverable reserves. The request for the 2-year Moratorium was submitted to the DOE on the 8th of August 2022 and approved on March 30, 2023.

PXP submitted a relinquishment program of 25% of the contract area to the DOE on September 13, 2022. The relinquishment program was approved by the DOE on November 14, 2022.

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, 2022, the combined interest of the parties to the agreement represents 43.01% interest in ACMDC.

PCIC posted a net income of P31.1 million in 2022, slightly higher than the 2021netincome of P30.5 million. Gross revenues amounted to P112.6 million in 2022andP112.5 million in 2021.

PCHI's net income decreased to P26.9 million in 2022 fromP39.6 million in 2021. Gross revenues amounted to P96.6 million in 2022 as compared to P103.6 million in 2021.

ACMDC's net income in 2022 amounted to ₱3.2 billion as compared to₱3.9billion in 2021. Gross revenues amounted to₱16.8 billion in 2022 and ₱17.9 billion in 2021.

Additional information is also contained in Note 9to the Company's 2022 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, 2022	Dec. 31, 2021	Dec. 31, 2020
Current Ratio	14.95:1	15.81:1	12.40:1
Current Assets	685,618,138	606,731,492	573,997,999
Current Liabilities	45,858,882	38,388,308	46,307,229
Debt to Equity Ratio	0.03:1	0.03:1	0.03:1
Total Liabilities	82,047,982	80,113,989	98,906,075
Stockholders' Equity	2,686,865,641	3,013,703,269	2,975,331,588
Equity to Debt Ratio	32.75:1	37.62:1	30.08:1
Stockholders' Equity	2,686,865,641	3,013,703,269	2,975,331,588
Total Liabilities	82,047,982	80,113,989	98,906,075
Book Value per Share	0.01400	0.01571	0.01551
Stockholders' Equity	2,686,865,641	3,013,703,269	2,975,331,588
Outstanding shares	191,868,805,358	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	(0.0018)	0.0002	(0.0013)
Net Income (Loss)	(339,333,554)	36,324,913	(251,881,141)
Weighted Average shares outstanding	191,868,805,358	191,868,805,358	191,868,805,358

Current Ratio is 14.95:1 as of December 31, 2022; 15.81:1 as of December 31, 2021; and12.40:1 as of December 31, 2020. As of December 31, 2022, December 31, 2021 and December 31, 2020,current assets exceeded the current liabilities by P639.8 million, P568.3million andP527.7million, 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 P64.5 million as of December 31, 2022, P77.8 million as of December 31, 2021 andP79.5million as of December 31, 2020. If these shares would be considered part of Current Assets, the recomputed current ratio would be 16.36:1 as of December 31, 2022; 17.83:1 as of December 31, 2021; and14.11:1 as of December 31, 2020.

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, 2022
Current Ratio	***269.0:1***
Current Assets	**8,424,689**
Current Liabilities	**31,360**
Debt to Equity Ratio	***0.0037:1***
Total Liabilities	**31,360**
Stockholders' Equity	**8,393,329**

Equity to Debt Ratio	***267.6:1***
Stockholders' Equity	**8,393,329**
Total Liabilities	**31,360**
Book Value per Share	***0.0007***
Stockholders' Equity	**8,393,329**
Average shares outstanding	**12,505,000,000**
Income per Share	***-0-***
Net Income (Loss)	**(73,845)**
Average shares outstanding	**12,505,000,000**

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

(i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity, the information required by this item is contained in Note 22 to the Company's 2022Audited Consolidated Financial Statements.

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

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

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 11 and22 to the Company's 2022Audited 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 decreased by P324.9 million from P3.09 billion as of year-end 2021 to P2.77 billion as of year-end 2022.

- Cash account increased by P97.07 million from P284.7 million as of December 31, 2021 to P381.7 million as of December 31, 2022mainly due to the restatement of dollar denominated short term placements and collection of receivables.

- Receivables account decreased by P56.0 million from P297.7 million as of December 31, 2021 to P241.6 million as of December 31, 2022due to the revaluation of dollar denominated receivables and collection of trade receivable at year-end 2022.

- Crude oil inventory increased by P35.1 million from P22.1 million as of December 31, 2021 to P57.2 million for the Company's share in inventory for the SC14 Galoc crude as of December 31, 2022. Theincrease was due to higher crude priceand volume at year-end 2022.

- Other current assets increased by P2.7 million from its December 31, 2021 balance of P2.3 million to December 31, 2022 balance of P5.0 million.The increase was due to the prepaid income tax booked at year-end 2022.

- Property and equipment decreased by P25.5 million from its December 31, 2021 balance of P331.1 million to December 31, 2022 balance of P305.7 million.The decrease was mainlydue to depletion expense net of additional capital expendituresbooked during the year.

- Investments in associates increased by P56.9 million from the year-end 2021 balance of P842.5 million to year-end 2022 balance of P899.3 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 9of the Audited Consolidated Financial Statements for 2022.

- Financial assets at Fair Value through OCI decreased by P12.4 million level from its 2021 balance of P82.0 million to year-end 2022 balance of P69.6 million.Additional information is also contained in Note 10of the Audited Consolidated Financial Statements for 2022.

- Deferred oil exploration costs decreased by P404.3 million from its year-end 2021 balance of P1.008billion to year-end 2022 balance of P604.3million. The net decrease of P404.3 million was due to theprovision for unrecoverable deferred oil exploration costs booked forSC6A and PCECP Area 7 Sulu Sea projects.Additional information is also contained in Notes7 and 11 of the Audited Consolidated Financial Statements for 2022.

- Deferred tax asset (DTA) decreased from its year-end 2021balance of P211.2 million to P194.3 million as of year-end 2022 due the adjustment on recognized DTA mainly on net operating loss carryover. Additional information is also contained in Note 20of the Audited Consolidated Financial Statements for 2022.

- Other non-current assets decreased by P1.5 million from its year-end 2021 to year-end 2022balance of P10.1 milliondue to the collection of other receivable and amortization of other deferred charges booked during the year.

a) Total liabilities slightly increased from its balance of P80.1 millionin 2021 to P82.0millionbalance in 2022.

  - Accounts payable and accrued liabilitiesincreased by P7.5 million from its year-end 2021 balance of P5.2 million to year-end 2022 balance of P12.7million due to the accrued expenses booked at year-end2022.

  - Income tax payable as of year-end 2021amounted to P30,665. As at year-end 2022, income tax liabilityamounted to nil.

  - Dividends payable amounted to P33.129 million as of year-end 2021 andP33.127 million as of year-end 2022. The slightdecrease of P2,605 was due to the payments made during the period.

  - Beginning year-end 2016, full provision was made for the future cost of decommissioning Galoc oilfield.The company's estimated share in decommissioning liability amounted to P25.4 million as of December 31, 2021 and P34.4 million as of year-end 2022. The movements on the balances were adjustments on the revaluation of the liability. In relation to this decommissioning liability, a decommissioning fund equivalent to its current contribution to settle its share in the decommissioning costs of Galoc oilfield is also established and is reflected under "Property and equipment" account. Additional information is also contained in Note 13 of the Audited Consolidated Financial Statements for 2022.

  - Retirement benefit liabilitydecreased by P14.5 million from its year-end 2021 balance of P16.3 million to year-end 2022 balance of P1.8 million. The decrease of P14.5 million was due to the adjustment in the recognized retirement benefit liability and contributions made as of end of the period. Additional information is also contained in Note 19 of the Audited Consolidated Financial Statements for 2022.

c) Stockholders' equity decreased by P326.8 million from its year-end 2021 balance to year-end 2022balance of P2.69 billion.

 - Capital stock balance remained at P1.743 billion for the years-ended 2021 and 2022.

 - The unrealized loss on the decline in value of financial assetsat fair value through other comprehensive incomeincreased by P12.4 million from year-end 2021 balance of P28.6 million to year-end 2022 balance of P41.0 million. The decrease of P12.4million was due to the fair value changes during the year. Additional information is also contained in Note 10 of the Audited Consolidated Financial Statements for 2022.

 - Retained Earnings from year-end 2021 balance of P1.31 billion to year-end 2022 balance of P0.97billion, reflected a net decrease of P339.3 million due to the net loss booked during the period.

d) Petroleum revenues in 2022 totaled P237.5million as compared to P207.1million in 2021 and P90.4 million in 2020. For the year 2022, the increase in revenues was mainly brought about by the increase in crude prices. Production decreased by 10% from its 2021 levelof 0.62 million barrels to0.56 million barrels in 2022.Combined average prices for 2022 and 2021were US$95.34 and US$73.54, respectively. For 2020, total production volume was 0.69 million barrels and average price per barrel was US$37.14.

   Equity in net earnings of associates amounted to P33.2 million in 2022 and P38.0 million in 2021. The decrease of P4.9 million from year-end 2021 to year-end 2022 balance was due to lower level of income of affiliates.For 2020, equity in net earnings of associates amounted to P17.3 million.

   Interest income totaled to P15.7million in 2022, P12.3 million in 2021 and P14.3 million in 2020.

   Foreign exchange gains (losses)amountedtoP40.6 million for 2022, P16.5 million in 2021, and (P20.6) million for 2020.

e) Total costs and expenses totaled to P648.3 million in 2022, P254.0 million in 2021, and P390.2 million in 2020.

Share in production costs totaled to P105.4milliom in 2022, P139.5 million in 2021 andP99.4 million in 2020.

Depletion costs amounted to P48.3 million in 2022, P51.3 million in 2021, and P61.8 million in 2020.

General and administrative expenses totaled to P64.9 million in 2022, P60.8 million in 2021, and P73.0 million in 2020.

Current provision for income taxes amounted toP0.9 million in 2022, P0.7 million in 2021,and P0.9 million in 2020. Recognition of deferred tax asset resulted to (provision for) benefit from income tax amounting to(P18.3 million), P11.2 million in 2021 and P15.6 million in 2020.

For 2022, provision for unrecoverable deferred oil exploration costs totaled to P423.7 million for the SC6A and Sulu Sea projects. In 2020, provisions for unrecoverable costs on deferred oil exploration costs (P99.4 million) and property and equipment (P33.3 million) were also booked for the Swan block and Retention block projects costs.

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

(viii) 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.

(ix) 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 (1st Quarter 2023)

PETROLEUM PROJECTS
2023 Update

NEW AREA APPLICATION (formerly Service Contract No. 6A)
In a letter dated January 26, 2023, the DOE granted Area Clearance over the nominated Area of Interest covering 160,000 hectares (including the area relinquished by SC 74) located in offshore Northwest Palawan. The same letter also advised Philodrill and Partners to submit the Letter of Intent, together with other documentary requirements, to proceed with the PCECP nomination/application process. In compliance with the DOE's directive, Philodrill published the application in 2 broadsheet newspapers on March 15, 2023, and submitted the bid documents on March 17, 2023.

For the new application, a new Joint Application and Participation Agreement was executed by the joint venture partners without Alcorn and PetroEnergy. The new participating interests are as follows:

Philodrill	72.1662 %
Anglo	14.1460 %
Forum	6.8439 %
PXP Energy	6.8439 %
TOTAL	100.00%

The DOE informed Philodrill that the opening of the bids shall be held on May 15, 2023.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)
The DOE approved the proposed 2023 WP&B of USD 34,015,015 (firm + contingent). Philodrill is carried on the cost of the 2023 Budget.

Upon receipt of the DOE's letter of approval to the Deed of Assignment between Nido and the SC 6B Partners (Farmors), Nido sent a draft of the Joint Operating Agreement (JOA) for review. The Farmors reviewed the draft JOA, reverted with their comments and the JOA is currently being finalized by Nido.

Nido is still searching for a suitable rig for the drilling of Cadlao-4. They were able to locate a suitable rig currently being used in Vietnam. The rig requires the installation of a mooring system. The rig procurement slippage has now pushed the drilling campaign to Q3 2023.

SERVICE CONTRACT NO. 14C-1 (Galoc)
The Galoc Field's average daily production at the end of the quarter was 1,409 barrels of oil per day. Total Cumulative Gross Field Production was 24,112,523 barrels of oil. The production came from the G5 and G6 wells.

As of March 31, 2023, the oil-in-storage was at 123,734 barrels. The last offtake operations for Cargo #74 were conducted on January 3-4, 2023, with oil volume of 136,087 barrels.

NPG assisted in the ongoing efforts to manage the oil spill incident from the sinking of MT Princess Empress last 28 February 2023 in offshore Mindoro. Last March 6, 2023, NPG donated 44 pcs. of 160L hazardous waste plastic drums, 50 pcs. of disposable coveralls and 10 boxes of disposable nitrate gloves to the Environmental Management Bureau (EMB) MIMAROPA.

NPG also donated oil spill dispersant to the Marine Environmental Protection Force in Palawan to manage the oil slick that has reached the waters of Cuyo and Taytay Palawan. The supply vessel supporting the Galoc operations, MV Sulu Venture, however, suffered an engine breakdown during its delivery run to El Nido. The Unisalv management, upon full risk assessment, decided to conduct emergency drydock repair and examinations for damage. The supply vessel is currently in Batangas for repair.

SERVICE CONTRACT NO. 14C2 (West Linapacan)
The farm-in negotiation with Nido is still ongoing. Since the farm-in arrangement has yet to be finalized, the JV agreed to submit a provisional work program and budget of USD 152,810 to comply with the extended deadline on the submission of the 2023 WP&B given by the DOE.

PROVISIONAL BUDGET (USD)	PHO'S PRO-RATED SHARE (Based on PI)	PHO CASH REQUIREMENT	PHO Contingent REQUIREMENT
152,810	42,894	42,894	-

A final WP&B will be submitted once a firm proposal for a 2023 WPB is submitted by Nido under a farm-in agreement.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)
After the two community assemblies and the decision-making process were concluded in November 2022, the Memorandum of Agreement (MOA) Negotiation and Drafting was held on March 9, 2023, in Magsaysay, Occidental Mindoro. The activity was participated in by 34 Hagura Elders, of which 9 out of 15 signatories were present, NCIP officials, DOE and Philodrill representatives. The draft MOA with the IPs is still under review by the NCIP Legal Affairs Office (LAO).

Philodrill submitted an amendment to the survey area for Bulalacao, Oriental Mindoro while a Work Order was issued by the NCIP Regional Office to Roxas Service Center. A pre-FPIC meeting shall follow to discuss and approve the Work and Financial Plan for the area.

Matahio has not submitted its farm-in offer as it continues to review the technical data in SC53. Nido has yet to respond to the JV's counteroffer on the Farm-in Option Offer, however, Nido informed Philodrill that they are amending the Farm-In Option Offer to consider Philodrill's proposals.

SERVICE CONTRACT NO. 74 (Linapacan)
The 2023 WP&B was submitted to the DOE on January 31, 2023. The WP&B is composed of a firm budget of $231,800 to cover the G&G cost under Phase 1, the general and administrative expenses, and service contract payments (payable to the DOE). The contingent portion of the budget includes Phases 2-4 of the Qaestor study, which will be determined and decided later depending on the positive results of Phase I. The DOE approved both the request for a 2-year Moratorium and the 2023 Work Program and Budget.

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

Financial Performance

Total revenues for the firstquarter ended March 31, 2023decreased by ₱14.0 million or 19% to ₱59.0 million from ₱73.0 million for the same period last year. Petroleum revenues decreased by ₱14.4 million or 22% to ₱51.9 million from ₱66.3 million for the same period last year. The decrease was brought mainly by the decrease in crude prices for the firstquarter of 2023 as compared to the same period last year. The combined gross production decreased to 127,020 barrels for the firstquarter ended March 31, 2023, from 143,935 barrels produced for the same period last year.The average price per barrel decreased to $78.6 for the period ended March 31, 2023 as compared to $94.0 for the same period last year.Equityin net earnings of associates decreased by ₱0.6 million.Interest income increased by ₱1.3 million.

Total costs and expenses net of foreign exchange gains/losses increased by ₱18.6 million from ₱56.2million for the first quarter of 2022 to ₱74.8 million for the firstquarter of 2023.

Operating costs increased by 11%. Foreign exchange loss amounted to ₱9.6 million for the first quarter of 2023 as compared foreign exchange gain of₱5.1 million for the same period last year. The company's net loss after tax amounted to ₱0.9 million for the firstquarter of 2023 as compared net income of ₱3.0 million for the same period last year.

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

	March 31, 2023	December 31, 2022
Current Ratio	*16.62 : 1*	*14.95 : 1*
Current Assets	666,697,330	685,618,138
Current Liabilities	40,117,355	45,858,882
Debt to Equity Ratio	*0.03 : 1*	*0.03 : 1*
Total Liabilities	74,484,316	82,047,982
Stockholders Equity	2,686,956,901	2,686,865,641
Equity to Debt Ratio	*36.07 : 1*	*32.75 : 1*
Stockholders Equity	2,686,956,901	2,686,865,641
Total Liabilities	74,484,316	82,047,982
Book Value per Share	*0.0140*	*0.0140*
Stockholders Equity	2,686,956,901	2,686,865,641
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss)per Share	*0.000005*	*0.000016*
NetIncome (Loss)*	(941,027)	303909
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to March 31*

The current ratiosas of December 31, 2022 and March31, 2023 are 14.95:1 and 16.62:1, respectively. The Company's current assets exceeded its current liabilities by ₱626.58million and ₱639.76million as of March31, 2023 and December 31, 2022, respectively. The "Financial assets at fair value through other comprehensive income (FVOCI)" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of ₱70.7 million as of March 31, 2023 and ₱69.6 million as of December 31, 2022. If these shares would be considered part of Current Assets, the recomputed current ratio would be 18.38:1 as of March 31, 2023 and 16.47:1 as of December 31, 2022.

Total assets decreased from ₱2.769 billion as of December 31, 2022 to ₱2.761 billion as of March 31, 2023. Cash and cash equivalents reflected a net decrease of₱10.1 million or 3% due to thepayments of accrued expenses.Receivables decreased by ₱1.2 million.Crude oil inventory decreased by ₱7.1million or 12%due to lower priceof crude oil on storage as of March 31, 2023.Other current assets decreased by ₱0.5 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of₱10.9 million to ₱294.7 million as of March 31, 2023 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI increased by ₱1.0million due to the adjustment in the valuation reserve of the company's listed stockinvestments. Deferred oil exploration costs increased by ₱1.8 million due to additional project costs. Deferred tax assets increased by₱15.5 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.
Total liabilities decreased by₱7.6 million from ₱82.0 million as of December 31, 2022 to ₱74.5 million as of March 31, 2023.

Stockholders' equity remained at₱2.687 billion as of December 31, 2022andMarch 31, 2023. For the firstquarter, an adjustment for the decline in value of financial assets at FVOCI of ₱1.0 million in the valuation reserve of the company's listed stock investments was booked. As of March 31, 2023, net unrealized loss on the decline in value of financial assets at FVOCIamounted to ₱40.0million as compared to ₱41.0 million as of December31, 2022. The company's retained earningsamounted to ₱0.969billion as of March 31, 2023 as compared to ₱0.970billion as of December 31, 2022.

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

	March 31, 2023	December 31, 2022
Current Ratio	*269 :1*	*269 :1*
Current Assets	8,424,689	8,424,689
Current Liabilities	31,360	31,360
Debt to Equity Ratio	*0.004 :1*	*0.004 :1*
Total Liabilities	31,360	31,360
Stockholders' Equity	8,393,329	8,393,329
Equity to Debt Ratio	*268:1*	*268:1*
Stockholders' Equity	8,393,329	8,393,329
Total Liabilities	31,360	31,360
Book Value per Share	*0.0006712*	*0.0006712*
Stockholders Equity	8,393,329	8,393,329

Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	-	-
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

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

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

    a)collecting a portion of Accounts Receivables;
    b)selling a portion of its existing investments and assets;
    c) generating cash from loans and advances; and
    d) issuing subscriptions call on the balance of the subscriptions receivable.

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

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, EXCEPT those disclosed in Note 25 to the Company's 2022 Audited Financial Statements.

4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from:operations, collection of subscriptions and other receivables, and from loans/financing, or to avoidincurring 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₱10.1 million or 3% mainly due to the payment of accrued expenses and restatement of dollar denominated accounts.

Crude oil inventory decreased by ₱7.1million or 12% due to the lower price of crude oil on storage as of end of the interim period.

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

Property and equipment reflected a decrease of ₱10.9 million to ₱294.7million as of March 31, 2023 due to the booking of depletion and depreciationcosts.

Financial assets at FVOCI increased by ₱1.0million or 2% due to the adjustment in the valuation reserve of the company's listed stockinvestments.

Deferred tax assets increased by ₱15.5 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Other noncurrent assets increased by P0.8 million or 8% due to the pension asset booked as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱5.7 million decrease due to the payments of accrued expenses during the interim period.

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

Net unrealized loss on the decline in value offinancial assets at FVOCIas of December 31, 2022 amounted to ₱41.0 million. For the interim period, ₱1.0 millionadjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of March 31, 2023, net unrealized losson the declinein market value of financial assets at FVOCI amounted to ₱40.0 million.

The company's retained earnings amounted to ₱0.969 billion as of March 31, 2023 as compared to ₱0.970 billion as of December 31, 2022. The slight decrease of₱0.9 millionwas due to the net loss booked for the firstquarter of 2023.

Petroleum revenues decreased by ₱14.4 million or 22% to ₱51.9 million from ₱66.3 million for the same period last year due to lower crude price.The gross production decreased to 127,020 barrels for the firstquarter ended March 31, 2023 from 143,935 barrelsproduced for the same period last year.The average price per barrel decreased to $78.6for the period ended March31, 2023 as compared to $94.0 per barrel for the same period last year.

Equity in net earnings of associates decreased by₱0.6 million due to thelower level of income booked by affiliates.

Interest income increased by ₱1.3 million from ₱2.7 million to ₱4.0 million for the firstquarter ended March 31, 2023.

Foreign exchange loss amounted to ₱9.6 million for the firstquarter of 2023 as compared to foreign exchange gain of ₱5.1 million for the same period last year.

Share in costs and operating increased by ₱5.3million or 11% due to higher level of production costs accrued during the firstquarter of 2023.

Net loss amounted to ₱0.9 million for the firstquarter of 2023, as compared tonet income of ₱3.0 million for the same period last year.

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

Properties

The information required by Item 2 is contained in Notes 7 and 8 to the Company's 2022 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 Galocand 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)*	**72.1662	Anglo Phil. Holdings Corp. Forum EnergyPhils.Corp. PXP Energy Corp.	The Company			Northwest Palawan	Exploration
SC6B (Bonita)	***58.182	Oriental Pet.& Minerals Corp Nido Petroleum Phils. Pty Forum EnergyPhils. Corp. Alcorn Gold Resources Corp	Nido Petroleum	Sep 01, 1973	Feb 28, 2024	Northwest Palawan	Exploration
SC53 (Onshore Mindoro)	81.480	Anglo Phil. Holdings Corp.	The Company	July 08, 2005	Under Moratorium	Mindoro	Exploration
SC74 (Linapacan)	25.000	PXP Energy Corp. PNOC-EC	PXP Energy	Sep 03, 2013	Aug 03, 2063	Northwest Palawan	Exploration

**Reliinquished and awaiting DOE's approval of service contract application*
***Philodrill's participating interest in the new SC application*
****DOA and Transfer of Operatorship to Nido Petroleum were approved by the DOE on 19 December 2022*

Employees

As at December 31, 2022, the Company has 25 employees.

Type of employee	Exploration/ Technical	Finance/ AdministrationLegal/S tocks
Executive Officers - Administrative	1	4
AVP, Managers - Technical/Operations	2	2
Rank and File - Clerical	5	11
Total	8	17

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.

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 onshore Mindoro under various Service Contracts (SC) with the Philippine government through the Department of Energy (DOE).

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

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

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 2022 and 2021 up to the first quarter of the current year 2023, expressed in Philippine Pesos, are as follows:

Stock Prices:		High	Low
2023	First Quarter	0.0098	0.0089
2022	First Quarter	0.0110	0.0088
	Second Quarter	0.0094	0.0082
	Third Quarter	0.0092	0.0085
	Fourth Quarter	0.0100	0.0085
2021	First Quarter	0.0280	0.0100
	Second Quarter	0.0130	0.0110
	Third Quarter	0.0120	0.0099
	Fourth Quarter	0.0099	0.0087

(2) Holders

There were 8,549 shareholders of record as of March 31, 2022 and8,534 shareholders of record as of December 31, 2022. Common shares outstanding as of 31 December 2022totaled 191,868,805,358 shares.

The Company offered to all its shareholders the right to subscribe to one (1) offer share for every four (4) common shares held as of record date of October 16, 2008. In February 2008, the Company filed its application for the listing and trading of the offer shares with the PSE and the PSE approved the application on September 24, 2008.On May 26, 2008, the Company filed a Registration Statement covering the offer shares with the SEC and it was approved by the SEC on September 18, 2008. Additional information required is also contained in Note 14 to the Company's 2022 Audited Consolidated Financial Statements.

Top 20 stockholders as of March 31, 2022:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	173,681,445,548	90.52%
2. PCD NOMINEE CORPORATION NON FILIPINO	1,579,159,884	0.82%
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. ESTATE OF GREGORIO K. SY SUAN	112,500,000	0.06%
18. ANSALDO, GODINEZ & CO., INC.	112,188,084	0.06%
19. J.A. GONZALEZ	110,400,000	0.06%
20. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06%

As of December 31, 2022, the top 20 stockholders are as follows:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	173,677,848,907	90.52%
2. PCD NOMINEE CORPORATION NON FILIPINO	1,579,659,884	0.82%
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.	317,910,514	0.17%

MENDOZA		
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. ESTATE OF GREGORIO K. SY SUAN	112,500,000	0.06%
18. ANSALDO, GODINEZ & CO., INC.	112,188,084	0.06%
19. J.A. GONZALEZ	110,400,000	0.06%
20. ANGLO PHILIPPINE HOLDINGS CORPORATION	108,936,264	0.06%

(3) Dividends

As of the years 2022, 2021 and 2020, the Board has not approved any dividend declaration.

The Board of Directors has the power to fix and determine the amount to be declared for dividends from the Company's unrestricted retained earnings.

The existence of surplus profit is a condition precedent before a dividend can be declared. The surplus profits are the Company's Audited Net Income adjusted for unrealized items, including those earmarked for exploration and development projects, which are considered not available for dividend declaration.

During the Company's profitable years, from 2010 to 2016, Philodrill was able to declare cash dividends. The Board approved the amount of such dividends based on a certain percentage of the par value.

However, for the succeeding years, the Company has not been gainfully operating due to the slump in oil prices, coupled with the decline in production volume as a result of the depletion of its petroleum reserves. Starting in 2017, the Company incurred major expenses with the plug and abandonment of some of its operated fields. This was further aggravated by the effects of the Covid-19 pandemic to the Company's operations as some projects were put on hold due to lockdowns and travel restrictions.

With this, Philodrill has not declared any dividend since November 2016.

VI. Corporate Governance

(a) The Company is in compliance with the leading practices on good corporate governance pursuant to the provisions of the Revised 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.

VII. Requirements of Section 49 of the Revised Corporation Code

a.1) Description of the Voting and Vote Tabulation procedures used in the previous meeting (2022 Annual Stockholders' Meeting)

In all items for approval, each voting share of stock entitles the registered owner as of the record date (March 15, 2022) to one vote.

In the election of directors, straight and cumulative voting was allowed. Each stockholder voted such number of shares for as many persons as there are directors to be elected, but he is entitled to 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 to 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.

After successful registration at the Annual Stockholders' Meeting, each stockholder was provided with an electronic ballot to vote on each item or proposal in the Agenda. All votes were 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 were 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 2022asm@philodrill.com beginning May 25, 2022 at 8:00 am until June 8, 2022 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.

2.) Description of the Opportunity given to Stockholders to ask questions and a record of the questions asked and answers given

Stockholders were given the opportunity to send their questions and/or comments during the meeting by email to *2022asm@philodrill.com* with subject *"ASM Question/Comment"*. Stockholders who participated in the Meeting sent their questions before the meeting. Relevant questions were raised and read by the Moderator and were answered by concerned officers during the meeting.

1. *What are the Company's short-term plans?*

VP for Exploration Mr. Alessandro Sales mentioned that, as explained in the Management Report, the immediate activity for the year is to get the drilling of the Cadlao 4 started and going into the extended well testing. If everything goes as scheduled, there is a possibility for operations to go into commercial production of Cadlao by the second half of 2023. Aside from this, there are two other areas being considered important for the short-medium term plans of the Joint Venture (JV). The Onshore Mindoro area, wherein the JV has cleared a major stumbling block when it secured the permit from the NCIP and can proceed with the planning and preparing for the drilling of the Progreso 2 Well. In the more medium term, given the relatively high oil prices prevailing and should this continue, it will support the redevelopment of West Linapacan. Management has commenced discussions with a third party who is willing to come in and help develop West Linapacan.

2. *What do you think will be the impact of the BBM administration to the oil & gas industry, if any?*

Management expects that there will be learning curves for the incoming administration's staff that will be assigned to the Department of Energy (DOE). However, Management is hoping that since it was Ferdinand Marcos, Sr. that created the DOE, Marcos Jr. will take care of the Department as well.

3.) Matters discussed and resolutions reached

1. Approval of the Minutes of the 16 June 2021 Annual Stockholders' Meeting

   *"**RESOLVED**, that the Minutes of the Annual Stockholders' Meeting of The Philodrill Corporation held on June 16, 2021, be approved, confirmed and ratified."*

2. Approval of the Company's Management Report

   *"**RESOLVED,** that the Management Report of the Company for the year 2021, including its Audited Financial Statements be noted and approved."*

   With the vote of the Chairman, majority of the outstanding capital stock of the Company entitled to vote, had voted in favour of the proposal.

3. Approval of Acts and Resolutions of the Board of Directors and Management

   *"**RESOLVED**, that the acts and resolutions of the Board of Directors, its Committees, and the Management taken or adopted since the annual stockholders' meeting last June 16, 2021 until the date of this meeting June 15, 2022 be approved, confirmed and ratified."*

   With the vote of the Chairman, majority of the outstanding capital stock of the Company entitled to vote, had voted in favour of the proposal.

4. Appointment of Independent External Auditor

   *"**RESOLVED**, that **SyCip Gorres Velayo & Co.** are hereby appointed external auditors of the Company for fiscal year 2022."*

   With the vote of the Chairman, majority of the outstanding capital stock of the Company entitled to vote, had voted in favour of the proposal.

5. Amendment of the By-Laws

   *"**RESOLVED**, that "the majority of Stockholders of The Philodrill Corporation, owning 55.93% of the Company's outstanding capital stock, approved and agreed to*

amend Article I, Sections 1 to 6, and Article III, Section 1 of the Company's By-Laws."

6. Election of Directors

   *"**RESOLVED**, that the following be elected as members of the Board of Directors of the Company, to serve as such beginning June 15, 2022 and until their successors are elected and qualified:*

   MR. ALFREDO C. RAMOS
   MRS. PRESENTACION S. RAMOS
   MR. ADRIAN PAULINO S. RAMOS
   MR. GERARD ANTON S. RAMOS
   MR. CHRISTOPHER M. GOTANCO
   MS. MAUREEN ALEXANDRA R. PADILLA
   MR. REYNALDO E. NAZAREA
   MR. HONORIO A. POBLADOR III (Independent)
   MR. NICASIO I. ALCANTARA (Independent)"

   With the vote of the Chairman, majority of the outstanding capital stock of the Company entitled to vote, had voted in favour of the proposal.

4.) Record of Voting results for each agenda item

There were 107,303,471,649 votes from stockholders owning or representing 55.93% of the outstanding capital stock of the Company entitled to vote, in favor of the approval of the minutes of the Annual Stockholders' Meeting held on June 15, 2022.

There were107,303,471,649 votes from stockholders owning or representing 55.93% of the outstanding capital stock of the Company entitled to vote, in favor of the approval of the Company's Annual Report and Audited Consolidated Financial Statements for the year ending December 31, 2021, as presented.

There were 107,303,471,649votes from stockholders owning or representing 55.93% of the outstanding capital stock of the Company entitled to vote, in favor of the Minutes of the meetings, and all acts and resolutions taken or adopted by the Board of Directors, Board Committees and Management since the Annual Meeting of Stockholders on June 15, 2022 up to the date of the 2023 Annual Stockholders' meeting.

A total of 107,303,471,649 presenting 55.93% of the Company's outstanding capital stock, approved by the Stockholders re voted in favor of all the proposed amendments.

There were 107,181,415,399 votes from stockholders owning or representing 55.86% of the outstanding capital stock of the Company entitled to vote, in favor of the appointment of the SyCip Gorres Velayo & Co. as external auditor of the Company for fiscal year 2022.

There were 107,303,471,649 votes from stockholders owning or representing 55.93% of the outstanding capital stock of the Company entitled to vote, in favor of the nine (9) elected Board of Directors of the Company, to serve as such beginning June 15, 2022and until their successors are elected qualified:

1. Mr. Alfredo C. Ramos
2. Ms. Presentacion S. Ramos
3. Mr. Adrian Paulino S. Ramos
4. Mr. Gerard Anton S. Ramos
5. Ms. Maureen Alexandra Ramos- Padilla
6. Mr. Christopher M. Gotanco
7. Mr. Reynaldo E. Nazarea
8. Mr. Nicasio I. Alcantara (Independent Director)
9. Mr. Honorio A. Poblador III (Independent Director)

5.) List of Directors or trustees, officers and stockholders or members who attended the meeting:

Directors

1. Mr. Alfredo C. Ramos
2. Ms.Presentacion S. Ramos
3. Mr. Adrian Paulino S. Ramos
4. Mr. Gerard Anton S. Ramos
5. Ms. Maureen Alexandra Ramos- Padilla
6. Mr. Christopher M. Gotanco
7. Mr. Reynaldo E. Nazarea
8. Mr. Nicasio I. Alcantara (Independent Director)
9. Mr. Honorio A. Poblador III (Independent Director)

Officers

10. Mr. Alessandro O. Sales
11. Atty. Adrian S. Arias
12. Ms. Jennifer P. Tombaga
13. Mr. Dennis V. Panganiban

14. Atty. Josephine L. Ilas

Stockholders

15. Mr.Jeciel J. Benavidez
16. Ms. Violeta B. De Leon
17. Mr. Rueben M. Gan
18. Ms. Mercedita S. Reyes
19. Mr. Pacifico Tombaga

6.B) List of Material Information on the current stockholders, and their voting rights

Please see attached Annex "B" for a complete list of registered Stockholders as of March 15, 2023.

Voting Right and Right to Participate at Stockholders Meetings

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

   Voting shall be by poll and the Company shall provide the mechanism to implement the same at every stockholders meeting.

ii. For the election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.

iii. The stockholders shall also have an opportunity during the stockholders' meeting to ask questions and raise their issues relevant to the agenda items. The minutes of the meeting shall record the shareholder questions and corresponding answers given by the directors and officers of the Company.

iv. The Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available. In addition, the Minutes of the Annual and Special Shareholders' Meeting is also made available on the Company website within five (5) business days from the end of the meeting.

6.F) Directors' Training and Continuing Education

The Company holds annual Corporate Governance seminars for its Directors and Officers. Due to the pandemic, the Company had its online webinar on September 27, 2022 with training provider Risk, Opportunities, Assessment and Management (ROAM), Inc. ROAM.

The following Directors attended the seminar:

- Alfredo C. Ramos
- Presentacion S. Ramos
- Adrian Paulino S. Ramos
- Gerard Anton S. Ramos
- Maureen Alexandra R. Padilla
- Christopher M. Gotanco
- Reynaldo E. Nazarea
- Honorio A. Poblador III

Our Independent Director, ***Mr. Nicasio I. Alcantara*** also completed and attended the virtual *"Corporate Governance"* seminar on November 24, 2022 conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc.

6.G) Directors Attendance Report

Director	No. of Meetings Attended	% of Attendance
1. Alfredo C. Ramos	4	100%
2. Presentacion S. Ramos	5	100%
3. Maureen Alexandra Ramos-Padilla	5	100%
4. Gerard Anton S. Ramos	5	100%
5. Adrian Paulino S. Ramos	5	100%
6. Christopher M. Gotanco	5	100%
7. Reynaldo E. Nazarea	5	100%
8. Honorio A. Poblador II	5	100%
9. Nicasio I. Alcantara	4	90%

Total no. of meetings for the year (2022): **5**

6.H) Appraisals and performance report for the board and the criteria and procedure for assessment.

The company recognizes that in order to sustain good corporate governance within the organization, the same sound culture must be upheld and cultivated from the top. It is therefore of paramount importance to monitor the governance structure and performance of the Board of Directors (the Board) and top management according to their roles, responsibilities and accountabilities.

It has been the policy and practice of the Company for its Board to conduct an Annual Self-Assessment exercise through a questionnaire given to each Director at the last regular meeting for the year, for the purpose of evaluating the performance of the Board that year and the effectiveness of the Company's governance processes, and seeking ways to improve such performance.

The Company continually review this assessment process to take into consideration leading practices in corporate governance. The self-rating form had been revised to cover appraisal of the Board as a governing unit, of individual directors, of the different Board Committees, and of management including the President.

The assessment criteria include the structure, efficiency, and effectiveness of the Board, participation and engagement of each director, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflects the specific duties, responsibilities, accountabilities of each party assessed as provided in the Company's By-Laws, Manual on Corporate Governance, Board Committee Charters and governing policies.

Moreover, the questionnaire allows the Director to provide the comments and suggestions to further enrich the assessment process. In case clarification is needed on this policy and the performance assessment exercise, the Board addresses their queries to the Compliance Officer.

Facilitated by the Corporate Secretary, the annual self-rating form is required to be accomplished and signed by each individual director, then submitted to the Office of the Corporate Secretary within 30 days from receipt of the form.

The Corporate Secretary collates the results of the assessment and reports the same to the Board at a subsequent regular meeting prior to the annual stockholders' meeting. The self-rating form may be further amended by the Office of the Corporate Secretary as deemed necessary, provided that the form remains compliant with the sound corporate governance standards and practices applicable law.

6.I) Directors Compensation Report

(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 Board of Directors are as follows:

Name	Year	Per Diem	Salaries	Profit Sharing	Other Compensation (SARS)	Total
Directors						
	2021	540,000	2,008,071		3,448,550	5,996,621
	2022	430,000	1,557,000	41,529		2,028,529
	2023 (estimate)	400,000	1,820,000			2,220,000

6.K) Directors' disclosures on self-dealing and related party transactions.

There were no transactions with Directors, Officers or any principal stockholders (owning at least 10% of the outstanding shares of the Company) that are not in the ordinary course of business of the Company for 2022. No related party transactions were entered into by any Director in 2022 that required review by the Audit Committee (acting as RPT Committee) and further approval by the Board in accordance with the RPT Policy of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

May 16, 2023.

ADRIAN S. ARIAS
Corporate Secretary

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)
8,534	06/16	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 24 2023
MARKET REGULATION DEPT.
BY:
TIME: 2:03

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: jptombaga@philodrill.com

Cc: jptombaga@philodrill.com

Date: Friday, April 28, 2023 at 10:37 AM GMT+8

Hi THE PHILODRILL CORPORATION,

Valid files

- EAFS000315612AFSTY122022.pdf
- EAFS000315612ITRTY122022.pdf
- EAFS000315612OTHTY122022.pdf
- EAFS000315612RPTTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-67E65KC503WQTVQ3ZMZYSTX4Q04TPZNPYW**
Submission Date/Time: **Apr 28, 2023 10:17 AM**
*Company TIN: **000-315-612***

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

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

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of The Philodrill Corporation and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders for the periods December 31, 2022 and 2021 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.

GERARD ANTON S. RAMOS
Chairman of the Board

ADRIAN PAULINO S. RAMOS
Chief Executive Officer/President

REYNALDO E. NAZAREA
Chief Financial Officer

Signed this 29th day of March 2023

SUBSCRIBED AND SWORN to before me this _____ day of 04 APR 2023 affiants exhibiting to me their Passport/Driver's license, as follows:

NAMES	PASSPORT/DL NO.	EXPIRATION DATE	PLACE OF ISSUE
Gerard Anton S. Ramos	P7752563A	June 29, 2028	DFA NCR South
Adrian Paulino S. Ramos	P6368801B	February 22, 2031	DFA NCR East
Reynaldo E. Nazarea	N15-78-009789	May 17, 2023	

Doc. No. 13
Page No. 4
Book No. 1
Series of 2023.

ATTY. JOSEPHINE C. LAPIGUERA - ILAS
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 0644-23 UNTIL 12-31-2024
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3131139/ MANDALUYONG CITY / 01-16-2023
IBP NO. 273594/01-06-2023/RSM CHAPTER
MCLE COMPLIANCE NO. VI-0030421/04-14-2022
ROLL NO. 44784

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Philodrill Corporation and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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, 2022, the carrying value of the Group's deferred oil exploration costs amounted to ₱604.3 million, net of allowance for unrecoverable deferred oil exploration costs amounting to ₱523.1 million. These deferred exploration costs pertain to the expenditures incurred in the exploration stage of the Group's oil and gas assets. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred oil exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred oil exploration costs would depend on the commercial viability of the oil reserves.

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

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

Audit Response

We obtained management's assessment on whether there is any indication that deferred oil exploration costs may be impaired. We reviewed the summary of the status of each exploration project as at December 31, 2022. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. For those concession areas where impairment indicators are present, we obtained the prospective financial information for the projects. We reviewed the underlying assumptions used in each probability scenario prepared by the management. We involved our internal specialist in evaluating the methodologies and the discount rates used. We compared the key inputs and assumptions used, including forecasted oil and gas prices, inflation rate, estimated volume of reserves, capital expenditures, and production and operating costs, against the historical performance of similar projects and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of deferred oil exploration costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 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, 2022 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.

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Building a better
working world

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

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

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91269-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023
PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱381,739,397	₱284,671,155
Receivables (Note 5)	241,643,133	297,676,638
Crude oil inventory (Note 6 and 7)	57,229,468	22,087,998
Other current assets	5,006,140	2,295,701
Total Current Assets	685,618,138	606,731,492
Noncurrent Assets		
Property and equipment (Note 8)	305,664,288	331,132,271
Investments in associates (Note 9)	899,335,155	842,476,859
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	69,632,048	82,011,591
Deferred oil exploration costs (Notes 7 and 11)	604,283,335	1,008,620,175
Deferred income tax assets - net (Note 20)	194,276,481	211,193,497
Other noncurrent assets	10,104,178	11,651,374
Total Noncurrent Assets	2,083,295,485	2,487,085,767
TOTAL ASSETS	₱2,768,913,623	₱3,093,817,259
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	₱12,732,272	₱5,228,428
Dividends payable (Note 22)	33,126,610	33,129,215
Income tax payable	–	30,665
Total Current Liabilities	45,858,882	38,388,308
Noncurrent Liabilities		
Provisions for Plug and Abandonment Costs (Notes 7 and 13)	34,366,961	25,396,556
Retirement benefit liability (Note 19)	1,822,139	16,329,125
Total Noncurrent Liabilities	36,189,100	41,725,681
Total Liabilities	82,047,982	80,113,989
Equity		
Capital stock (Note 14)	1,743,479,943	1,743,479,943
Paid-in capital from sale of treasury shares (Note 23)	1,624,012	1,624,012
Share in other comprehensive income of associates (Note 9)	55,497,116	26,480,535
Net unrealized loss on decline in value of financial assets at FVOCI (Note 10)	(41,014,602)	(28,635,059)
Remeasurement loss on retirement benefit liability (Note 19)	(42,514,811)	(38,373,698)
Retained earnings	969,793,983	1,309,127,537
Total Equity	2,686,865,641	3,013,703,270
TOTAL LIABILITIES AND EQUITY	₱2,768,913,623	₱3,093,817,259

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
SHARE IN PETROLEUM REVENUE (Note 7)	**₱237,488,580**	₱207,126,666	₱90,399,343
COSTS AND EXPENSES			
Share in costs and operating expenses (Notes 7 and 17)	**105,403,947**	139,477,198	99,359,760
General and administrative expenses (Note 18)	**64,922,351**	60,841,195	73,022,926
Depletion expense (Notes 7 and 8)	**48,261,960**	51,282,027	61,849,280
	218,588,258	251,600,420	234,231,966
OTHER INCOME (CHARGES)			
Provision for unrecoverable deferred oil exploration costs (Note 11)	**(423,754,823)**	–	(99,392,028)
Foreign exchange gains - net (Notes 4 and 7)	**40,613,540**	16,507,842	(20,584,242)
Share in net income of associates (Note 9)	**33,162,913**	38,045,728	17,313,017
Interest income (Notes 4 and 16)	**15,705,047**	12,304,629	14,251,810
Interest expense (Notes 13 and 19)	**(2,578,786)**	(2,236,159)	(2,683,927)
Dividend income (Note 10)	**1,263,730**	1,255,448	1,412,013
Provision for unrecoverable cost of property and equipment (Note 8)	**–**	–	(33,319,617)
Gain on sale of investment (Note 10)	**–**	4,542,611	–
Others - net	**(3,420,889)**	(115,068)	223,093
	(339,009,268)	70,305,031	(122,779,881)
INCOME (LOSS) BEFORE INCOME TAX	**(320,108,946)**	25,831,277	(266,612,504)
(PROVISION FOR) BENEFIT FROM INCOME TAX (Note 20)			
Current	**(927,221)**	(679,664)	(867,419)
Deferred	**(18,297,387)**	11,173,300	15,598,782
	(19,224,608)	10,493,636	14,731,363
NET INCOME (LOSS)	**(₱339,333,554)**	₱36,324,913	(₱251,881,141)
EARNINGS (LOSS) PER SHARE (Note 15)			
Basic/Diluted	**(₱0.0018)**	₱0.0002	(₱0.0013)

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET INCOME (LOSS)	**(₱339,333,554)**	₱36,324,913	(₱251,881,141)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive income (loss) of associates (Note 9)	**29,016,581**	(4,984,909)	(11,933,528)
Unrealized gains (losses) on financial assets at FVOCI (Note 10)	**(12,379,543)**	3,874,565	8,464,719
Remeasurement gains (loss) on retirement benefit liability, net of tax (Note 19)	**(5,521,484)**	4,510,162	(1,051,337)
Income tax effects	**1,380,371**	(1,353,049)	315,401
	12,495,925	2,046,769	(4,204,745)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱326,837,629)**	₱38,371,682	(₱256,085,886)

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Capital Stock (Note 14)	Paid-in Capital from Sale of Treasury Shares	Share in Other Comprehensive Income (Loss) of Associates (Note 9)	Net Unrealized Income (Loss) on Decline in Value of Financial Assets at FVOCI (Note 10)	Remeasurement Income (Loss) on Retirement Benefit Liability (Note 19)	Retained Earnings	Total
Balances at January 1, 2020	**₱1,743,352,467**	**₱1,624,012**	**₱43,398,972**	**(₱40,974,343)**	**(₱40,794,875)**	**₱1,524,683,765**	**₱3,231,289,998**
Net loss	–	–	–	–	–	(251,881,141)	(251,881,141)
Other comprehensive (income) loss	–	–	(11,933,528)	8,464,719	(735,936)	–	(4,204,745)
Total comprehensive (income) loss	–	–	(11,933,528)	8,464,719	(735,936)	(251,881,141)	(256,085,886)
Issuance of capital stock	252,352	–	–	–	–	–	252,352
Cancellation of subscription (Note 14)	(252,352)	–	–	–	–	–	(252,352)
Reversal of cancellation (Note 14)	1,300	–	–	–	–	–	1,300
Collection of subscription (Note 14)	126,176	–	–	–	–	–	126,176
Balances at December 31, 2020	**₱1,743,479,943**	**₱1,624,012**	**₱31,465,444**	**(₱32,509,624)**	**(₱41,530,811)**	**₱1,272,802,624**	**₱2,975,331,588**
Net income	₱–	₱–	₱–	₱–	₱–	₱36,324,913	₱36,324,913
Other comprehensive income (loss)	–	–	(4,984,909)	3,874,565	3,157,113	–	2,046,769
Total comprehensive income (loss)	–	–	(4,984,909)	3,874,565	3,157,113	36,324,913	38,371,682
Balances at December 31, 2021	**₱1,743,479,943**	**₱1,624,012**	**₱26,480,535**	**(₱28,635,059)**	**(₱38,373,698)**	**₱1,309,127,537**	**₱3,013,703,270**
Net loss	₱–	₱–	₱–	₱–	₱–	(₱339,333,554)	(₱339,333,554)
Other comprehensive income (loss)	–	–	29,016,581	(12,379,543)	(4,141,113)	–	12,495,925
Total comprehensive income (loss)	–	–	29,016,581	(12,379,543)	(4,141,113)	(339,333,554)	(326,837,629)
Balances at December 31, 2022	**₱1,743,479,943**	**₱1,624,012**	**₱55,497,116**	**(₱41,014,602)**	**(₱42,514,811)**	**₱969,793,983**	**₱2,686,865,641**

See accompanying Notes to Consolidated Financial Statements.

THE PHILODRILL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income (loss) before income tax	(₱320,108,946)	₱25,831,277	(₱266,612,504)
Adjustments for:			
Provision for unrecoverable deferred oil exploration costs (Note 11)	423,754,823	–	99,392,028
Depletion and depreciation expense (Note 8)	49,216,836	54,428,709	64,968,366
Share in net income of associates (Note 9)	(33,162,913)	(38,045,728)	(17,313,017)
Unrealized foreign exchange gains (losses) - net (Notes 4)	(32,586,052)	(16,507,842)	20,567,842
Movement in retirement benefit liability (Note 19)	(20,028,470)	(5,047,804)	5,062,422
Interest income (Notes 4 and 16)	(15,705,047)	(12,304,629)	(14,251,810)
Gain on sale of investments (Note 10)	–	(4,542,611)	–
Amortization of other deferred charges	2,409,099	2,009,308	2,118,512
Accretion expense (Note 13)	1,915,669	1,448,014	2,683,927
Dividend income (Note 10)	(1,263,730)	(1,255,448)	(1,412,013)
Provision for unrecoverable cost of property and equipment (Note 8)	–	–	33,319,617
Cancelled subscription of shares	–	–	(251,052)
Working capital changes:			
Decrease (increase) in:			
Receivables	56,033,505	(14,137,616)	(30,870,880)
Crude oil inventory	(35,141,470)	(7,616,222)	(6,793,134)
Other current assets	(2,710,439)	(87,666)	1,613,935
Increase (decrease) in accounts payable and accrued liabilities	7,503,844	(7,892,591)	5,947,780
Net cash used in operations	80,126,709	(23,720,849)	(101,829,981)
Income taxes paid, including creditable taxes applied	(957,886)	(697,474)	(1,032,829)
Interest received	15,705,047	12,186,593	5,917,313
Dividends received	6,584,929	8,840,886	14,715,014
Net cash flows from (used in) operating activities	101,458,799	(3,390,844)	(82,230,483)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to:			
Deferred oil exploration costs (Note 11)	(19,417,983)	(20,886,697)	(12,762,781)
Property and equipment (Note 8)	(9,639,381)	(2,109,921)	(7,785,286)
Other noncurrent assets	–	10,018,200	127,402
Financial assets at FVOCI (Note 10)	–	8,420,001	(1,042,344)
Advances to related party (Note 16)	–	–	(9,000,000)
Net cash flows used in investing activities	(29,057,364)	(4,558,417)	(30,463,009)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments of dividends (Note 14)	**(₱2,605)**	(₱8,520)	(₱5,963)
Issuance of stocks (Note 14)	**–**	–	252,352
Collection of subscription receivable (Note 14)	**–**	–	126,176
Net cash flows from (used in) financing activities	**(2,605)**	(8,520)	372,565
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,398,830**	(7,957,781)	(112,320,927)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**24,669,412**	19,356,067	(17,685,406)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**284,671,155**	273,272,869	403,279,202
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱381,739,397**	₱284,671,155	₱273,272,869

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of Financial Statements

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

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

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

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

The Parent Company, which is operating in 2 business segments, has two associates engaged in financial services and one associate which has significant holdings in mineral resources in the Philippines. The Parent Company and its associates have no geographical segments as they were incorporated and are operating within the Philippines. Financial information regarding these associates as at and for the years ended December 31, 2022 and 2021 is presented in Note 9.

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

	Principal activities	Country of incorporation	% equity/participating interest 2022	2021	2020
Subsidiary					
Philodrill Power Corporation (PPC)	Oil exploration and production	Philippines	**100.00**	100.00	100.00
Associates (Note 9)					
Atlas Consolidated Mining Development Corporation (ACMDC)	Mining	Philippines	**0.53**	0.53	0.53
Penta Capital & Investment Corporation (PCIC)	Finance, investments and brokerage	Philippines	**40.00**	40.00	40.00
Penta Capital Holdings, Inc. (PCHI)	Real estate, financial and securities transactions	Philippines	**13.21** ***11.82**	13.21 *11.82	13.21 *11.82

**Indirect ownership through PCIC*

(Forward)

	Principal activities	Location	% equity/participating interest 2022	2021	2020
Joint Operations (Note 7)					
SC-14 (Northwest Palawan):					
Block C-1 (Galoc)		Philippines	**10.17782**	10.17782	10.17782
Block C-2 (West Linapacan)		Philippines	**28.07000**	28.07000	28.07000
SC-6A (Octon)**		Philippines	***72.1662**	51.65000	51.65000
SC-6B (Bonita)****		Philippines	**58.18200**	17.45460	17.45460
SC-53 (Onshore Mindoro)		Philippines	**81.48000**	81.48000	81.48000
SC-74 (Linapacan)		Philippines	**25.00000**	25.00000	25.00000

***Relinquished and awaiting DOE's approval of service contract application*
**** Philodrill's participating interest in the new SC application*
***** DOA and Transfer of Operatorship to Nido Petroleum were approved by the DOE on 19 December 2022*

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

Authorization for Issuance of Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2022 and 2021 and for each of the three years ended December 31, 2022 were authorized for issue by the Board of Directors (BOD) on March 29, 2023.

2. Basis of Preparation and Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies,* if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

Deferred effectivity

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

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

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

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

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

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

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

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

a. Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash

flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Equity instruments designated at FVOCI are not subject to impairment assessment.

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

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

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

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

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

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

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

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PFRS 9 for impaired financial instruments.

b. Financial Liabilities

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

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

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

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

The Group's financial liabilities at amortized cost include trade and other payables, advances from a related party and lease liabilities. The Group did not have financial liabilities at fair value through profit or loss as at December 31, 2022 and 2021.

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

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

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

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right in the normal course of business, event of default and insolvency or bankruptcy of the Group and all of the counterparties to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

Deferred Oil Exploration Costs

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

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

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

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

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

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

Farm-ins and Farm-outs

In the exploration and evaluation (E&E) phase

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

Outside the E&E phase

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

<u>Retained Earnings</u>
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.

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

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

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

Dividends on Capital Stock

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

Revenue Recognition

Revenue from Contracts with Customers

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

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

Costs and Expenses

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

Share in Costs and Operating Expenses

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

OCI

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

Provisions

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

Provision for P&A costs
The Group's P&A liability where it has a present legal or constructive obligation as a result of past events, and it is possible that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells and platforms, and dismantling operating facilities. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related oil assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income under "Interest expense". Additional disturbances or changes in P&A costs will be recognized as additions or charges to the corresponding assets and P&A liability when they occur.

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

<u>Income Taxes</u>

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

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

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

Contingencies

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

Foreign Currency Transactions

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

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

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

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

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

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

The Group is a member in various joint arrangement operations in oil drilling. These arrangements are entered into with the Philippine Government through SCs and Geophysical Survey and Exploration Contracts (GSECs). As at December 31, 2022 and 2021, the Group's joint arrangements are in the form of joint operations (see Note 7).

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

As at December 31, 2022 and 2021, the Group has significant influence over its associates (see Note 9).

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

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

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

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

Information on the Group's trade and other receivables and ECL is provided in Note 5.

Estimating Oil Reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Service Contracts. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

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

An oil reserves estimate with a cut off period of December 31, 2022 was issued by the Group's competent person indicating a slight decrease in oil reserves estimate. The change in estimated oil reserve increased the 2022 depletion expense by ₱1.5 million.

Information on depletion expense of wells, platforms, and other facilities for the years ended December 31, 2022 and 2021 is provided in Notes 7 and 8.

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

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

Assessing Recoverability of Deferred Oil Exploration Costs
The Group assesses impairment on deferred oil exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Deferred oil exploration costs are reviewed for impairment whenever circumstances indicate that the carrying

amount of an asset may not be recoverable. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed in full from successful development or by sale.

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

- Estimated resources - which are based on oil resources reports based on the information gathered from seismic and geological data, analyses and evaluation activities;
- Discount rate of of 10.59% in 2022 and 8.69% in 2021 - which represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Group's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine pre-tax rate. The WACC takes into account both debt and equity. Adjustments to discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate; and
- Oil and gas prices of \$80 and \$6.5 in 2022 and \$76 and \$6.5 in 2021, respectively - which are estimated with reference to external market forecasts of Brent crude prices and Asia liquefied natural gas prices.

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

Information on the carrying values of deferred oil exploration costs and allowance for unrecoverable deferred oil exploration costs is provided in Note 11.

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amount of deferred income tax assets at each end of the reporting period and is adjusted accordingly to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies.

Information on the Group's unrecognized deferred income tax assets is provided in Note 20.

Estimating Provision for P&A Costs
Significant estimates and assumptions are made in determining the provision for P&A. Factors affecting the ultimate amount of liability include estimates of the extent and costs of P&A activities, technological changes, regulatory changes, cost increases, and changes in discount and foreign

exchange rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

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.

Information on the Group's recognized provision for P&A costs is provided in Note 13.

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

While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement obligations.

Information on the Group's recognized retirement benefit expense and related retirement benefit liability is provided in Note 19.

4. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	**₱32,140,959**	₱32,409,267
Short-term investments	**349,598,438**	252,261,888
	₱381,739,397	₱284,671,155

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 2022, 2021 and 2020 amounted to ₱5.6 million, ₱2.4 million and ₱4.4 million, respectively.

In 2022, 2021 and 2020, unrealized foreign exchange gains attributable to foreign-currency denominated cash and cash equivalents amounted to ₱24.7 million, ₱19.4 million and ₱17.7 million, respectively.

5. Receivables

	2022	2021
Advances to related parties (see Note 16)	₱230,885,564	₱226,129,564
Accrued interest from related parties (see Note 16)	24,072,093	26,031,447
Accounts with partners (see Note 7)	5,298,609	84,808
Accrued interest from banks	1,872,866	488,851
Accounts with contract operators (see Note 7)	–	65,476,992
Others	434,199	385,174
	262,563,331	318,596,836
Less allowance for ECL	20,920,198	20,920,198
	₱241,643,133	₱297,676,638

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

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

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

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.

6. Crude oil inventory

The crude oil inventories carried at NRV amounted to ₱57.2 million and ₱22.1 million as at December 31, 2022 and 2021, respectively (see Note 7). The cost of petroleum inventories recognized as expense and included in "Share in costs and operating expenses" amounted to ₱103.9 million, ₱127.9 million and ₱89.9 million in 2022, 2021 and 2020, respectively (see Note 17).

7. Interests in Joint Operations

The Group's participating interests (in percentage) in the different SCs as at December 31, 2022 and 2021 are as follows:

	Participating Interest (in percentage)	
Area	2022	2021
SC-14 (Northwest Palawan):		
Block C-1 (Galoc)	10.17782	10.17782
Block C-2 (West Linapacan)	28.07000	28.07000
SC-6A (Octon)*	**72.1662	51.65000
SC-6B (Bonita)***	58.18200	17.45460
SC-53 (Onshore Mindoro)	81.48000	81.48000
SC-74 (Linapacan)	25.00000	25.00000

**Relinquished and awaiting DOE's approval of service contract application*
*** Philodrill's participating interest in the new SC application*
**** DOA and Transfer of Operatorship to Nido Petroleum were approved by the DOE on 19 December 2022*

SC-14 C1 Galoc Block

Operations update

The total production for the year 2022 was 565,026 barrels, bringing the field's Total Cumulative Gross Field Production to 23,983,683 barrels of oil at the end of the year. Three (3) oil liftings (Cargoes #71, #72, and #73) were completed in the year with a total volume of 479,995 barrels.

NPG continued to manage the remaining production wells (G3, G5, and G6) in line with the End of Field Life (EOFL) management strategy. The G3 production cycle was shortened to less than half a day open, with an average oil rate of 35 BOPD, compared to its initial cyclic flow of 300 BOPD in 2019. The G3 well eventually showed signs of cessation in August. The well has since been placed into an extended shut-in and is being restarted from time to time to check for any signs of flow.

The validation work done by an independent reserves auditor on the GAP production modeling of 2019 has indicated well cessation dates beyond the license expiry date in December 2025 indicating Galoc EOFL in 2026, 2028, and 2029 based on the Low 2.66, Mid 3.52, and High 3.85 MMBO reserves case scenarios.

The Deed of Assignment (DOA), for the assignment of Kuwait Foreign Petroleum Exploration Company's withdrawn interest, and a Side Letter Agreement, for the settlement of liabilities between them and the joint venture was signed and made effective on April 30,2022. Under the DOA, The Parent Company's participating interest in the SC was increased from 7.21495% to 10.1778%. The DOA was formally approved by the DOE in October 2022. Towards the end of the year, Tamarin-owned NPG Pty. Ltd. replaced GPC as the operator of SC14C1 (Galoc).

Change in oil reserve estimate

An oil reserves estimate with a cut off period of December 31, 2022 was issued by the Group's competent person indicating a slight decrease in oil reserves estimate. The change in estimated oil reserve increased the 2022 depletion expense by ₱1.5 million.

SC-14 C-2 West Linapacan Block

The 2-phased technical assessment on West Linapacan B (WLB) was completed in early 2022. The study identified marginal reserves for WLB. The Joint Venture believes that even with the marginal reserves, joint development of WLA and WLB is still possible.

In October 2022, Nido Petroleum, a member of the SC 14C2 JV, submitted a farm-in proposal to increase its participating interest in the SC 14C2 block. As of December 2022, the farm-in agreement has yet to be finalized and the JV agreed to submit a provisional work program and budget to comply with the extended deadline on the submission of the 2023 Work Program & Budget given by the DOE.

SC-14 D Retention Block

In relation to the joint consideration approved by the SC-14 consortia for the abandonment and surrender of SC-14 Blocks A, B, B1, and D, a surrender notice was submitted to DOE last March 4, 2021. The relinquishment of the blocks was approved by the DOE on May 18, 2022.

The Group has recognized an allowance for unrecoverable deferred oil exploration costs for Retention Block amounting to ₱33.3 million as at December 31, 2022 (see Note 8).

SC-6A

The previous Joint Venture (JV) took a proactive decision of relinquishing SC6A in 2021. A new JV, with the Parent Company as the designated operator, is now in the process of applying for a new SC by nomination under the DOE's Philippine Conventional Energy Contracting Program (PCECP).

The surrender of the Service Contract (SC) was approved by the Department of Energy (DOE) on September 5, 2022. The Parent Company started working on the nomination/application process for a new service contract under the PCECP.

In a letter dated November 7, 2022, the DOE granted the Area Clearance for the nomination of the former SC 6A Block, the Area of Interest (AOI), with an area of 108,000 hectares. However, the AOI was subsequently increased to 160,000 hectares when portions of the adjacent SC74 block became available from their mandatory 25% area relinquishment.

A new Joint Application and Participation Agreement was executed by the joint venture partners without Alcorn and PetroEnergy. The new participating interests of the remaining Joint Venture members are as follows:

Joint Venture Members	Participating Interest (%)
Philodrill	72.1662
Anglo	14.1460
Forum	6.8439
PXP Energy	6.8439

The nomination of the AOI for a new SC application was approved by the DOE on February 23, 2023. The Parent Company was directed to proceed with the PCECP nomination/application process. In compliance with the DOE's directive, the Parent Company, on March 9, 2023, remitted PHP 200,000 to the DOE for the payment of the application fee, published the application in 2 broadsheet newspapers on March 15, 2023, and submitted the bid documents on March 17, 2023. Per DOE's schedule, the deadline of swiss challenge and opening of the bid will be on May 15, 2023.

Once the new service contract is granted, the Parent Company will continue its exploration activities in the norther portion of the area of interest where several prospects have been identified and are being matured for possible drilling and development. However, in the southern half of the area of interest, the development of Octon Discovery faces uncertainty. With its marginal resource, Octon Discovery has always been considered as a tie-back appraisal/development opportunity to the Galoc operations. With the Galoc field nearing its end of life, the opportunity to develop the Octon Discovery has significantly diminished, impairing the potential recovery of its share in the deferred oil exploration costs in the old SC6A. The Parent Company, therefore, recognized provision for unrecoverable deferred oil exploration costs amounting to ₱277.6 million in 2022 (see Note 11).

SC-6B

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

In February 2022, Nido entered a Farmin Agreement (FIA) with the rest of the JV to increase its equity in the SC. Under the FIA, Nido acquired an additional 63.637% to bring its PI to 72.727%. This is in consideration of Nido funding 100% of the costs and operating the planned Phased Redevelopment of the Cadlao Oil Field. Phase 1 of the redevelopment plan will entail the drilling and Extended Well Test of Cadlao-4, while the full-field redevelopment with the drilling of additional infill production wells and the installation of permanent facilities will comprise Phase 2. After the divestment of PI under the FIA, the Parent Company maintained a significant level of participation in the SC at 17.4546%.

Joint Venture Member	Participating Interest	
	Pre-FIA	Post-FIA
Philodrill	58.182%	17.4546%
Nido	9.090%	72.7270%
Oriental	16.364%	4.9092%
Alcorn	8.182%	2.4546%
Forum	8.182%	2.4546%
Total	100.000%	100.000%

The DOA was submitted to the DOE on April 12, 2022 and was approved on December 19, 2022. With the approval of the DOA, the operatorship of the SC was transferred to Nido. The JV is presently finalizing a new Joint Operating Agreement.

Under the approved 2022 Work Program & Budget, the drilling of the Cadlao-4 appraisal will immediately be followed by an Extended Well Test for six months. The drilling plan has been pushed back to the next year, 2023 because of the delay in the site survey for the well location and the availability rig to drill Cadlao-4.

The geophysical site survey originally scheduled in April 2022 was carried out on November 28, 2022, using the vessel Cassandra VI and completed on December 1, 2022. The marine vessel was able to survey a total of 10.5 sq. km. over the proposed Cadlao-4 location. As of year-end, Nido is still in search of a suitable jack-up rig for drilling.

SC-53

The Parent Company continued to progress its coordination with the National Commission on Indigenous People (NCIP) for the application of the Certificate of Non-Overlap (CNO) and Certification Precondition for the SC 53 project areas, Progreso and Cambayan, respectively, and to resolve the other permitting issues in the area.

The Certificate of Non-Overlap for the Progreso area was issued by the NCIP on December 6, 2022, and as the year ended, the Parent Company continued with the Free and Prior Informed Consent (FPIC) process for the Cambayan area. The Parent Company was also able to secure a copy of the Entry of Judgement/Certificate of Finality on the FAMATODI versus Pitkin (former operator of the service contract) case from the NCIP. The case was dismissed for lack of jurisdiction. The decision was rendered by Hon. Josefina S. Rodriguez-Agusti, presiding Regional Hearing Officer, on February 2, 2018, and has become final and executory on March 22, 2018. Further investigation also indicated that there is no pending case file against Pitkin in the NCIP Provincial Office.

Following the successful completion of Browse Energy's test reprocessing work on key seismic lines at the Cambayan and Progreso Prospects in Q1, a full reprocessing work on the rest of the seismic lines in the Progreso area was carried out in the 2nd half of 2022. Since the work was not contemplated on the approved 2022 Work Program & Budget, an amendment to the Work Program & Budget was submitted to the DOE and this was approved on August 17, 2022. The reprocessing work consisting of fourteen (14) seismic lines with a total length of 102.69 kilometers was completed by Browse at the end of the year with the submission of project deliverables expected by early January of 2023. The reprocessing work has significantly improved the quality of the seismic data which will be used to reinterpret and update the existing geologic model for the planned drilling of a well in Progresso.

SC 74

PXP Energy, under the approved 2022 WPB, engaged ERCE to conduct a third-party technical review and resource assessment of the Linapacan A & B fields and other nearby prospects and leads. ERCE commenced its evaluation and resource calculation over the Linapacan fields in February 2022. The study which took about two months to complete included a definitive combined development concept with the West Linapacan field and the project economics.

During the Phase 1 update meeting, ERCE discussed with PXP the challenges of developing the Linapacan A and B Fields and the South Linapacan Lead. Based on their review, Linapacan A is not advisable to develop due to the immobility of oil, low initial reservoir pressure, and the presence of very sour gas with extremely high H2S and CO2 measurements.

The South Linapacan structure, on the other hand, was interpreted as not closing towards the south based on mapping.

PXP completed the Technical Evaluation Study of the Linapacan Field with ERCE in June 2022. The appraisal/development strategy and economic analysis scopes of the study focused on the Linapacan B prospect since the results of the resource evaluation indicated that developing the two other prospects, Linapacan A and South Linapacan, are not viable.

The results of the economic analysis indicated that Linapacan B is uneconomic in terms of NPV10 for all recoverable resource cases (Low 0.35, Best 1.67, High 2.97 MMbbl) as the minimum economic field size required is 5.1 MMbbl.

In a partners' meeting in July, the JV agreed that the recovery factor used by ERCE in its assessment of Linapcan B is too low. The JV arrived at a consensus to undertake further studies on the potential development of Linapacan B with new technology and other development concepts, that were not considered in the ERCE study. The contemplated studies will focus on oil recovery enhancement (e.g., the use of artificial lift systems) in developing Linapacan B. The JV further agreed to request a 2-year Moratorium from the DOE during which period the technical studies will be undertaken.

The time under the Moratorium would allow the JV to formulate the appropriate technology needed to develop Linapacan B which would increase the production rate and, thus, the recoverable reserves. The request for the 2-year Moratorium was submitted to the DOE on August 8, 2022.

A deferment on the submission of the 2023 Work Program & Budget to early 2023 was also requested.

To comply with the required relinquishment provision of the SC, PXP submitted a relinquishment program of 25% of the contract area to the DOE on September 13, 2022. The relinquishment program wash was approved by the DOE on November 14, 2022.

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

	2022	2021
Current assets:		
Receivables (Note 5):		
Accounts with contract operators	₱–	₱65,476,992
Accounts with partners	5,298,609	84,808
Crude oil inventory (Note 6)	57,229,468	22,087,998
	62,528,077	87,649,798
Noncurrent assets:		
Property and equipment (Note 8)	300,525,298	325,413,280
Deferred oil exploration costs (Note 11)	604,283,336	1,008,620,175
	904,808,634	1,334,033,455
Current liabilities:		
Accounts with partners (Note 12)	(6,518,340)	(1,548,974)
Noncurrent liability:		
Provision for P&A costs (Note 13)	(34,366,961)	(25,396,556)

	2022	2021	2020
Revenue:			
Share in petroleum revenue	₱237,488,580	₱207,126,666	₱90,399,343
Cost of petroleum operations:			
Share in costs and operating expenses (Note 17)	(105,403,947)	(139,477,198)	(99,359,760)
Depletion (Note 8)	(48,261,960)	(51,282,027)	(61,849,280)
Other income (loss):			
Foreign exchange gains (losses) - net	10,784,517	(2,848,225)	(2,882,434)
	₱94,607,190	₱13,519,216	(₱73,692,131)

8. Property and Equipment

December 31, 2022	Wells, Platforms, and other Facilities (Note 7)	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:					
Beginning of year	₱1,161,253,641	₱18,961,929	₱13,887,100	₱8,015,016	₱1,202,117,686
Additions	9,264,506	–	79,900	294,975	9,639,381
Disposals	–	–	(4,981,000)	–	(4,981,000)
Adjustment to remeasure decommissioning asset (Note 13)	14,109,472	–	–	–	14,109,472
End of year	1,184,627,619	18,961,929	8,986,000	8,309,991	1,220,885,539
Accumulated depletion and depreciation:					
Beginning of year	802,520,744	13,752,856	13,686,067	7,706,131	837,665,798
Depletion (Note 7)	48,261,960	–	–	–	48,261,960
Depreciation (Note 18)	–	547,108	202,365	205,403	954,876
Reclass/ Write-off	–	–	(4,981,000)	–	(4,981,000)
End of year	850,782,704	14,299,964	8,907,432	7,911,534	881,901,634
Allowance for unrecoverable costs (Note 7)	33,319,617	–	–	–	33,319,617
Net book values	₱300,525,298	₱4,661,965	₱78,568	₱398,457	₱305,664,288

December 31, 2021	Wells, Platforms, and other Facilities (Note 7)	Office Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:					
Beginning of year	₱1,450,009,240	₱18,961,929	₱13,887,100	₱7,932,376	₱1,490,790,645
Additions	2,027,281	-	-	82,640	2,109,921
Reclass/ Write-off	(285,256,452)	-	-	-	(285,256,452)
Adjustment to remeasure decommissioning asset (Note 13)	(5,526,428)	-	-	-	(5,526,428)
End of year	1,161,253,641	18,961,929	13,887,100	8,015,016	1,202,117,686
Accumulated depletion and depreciation:					
Beginning of year	1,036,495,169	13,205,747	11,273,667	7,518,958	1,068,493,541
Depletion (Notes 7 and 18)	51,282,027	-	-	-	51,282,027
Depreciation (Notes 7 and 18)	-	547,109	2,412,400	187,173	3,146,682
Reclass/ Write-off	(285,256,452)	-	-	-	(285,256,452)
End of year	802,520,744	13,752,856	13,686,067	7,706,131	837,665,798
Allowance for unrecoverable costs (Note 7)	33,319,617	-	-	-	33,319,617
Net book values	₱325,413,280	₱5,209,073	₱201,033	₱308,885	₱331,132,271

For SC-14 C1 Galoc, depletion rates used in 2022, 2021 and 2020 are ₱834.8 per barrel, ₱777.4 per barrel and ₱858.4 per barrel, respectively.

As at December 31, 2022 and 2021, the carrying values of decommissioning assets amounted to ₱12.9 million and ₱0.9 million, respectively.

As at December 31, 2022 and 2021, the Group continues to utilize fully depreciated and depleted property and equipment with an aggregate acquisition cost of ₱24.5 million and ₱17.1 million, respectively.

9. Investments in Associates

	2022	2021
Penta Capital Investment Corporation (PCIC)	₱354,393,749	₱347,039,060
Penta Capital Holdings, Inc. (PCHI)	80,562,114	78,331,860
Atlas Consolidated Mining and Development Corporation (ACMDC)	464,379,292	417,105,939
	₱899,335,155	₱842,476,859

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

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

	2022	2021
Acquisition costs	₱633,485,090	₱633,485,090
Accumulated equity in net earnings:		
Beginning of year	182,511,234	152,050,944
Share in net income	33,162,913	38,045,728
Dividends	(5,321,198)	(7,585,438)
End of year	210,352,949	182,511,234
Accumulated share in OCI:		
Beginning of year	26,480,535	31,465,444
Share in OCI of associates	29,016,581	(4,984,909)
End of year	55,497,116	26,480,535
	₱899,335,155	₱842,476,859

Summarized financial statement information of ACMDC, PCIC and PCHI, based on their PFRSs financial statements, and a reconciliation with the carrying amount of the investment in the group's consolidated financial statements as at and for the years ended December 31, 2022, 2021 and 2020 (in thousands) are set out below:

	2022			2021			2020		
	ACMDC	PCIC	PCHI	ACMDC	PCIC	PCHI	ACMDC	PCIC	PCHI
Revenue from contract with customers	₱16,822,495	₱112,627	₱71,541	₱17,937,583	₱112,471	₱68,958	₱17,509,200	₱132,284	₱47,588
Costs and expenses	(16,511,122)	(73,426)	(21,085)	(12,281,339)	(74,157)	(29,321)	(13,366,206)	(89,044)	(17,666)
Other income (charges)	3,137,275	-	(21,807)	(1,230,621)	-	(5,660)	(3,029,626)	-	(3,055)
(Provision for) benefit from income tax	(230,562)	(8,115)	(1,767)	(564,038)	(7,822)	(3,337)	(998,709)	(10,177)	(559)
Net income (loss)	3,218,086	31,086	26,882	3,861,585	30,492	30,640	114,659	33,063	26,308
Group's share in net income	₱17,177	₱12,434	₱3,551	₱1,345	₱29,064	₱7,637	₱612	₱13,225	₱3,475
Other comprehensive income (loss)	₱5,082,233	₱28,387	₱–	₱1,094,033	₱2,097	₱–	(₱849,627)	(₱17)	₱–
Group's share in OCI	₱27,128	₱11,354	₱–	₱5,798	₱839	₱–	(₱11,927)	(₱7)	₱–

	2022			2021		
	ACMDC	PCIC	PCHI	ACMDC	PCIC	PCHI
Total current assets	₱3,223,087	₱891,427	₱468,527	₱3,671,713	₱743,972	₱453,833
Total noncurrent assets	64,225,715	267,227	132,023	62,521,801	374,837	136,808
Total current liabilities	5,468,206	210,265	17,975	6,739,856	187,012	19,508
Total noncurrent liabilities	18,169,704	21,627	-	20,849,647	23,422	-
Total equity	43,810,892	926,762	582,575	38,604,011	908,375	571,133
Proportion of net assets	232,198	370,705	76,970	206,069	363,350	75,447
Carrying amount of the investment	464,380	354,394	80,562	417,106	347,039	78,332

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

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

The associates had no contingent liabilities and capital commitments as at December 31, 2022 and 2021.

10. Financial Assets at FVOCI

	2022	2021
Quoted shares of stock	₱110,646,650	₱110,646,650
Net unrealized loss	(41,014,602)	(28,635,059)
	₱69,632,048	₱82,011,591

In 2021, the Group sold 300 million shares of investment in OPMC with a total carrying amount of ₱3.8 million for ₱8.4 million, which resulted to a gain on sale of ₱4.5 million. The Group received cash dividends from OPMC and Shang Properties totaling to ₱1.3 million and ₱1.2 million in 2022 and 2021, respectively.

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

	2022	2021
Beginning of year	₱28,635,059	₱32,509,624
Fair value changes during the year	12,379,543	(3,874,565)
End of year	₱41,014,602	₱28,635,059

11. Deferred Oil Exploration Costs

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

	2022	2021
Cost:		
Beginning	₱1,108,012,203	₱1,087,125,506
Additions	19,417,983	20,886,697
Ending	1,127,430,186	1,108,012,203
Accumulated impairment losses:		
Beginning	(99,392,028)	(99,392,028)
Impairment loss	(423,754,823)	–
Ending	(523,146,851)	(99,392,028)
Net book value	₱604,283,335	₱1,008,620,175

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.

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

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

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

The Contractors entered into several SCs with the Philippine Government, through the DOE, for the exploration, development and exploitation of the contract areas situated mostly in offshore Palawan where oil discoveries were made. The Group's present petroleum revenues and production costs and related expenses are from SC14C1 Galoc.

The aforementioned SC provides 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 SC 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 (see Note 7).

SC6A
Octon Discovery contains marginal resource, and its development has always been considered a tie-back to the Galoc operations. But since Galoc is nearing its end of life, the opportunity to develop the prospect has significantly diminished. Hence, the Group recognized provision for unrecoverable deferred oil exploration costs amounting to ₱277.6 million in 2022 (see Note 7).

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.

Since 2007, the Group's continued attempt to acquire equity in SCs 57 and 58 by swap or farm-in has been unsuccessful. In 2022, the Group's exploration group proposed that the Group should focus its resources on its more prospective and potentially less costly projects. The Group recognized an impairment loss of ₱99.4 million in 2020.

PCECP Area 7 Sulu Sea
In 2012, the Group and PXP Energy Corporation (PXP) submitted a joint bid for Area 15 that DOE offered for bidding under the 4th Philippine Energy Contracting Round (PECR4). Area 15 covers the old SC41 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 Organic Law. The Group, PXP and APHC would have likely participated in the PECR5 bidding if Area 15 was offered.

In November 2018, the DOE launched the PCECP for petroleum and coal. Under the PCECP, awarding of new service contracts is conducted either through a competitive bidding process or via nomination whereby the PCECP would allow participants to nominate prospective areas other than the 14 pre-determined areas offered by DOE. The Group, together with bid partner PXP, submitted on August 15, 2019, a joint bid over PCECP Area 7 in Sulu Sea, one of the 14 pre-determined areas on offer under PCECP. The joint application was found to be in order and satisfied the criteria set forth by the DOE. This was confirmed in writing by the DOE in September that the joint bid qualified for further substantive legal, financial, and technical evaluation. The DOE held in abeyance the awarding of a new service contract pending the complete organization of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and the implementation of its policies.

As of date of this report, the DOE has not sent any formal communication to the Group and PXP nor awarded any new service contract for PCECP Area 7. It is also uncertain under the new policies of BARMM, if the historical costs in the area will be recognized under the new service contract. The Group, therefore, recognized full provision for unrecoverable deferred oil exploration costs amounting to ₱146.1 million in 2022 and nil in 2021.

12. Accounts Payable and Accrued Liabilities

	2022	2021
Accounts with partners (Note 7)	₱6,518,340	₱1,548,974
Accruals for:		
Employee benefits	4,570,000	–
Professional fees	941,920	1,187,200
Others	220,167	1,374,539
Withholding taxes	358,030	995,668
Others	123,815	122,047
	₱12,732,272	₱5,228,428

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

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

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

Other payables mainly consist of statutory payables and are normally settled within 15 to 30 days.

13. Provisions for Plug and Abandonment Costs

	2022	2021
Beginning of year	₱25,396,556	₱26,711,755
Accretion of interest	1,915,669	1,448,014
Effect of translation adjustment	(7,054,736)	2,763,215
Effect of change in estimate (Note 8)	14,109,472	(5,526,428)
End of year	₱34,366,961	₱25,396,556

SC-14 Block C1 (Galoc)

Beginning October 1, 2016, the Group makes full provision for the future cost of decommissioning Galoc oil field on a discounted basis. The provision represents the present value of plug and abandonment 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 6.25% and 3.84% as at December 31, 2022 and 2021, respectively. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provision established, which could affect future financial results. In 2021, based on the Management's assessment, the Galoc oil field will still operate until year 2025 as compared to the original expectation of plug and abandonment in year 2022, this assumption resulted to a change in estimate amounting to ₱14.1 million.

In relation to the decommissioning liability, the Parent Company established a decommissioning fund equivalent to its current contribution to settle its share in the P&A costs of Galoc oil field. As at December 31, 2022 and 2021, the fund has a balance of ₱10.1 million and ₱9.2 million, which is recognized under "Other noncurrent assets". Foreign exchange loss on revaluation of the decommissioning fund was ₱0.9 million and ₱0.5 million in 2022 and 2021, respectively.

14. Equity

Capital Stock

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

On December 21, 2022, 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, 2023 instead of December 31, 2022.

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

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

As at December 31, 2022, the Group has 8,534 shareholders.

Retained Earnings
As at December 31, 2022, 2021, and 2020, undistributed earnings of associates amounting to ₱210,352,949, ₱182,511,234, and 152,050,944, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries, associates, and joint operations.

As at December 31, 2022 and 2021, the Group has unpaid dividends amounting to ₱33.1 million.

15. Earnings (Loss) Per Share

	2022	2021	2020
Net income (loss)	**(₱339,333,554)**	₱36,324,913	(₱251,881,141)
Weighted average number of common shares issued and outstanding during the year (Note 14)	**191,868,805,358**	191,868,805,358	191,868,738,808
Basic/Diluted Loss per share	**(₱0.0018)**	₱0.0002	(₱0.0013)

There were no dilutive shares as at December 31, 2022 and 2021.

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

16. Related Party Transactions

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

a. As at December 31, 2022 and 2021, 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	Accrued interest receivable	Terms	Condition
Stockholder						
Alakor	2022	₱–	₱169,000,000	₱6,906,661	To be settled in cash; collectible on demand; 3.58% interest; 4.75% from September 28, 2019 onwards	Unsecured, no impairment
	2021	₱–	₱169,000,000	₱9,845,178		
Under common stockholders						
Fil-Energy Corporation	2022	-	4,753,762	16,166,436	To be settled in cash; collectible on demand; non-interest bearing	Unsecured, fully impaired
	2021	-	4,753,762	16,166,436		Unsecured, fully impaired

(Forward)

Related Party		Volumes	Advances to related parties	Accrued interest receivable	Terms	Condition
United Paragon Mining Corporation	2022	₱–	₱1,376,802	₱–	To be settled in cash; collectible on demand; non-interest bearing	Unsecured, no impairment
	2021	₱320,963	₱1,376,802	₱–		
National Bookstore, Inc. (NBS)	2022	4,756,000	55,755,000	998,996	To be settled in cash; collectible on June 30, 2023 interest-bearing	Unsecured, no impairment
	2021	2,976,000	50,999,000	19,833		
Total (Note 5)	2022	₱4,756,000	₱230,885,564	₱24,072,093		
	2021	₱3,296,963	₱226,129,564	₱26,031,447		

The Company has ₱169.0 million advances to Alakor which bear interest rate of 4.75% per annum, fixed until full payment of the loan. The term of the loans are collectible upon demand.

The Company has $1.0 million (₱55.8 million) advances to National Bookstore, Inc. with an interest rate of 3.5% per annum, fixed until the full payment of loan. The maturity date of the loan is on June 30, 2023.

As at December 31, 2022 and 2021, intercompany receivables and payables eliminated during consolidation amounted to ₱8.4 million and ₱8.6 million, respectively. This pertains to non-interest-bearing advances made by the Parent Company to PPC, its wholly owned subsidiary.

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

	2022	2021	2020
Alakor	₱8,138,993	₱8,138,993	₱8,133,979
National Bookstore	1,933,549	1,751,764	1,761,006
	₱10,072,542	₱9,890,757	₱9,894,985

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

	2022	2021	2020
Short-term employee benefits	₱19,130,520	₱20,085,109	₱18,380,706
Post-employment benefits	6,413,302	5,326,420	6,371,571
	₱25,543,822	₱25,411,529	₱24,752,277

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

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

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

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

17. Share in Costs and Operating Expenses

	2022	2021	2020
Petroleum operations (Note 6)	₱103,942,774	₱134,884,214	₱94,766,776
Personnel costs	1,461,173	4,592,984	4,592,984
	₱105,403,947	₱139,477,198	₱99,359,760

Share in petroleum operations consist of the Group's share in the production costs, lifting and marketing fees, and other operating expenses of the SC-14 Nido, Matinloc, and North Matinloc and SC-14 C1 Galoc oil fields for 2019. For 2020, the sole source of the share in costs and operating expenses is from SC-14 C1 Galoc oil fields. The cost of petroleum inventories recognized as expense in 2022, 2021 and 2020 amounted to ₱103.9 million, ₱127.9 million and ₱89.9 million, respectively (see Note 6).

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

18. General and Administrative Expenses

	2022	2021	2020
Personnel costs	₱36,402,010	₱34,688,807	₱44,778,768
Entertainment, amusement and recreation	8,227,696	6,267,631	6,228,968
Transportation and travel	6,397,280	4,946,605	4,892,599
Supplies	3,898,159	2,989,481	3,015,717
Outside services	2,405,679	2,537,283	2,852,551
Insurance	1,438,734	1,472,709	1,585,510
Dues and subscriptions	1,392,346	1,416,821	1,510,805
Utilities	1,470,542	1,566,282	1,495,976
Depreciation (Note 8)	954,876	3,146,682	3,119,086
Repairs and maintenance	941,035	723,890	664,386
Rent	380,203	382,448	363,815
Taxes and licenses	228,226	236,071	188,006
Others	785,565	466,485	2,326,739
	₱64,922,351	₱60,841,195	₱73,022,926

Personnel costs include the following:

	2022	2021	2020
Salaries, allowance and bonuses	₱25,995,486	₱24,756,272	₱26,898,912
Employees, facilities and benefits	7,324,288	3,832,098	12,946,511
Pension expense (Note 19)	2,308,413	4,164,051	4,267,849
SSS, Med. and HDMF Premium	773,823	738,158	665,496
Provision for year-end expenses	–	1,198,228	–
	₱36,402,010	₱34,688,807	₱44,778,768

19. Retirement Benefit Liability

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

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

Changes in the net defined benefit liability in 2022 and 2021 follow:

2022										
		Net Benefit Cost in Profit or Loss				Remeasurements in Other Comprehensive Income				
	January 1, 2022	Current Service Cost	Net interest Cost (Income)	Subtotal	Benefits Paid	Actuarial Gain on Defined Benefit Obligation	Remeasurement Loss on Plan Asset	Subtotal	Contributions	December 31, 2022
Present value of defined benefit obligation	₱68,897,309	₱2,308,413	₱1,644,915	₱3,953,328	(₱38,269,614)	₱4,873,836	₱–	4,873,836	₱–	₱39,454,859
Fair value of plan asset	(52,568,184)	–	(981,798)	(981,798)	38,269,614	–	647,648	647,648	(23,000,000)	(37,632,720)
Net plan assets	₱16,329,125	₱2,308,413	₱663,117	₱2,971,530	₱–	₱4,873,836	₱647,648	₱5,521,484	(₱23,000,000)	₱1,822,139

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

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

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

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

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

	2022	2021
Cash	₱847	₱1,858
Fixed income securities:		
Government securities	31,245,440	45,638,324
Mutual funds	3,864,556	4,347,959
Corporate bonds	2,025,803	2,105,679
Equity securities	70,000	70,000
Accrued income receivables	457,322	468,054
Liabilities	(31,248)	(63,690)
	₱37,632,720	₱52,568,184

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

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

	2022	2021
Discount rate	7.00%	4.72%
Salary increase rate	2.00%	2.00%

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)	2022	2021	2020
Discount rates	+1%	₱37,972,780	₱66,992,700	₱109,393,578
	-1%	41,110,744	71,034,430	115,714,263
Salary increase rate	+1%	41,283,166	71,312,040	116,232,089
	-1%	37,797,683	66,701,740	108,842,692

The Group contributed ₱23.0 million to the defined benefit pension plan in 2022 and is expected to contribute ₱8.5 million in 2023.

Shown below is the maturity analysis of the undiscounted benefit payments:

Financial year	2022	2021
Within the next 12 months	₱14,390,215	₱29,750,282
Between 1 and 5 years	16,946,677	29,212,676
Between 5 and 10 years	18,044,973	18,500,984
Between 10 and 15 years	7,250,736	6,307,971
Between 15 and 20 years	9,335,812	8,307,701
More than 20 years	19,467,918	17,176,957
Total expected payments	₱85,436,331	₱109,256,571

The average duration of the defined retirement benefits liability as at December 31, 2022 and 2021 are 5.69 and 8.23 years, respectively.

20. Income Taxes

Current income tax

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

	2022	2021	2020
MCIT	₱495,121	₱106,807	₱211,122
Final taxes	432,100	572,857	656,297
	₱927,221	₱679,664	₱867,419

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

	2022	2021	2020
(Provision for) benefit from income tax computed at the statutory income tax rate	(₱80,027,237)	(₱6,457,819)	₱79,983,751
Add (deduct) tax effect of:			
Expired NOLCO	58,757,490	–	(17,498,503)
Nontaxable income	(25,220,993)	17,220,465	11,625,349
Movement in unrecognized deferred tax assets	24,826,230	–	(20,063)
Nondeductible expenses	2,778,240	(1,308,000)	(1,733,090)
Income subjected to final tax	(1,507,727)	1,831,984	1,414,968
Expired portion of excess MCIT over RCIT	737,289	(220,137)	(931,256)
Final taxes	432,100	(572,857)	(656,297)
Unrecognized NOLCO	–	–	(57,453,496)
(Provision for) benefit from income tax	(₱19,224,608)	₱10,493,636	₱14,731,363

Deferred income tax

Net deferred income tax assets represent the following:

	2022	2021
Deferred income tax assets on:		
Provision for impairment on deferred oil exploration cost	₱105,938,706	₱39,813,493
Net operating loss carry-over (NOLCO)	75,058,176	152,316,148
Provision for P&A costs	8,591,740	7,488,889
Unamortized past service cost	6,810,994	1,036,567
Provision for ECL on receivables	5,230,049	6,276,059
Unrealized foreign exchange loss	1,979,160	1,947,407
Excess of MCIT over RCIT	813,051	1,055,218
Retirement benefits	455,535	7,214,150
	204,877,411	217,147,931
Deferred income tax liabilities on:		
Unrealized forex gain	(7,364,553)	(4,780,154)
Decommissioning asset	(3,236,377)	(1,174,280)
	(10,600,930)	(5,954,434)
	₱194,276,481	₱211,193,497

The Group has unrecognized deferred income tax assets amounting to ₱99.3 million related to deferred oil exploration costs to SWAN Block and nil as at December 31, 2022 and 2021, respectively.

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

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

NOLCO			MCIT	
Year incurred	Year of Expiry	Amount	Year of Expiry	Amount
2019	2022	₱235,029,959	2022	₱737,289
2020	2025	195,497,024	2023	211,123
2021	2026	90,194,455	2024	106,807
2022	2025	14,541,223	2025	495,121
		535,262,661		1,550,340
Expired during the year		(235,029,959)		(737,289)
		₱300,232,702		₱813,051

21. Fair Value Measurement

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

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

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

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
Financial assets at FVOCI	**₱66,232,048**	**₱3,400,000**	**₱–**	**₱69,632,048**

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

As at December 31, 2022 and 2021, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

22. Financial Risk Management Objectives and Policies

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

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

Foreign Currency Risk

Foreign currency risk is the risk that the value of the Group's financial instruments will fluctuate because of changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents and receivables. The Group's foreign currency-denominated monetary assets as at December 31, 2022 and 2021 follow:

	2022		2021	
	US$	Peso Equivalent	US$	Peso Equivalent
Cash and cash equivalents (Note 4)	$6,059,876	₱337,868,375	$4,825,494	₱246,095,353
Receivables (Note 5)	1,093,150	60,948,554	2,297,405	117,165,358
Monetary assets	$7,153,026	₱398,816,929	$7,122,899	₱363,260,711

In translating the foreign currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are US$1.0 to ₱55.76 and ₱50.99 to $1.00 as at December 31, 2022 and 2021, respectively.

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

	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Income Tax
2022	₱1.33	₱9,513,524
	0.90	6,437,723
2021	₱0.42	₱2,981,681
	0.86	6,120,481

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

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business. Of the total trade receivables of the Group, 100.0% and 92.0% are concentrated with the Galoc Production Company as at December 31, 2022 and 2021, respectively.

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

	2022	2021
Amortized costs:		
Cash in banks and cash equivalents	₱381,713,821	₱284,641,975
Receivables	241,643,133	297,676,638
Financial assets at FVOCI	69,632,048	82,011,591
Decommissioning fund under "Other noncurrent assets"	10,104,179	9,242,274
	₱703,093,181	₱673,572,478

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

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

The aging analysis of financial assets follows:

	2022					
		Days Past Due				
	Current	60 Days	180 Days	More than 180 Days	ECL	Total
Cash and cash equivalents*	₱381,713,821	₱–	₱–	₱–	₱–	₱381,713,821
Receivables:						
Advances to related parties	224,755,000	–	–	1,376,802	4,753,762	230,885,564
Accounts with contract operators	–	–	–	–	–	–
Accrued interest	2,871,864	681,627	1,340,955	4,884,077	16,166,436	25,944,959
Others	5,732,808		–	–	–	5,732,808
Financial assets at FVOCI	69,632,048	–	–	–	–	69,632,048
Other noncurrent assets	10,104,179	–	–	–	–	10,104,179
	₱694,809,720	₱681,627	₱1,340,955	₱6,260,879	₱20,920,198	₱724,013,379

**Excluding cash on hand of ₱25,376*

	2021					
		Days Past Due				
	Current	60 Days	180 Days	More than 180 Days	ECL	Total
Cash and cash equivalents*	₱284,641,975	₱–	₱–	₱–	₱–	₱284,641,975
Receivables:						
Advances to related parties	219,999,000	–	–	1,376,802	4,753,762	226,129,564
Accounts with contract operators	65,476,992	–	–	–	–	65,476,992
Accrued interest	508,684	675,207	1,328,115	7,841,856	16,166,436	26,520,298
Others	369,052	–	–	100,930	–	469,982
Financial assets at FVOCI	82,011,591	–	–	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	–	–	9,242,274
	₱662,249,568	₱675,207	₱1,328,115	₱9,319,588	₱20,920,198	₱694,492,676

**Excluding cash on hand of ₱29,179*

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

Credit risk under general and simplified approach

	2022				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents*	₱381,713,821	₱–	₱–	₱–	₱381,713,821
Receivables:					
Advances to related parties	226,131,802	–	4,753,762	–	230,885,564
Accounts with contract operators	–	–	–	–	–
Accrued interest	9,778,523	–	16,166,436	–	25,944,959
Others	5,732,808	–	–	–	5,732,808
Financial assets at FVOCI	69,632,048	–	–	–	69,632,048
Other noncurrent assets	10,104,179	–	–	–	10,104,179
	₱703,093,181	₱–	₱20,920,198	₱–	₱724,013,379

**Excluding cash on hand of ₱25,576*

	2021				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents*	₱284,641,975	₱–	₱–	₱–	₱284,641,975
Receivables:					
Advances to related parties	221,375,802	–	4,753,762	–	226,129,564
Accounts with contract operators	–	–	–	65,476,992	65,476,992
Accrued interest	10,353,862	–	16,166,436	–	26,520,298
Others	469,982	–	–	–	469,982
Financial assets at FVOCI	82,011,591	–	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	–	9,242,274
	₱608,095,486	₱–	₱20,920,198	₱65,476,992	₱694,492,676

**Excluding cash on hand of ₱29,179*

Liquidity Risk

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

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

2022	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	₱12,374,242	₱–	₱–	₱12,374,242
Dividends payable	33,126,610	–	–	33,126,610
	₱45,500,852	₱–	₱–	₱45,500,852

**Excluding government payables*

2022	Less than three months	Three to twelve months	More than twelve months	Total
Financial assets				
Cash in banks and cash equivalents	₱381,713,821	₱–	₱–	₱381,713,821
Receivables	241,643,133	–	20,920,198	262,563,331
Financial assets at FVOCI	69,632,048	–	–	69,632,048
Other noncurrent assets	10,104,179	–	–	10,104,179
	₱703,093,181	₱–	₱20,920,198	₱724,013,379

2021	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	₱4,232,760	₱–	₱–	₱4,232,760
Dividends payable	33,129,215	–	–	33,129,215
	₱37,361,975	₱–	₱–	₱37,361,975

***Excluding government payables*

2021	Less than three months	Three to twelve months	More than twelve months	Total
Financial assets				
Cash in banks and cash equivalents	₱284,641,975	₱–	₱–	₱284,641,975
Receivables	297,676,638	–	20,920,198	318,596,836
Financial assets at FVOCI	82,011,591	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	9,242,274
	₱673,572,478	₱–	₱–	₱694,492,676

Changes in liabilities arising from financing activities

	2022			
	January 1	Cash flows	Others	December 31
Dividends	₱33,129,215	(₱2,605)	₱–	₱33,126,610

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

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

Market Risk

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

Equity Price Risk

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

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

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

	Percentage Change in PSEi	Effect on Equity
2022	**+20.58%**	**₱10,524,267**
	-20.58%	**(10,524,267)**
2021	+18.60%	₱14,093,109
	-18.60%	(14,093,109)

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

23. Capital Management

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

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

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

	2022	2021
Capital stock	**₱1,743,479,943**	₱1,743,479,943
Additional paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
Net unrealized loss on decline in value of available-for-sale financial assets	**(41,014,602)**	(28,635,059)
Share in other comprehensive income of associate	**55,497,116**	26,480,535
Remeasurement of Retirement in OCI	**(42,514,811)**	(38,373,698)
Retained earnings	**969,793,983**	1,309,127,537
	₱2,686,865,641	₱3,013,703,270

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

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

	2022	2021
Total liabilities	₱82,047,982	₱80,113,989
Equity	2,686,865,641	3,013,703,270
Debt-to-Equity Ratio	**0.03:1**	0.03:1

24. Segment Information

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

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

	2022			
	Oil and Gas	**Power**	**Elimination**	**Total**
Consolidated revenue				
External customers	**₱237,488,580**	**₱–**	**₱–**	**₱237,488,580**
Share in costs and operating expenses	**(105,403,947)**	**–**	**–**	**(105,403,947)**
General and administrative expenses	**(64,854,911)**	**(67,440)**	**–**	**(64,922,351)**
	(170,258,858)	**(67,440)**	**–**	**(170,326,298)**
Share in net income of associates	**33,162,913**	**–**	**–**	**33,162,913**
Foreign exchange gains - net	**40,613,540**	**–**	**–**	**40,613,540**
Dividend income	**1,263,730**	**–**	**–**	**1,263,730**
Provision for unrecoverable deferred oil	**(423,754,823)**	**–**	**–**	**(423,754,823)**
Other charges - net	**(3,414,484)**	**(6,405)**	**–**	**(3,420,889)**
Income (loss) before interest, taxes, depreciation and depletion	**(284,899,402)**	**(73,845)**	**–**	**(284,973,247)**
Interest income	**15,705,047**	**–**	**–**	**15,705,047**
Interest expense	**(2,578,786)**	**–**	**–**	**(2,578,786)**
Depreciation and depletion	**(48,261,960)**	**–**	**–**	**(48,261,960)**
Loss before income tax	**(320,035,101)**	**(73,845)**	**–**	**(320,108,946)**
Provision for income tax	**(19,224,608)**	**–**	**–**	**(19,224,608)**
Net income (loss)	**(₱339,259,709)**	**(₱73,845)**	**₱–**	**(₱339,333,554)**
Segment assets	**₱2,777,848,697**	**₱8,424,689**	**(₱17,359,763)**	**₱2,768,913,623**
Segment liabilities	**(₱90,441,311)**	**(₱31,360)**	**₱8,424,689**	**(₱82,047,982)**
Other disclosures:				
Investment in associates	**₱899,335,155**	**₱–**	**₱–**	**₱899,335,155**
Capital expenditure	**29,058,364**	**–**	**–**	**29,058,364**

	2021			
	Oil and Gas	Power	Elimination	Total
Consolidated revenue				
External customers	₱207,126,666	₱–	₱–	₱207,126,666
Share in costs and operating expenses	(139,477,198)	–	–	(139,477,198)
General and administrative expenses	(60,777,412)	(63,783)	–	(60,841,195)
	(200,254,610)	(63,783)	–	(200,318,393)
Share in net income of associates	38,045,728	–	–	38,045,728
Foreign exchange gains - net	16,507,842	–	–	16,507,842
Dividend income	1,255,448	–	–	1,255,448
Gain on sale of investment	4,542,611	–	–	4,542,611
Other charges - net	(113,158)	(1,910)	–	(115,068)
Income before interest, taxes, depreciation and depletion	67,110,527	(65,693)	–	67,044,834
Interest income	12,304,629	–	–	12,304,629
Interest expense	(2,236,159)			(2,236,159)
Depreciation and depletion	(51,282,027)	–	–	(51,282,027)
Income (loss) before income tax	25,896,970	(65,693)	–	25,831,277
Benefit from income tax	10,493,636	–	–	10,493,636
Net income (loss)	₱36,390,606	(₱65,693)	₱–	₱36,324,913
Segment assets	₱3,102,752,333	₱8,511,974	(₱17,447,048)	₱3,093,817,259
Segment liabilities	(₱88,581,163)	(₱44,800)	₱8,511,974	(₱80,113,989)
Other disclosures:				
Investment in associates	₱842,476,859	₱–	₱–	₱842,476,859
Capital expenditure	22,996,618	–	–	22,996,618

25. Contingent Liability

On May 23, 2011, Vulcan Industrial and Mining Company (VIMC) assigned its participating interest in SC-6 Block A to the Parent Company by executing a Deed of Assignment and Assumption in exchange for the Parent Company's receivable from VIMC and cash. This was approved by the DOE on October 17, 2011. In relation to this, the Parent Company is contingently liable for ₱25,499,000 ($500,000) which is payable within 60 days from the date of commercial discovery in the contract area. On March 31, 2021, the joint venture submitted to the DOE the Notice of Surrender of the SC which was later approved in September 2022. On February 23, 2023, the nomination of the AOI for a new SC application was approved by DOE (see Note 7).

26. Events after the Reporting Period

Application for a new Service Contract

On January 9, 2023, the Parent Company submitted a request for an Area Clearance over the area of interest covering 160,000 hectares in Northwest Palawan for nomination to the PCECP.

On January 26, 2023, the DOE granted the Area Clearance and advised the Parent Company to submit a Letter of Intent, a copy of the Certification Letter, a Verification Report, and a Location Map to proceed with the nomination and/or application process for the said area of interest.

On February 15, 2023, the required documents were submitted to the DOE and subsequently approved the nomination of the AOI on February 23, 2023.

The Parent Company was directed to proceed with the PCECP nomination/application process. In compliance with the DOE's directive, the Parent Company, on March 9, 2023, paid the application fee, published the application in two (2) broadsheet newspapers on March 15, 2023, and submitted the bid documents on March 17, 2023. Per DOE's schedule, the deadline of swiss challenge and opening of the bid will be on May 15, 2023.

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT 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 consolidated financial statements of The Philodrill Corporation (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91269-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023
PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023

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6760 Ayala Avenue
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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of The Philodrill Corporation as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated March 29, 2023. 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
Tax Identification No. 178-486-845
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023

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

SUPPLEMENTARY SCHEDULES

Report of Independent Auditor's on Supplementary Schedules

I. Reconciliation of Retained Earnings Available for Dividend Declaration
II. Schedule Showing Financial Soundness
III. Map of the relationships of the companies within the group
IV. Supplementary schedules required by Annex 68-J

  A. Financial Assets
  B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
  C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Share in Other Comprehensive Income Financial Statements
  D. Long-Term Debt
  E. Indebtedness to Related Parties
  F. Guarantees of Securities of Other Issuers
  G. Capital Stock

SCHEDULE I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2022

THE PHILODRILL CORPORATION

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

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning of the year*		₱915,027,284
Add: Net loss actually incurred during the period		
Net loss during the period closed to Retained Earnings	(367,101,422)	
Less: Non-actual/unrealized income net of tax:		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(29,458,212)	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Decrease in deferred tax assets	10,890,149	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	(385,669,485)	
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		**(385,669,485)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱529,357,799**

SCHEDULE II

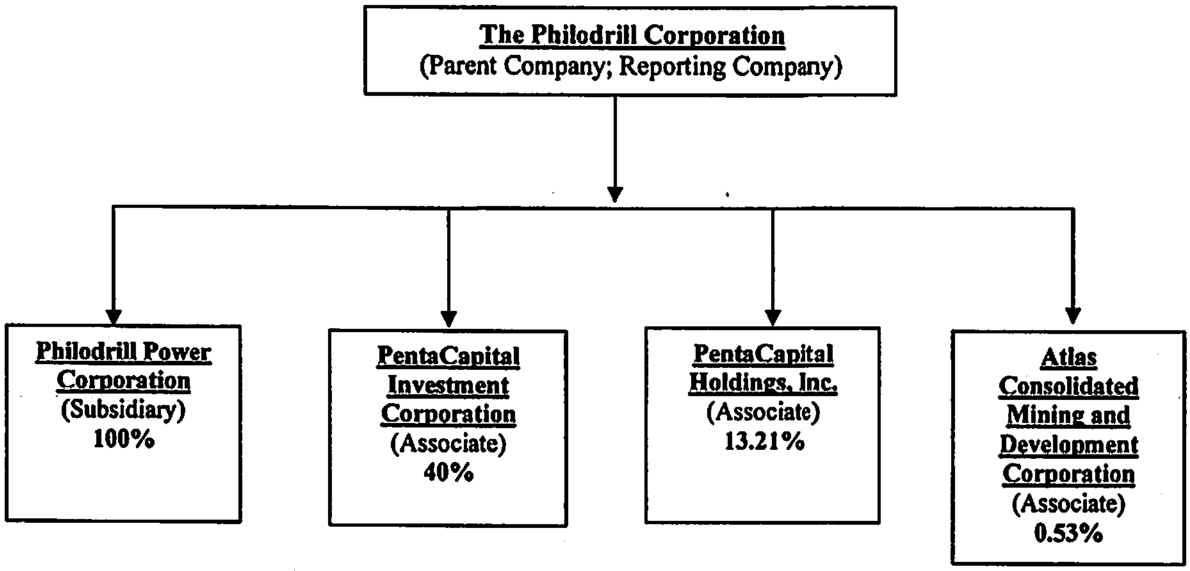
THE PHILODRILL CORPORATION AND SUBSIDIARY COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED DECEMBER 31, 2022

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2022, 2021 and 2020:

	Formula	2022	2021	2020
Profitability Ratios:				
Return on assets	Net income/(loss) Total assets (339,333,554) 2,768,913,623	(12.26%)	1.17%	(8.19%)
Return on equity	Net income/(loss) Total equity (339,333,554) 2,686,865,641	(12.63%)	1.21%	(8.47%)
Gross profit margin	Gross Profit: (Share in petroleum revenue– share in costs and operating expenses – depletion expense) Share in petroleum revenue 83,822,673 237,488,580	35.30%	7.90%	(78.33%)
Net profit margin	Income (loss) before income tax Share in petroleum revenue (320,108,946) 237,488,580	(134.79%)	12.47%	(294.93%)
Liquidity Ratios:				
Current ratio	Current assets Current liabilities 685,618,138 45,858,882	14.95:1.00	15.81:1.00	12.40:1.00
Quick ratio	Cash and cash equivalents + receivables Current liabilities 623,382,530 45,858,882	13.59:1.00	15.17:1.00	12.08:1.00
Financial Leverage Ratios:				
Asset to equity ratio	Total assets Total equity 2,768,913,623 2,686,865,641	1.03:1.00	1.03:1.00	1.03:1.00
Debt to equity ratio	Total liabilities Total equity 82,047,982 2,686,865,641	0.03:1.00	0.03:1.00	0.03:1.00

SCHEDULE III

THE PHILODRILL CORPORATION AND SUBSIDIARY
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2022



SCHEDULE IV-A

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

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	₱381,713,821	₱5,593,397
Receivables			
Advances to related parties	N/A	226,131,802	10,072,542
Advances with contract operators	N/A	–	–
Accrued interest	N/A	25,944,959	25,944,959
Others	N/A	5,732,808	–
Financial assets at FVOCI			
Vulcan Industrial and Mining Company	3,100,000	2,480,000	–
United Paragon Mining Corporation	6,839,068,254	36,930,968	–
Camp John Hay Golf Club	17	5,100,000	–
Oriental Petroleum and Minerals Corporation	2,460,800,000	24,608,000	–
Shang Properties, Inc.	202,000	513,080	–
Decommissioning fund under "Other noncurrent assets"	N/A	10,104,179	–

SCHEDULE IV-B

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

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

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off/Fair Value Adjustment	Current	Noncurrent	Balance at end period
Advances to related parties							
Alakor Corporation	₱169,000,000	₱–	₱–	₱–	₱169,000,000	₱–	₱169,000,000
Fil-Energy Corporation (San Jose Oil)	4,753,762	–	–	–	4,753,762	–	4,753,762
United Paragon Minerals Corporation	1,376,802	–	–	–	1,376,802	–	1,376,802
National Bookstore	50,999,000	–	–	4,756,000	55,755,000	–	55,755,000

SCHEDULE IV - C

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

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

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Amounts Written off	Current	Noncurrent	Balance at end period
Philodrill Power Corp. (Wholly-owned subsidiary)	₱8,510,791	₱–	₱86,102	₱–	₱8,424,689	₱–	₱8,424,689

SCHEDULE IV - D

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

SCHEDULE D. LONG-TERM DEBT

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

SCHEDULE IV - E

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

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

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

SCHEDULE IV - F

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

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

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

THE PHILODRILL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	200,000,000,000	191,868,805,358	-	100,859,094,943	858,102,111	90,151,608,304

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

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

0 3	3 1	SEC Form 17-Q (March 2023)	0 6	2 1
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

	Total Amount of Borrowings	
8 5 4 9	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 March 31, 2023

2. SEC Identification Number: 38683

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

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

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

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

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

9. Not Applicable

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

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

Amount of Debt 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 1st quarter ended 31 March 2023 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.

2. Interim Statements of Operations for the current interim period (01 January to 31 March 2023), with comparative Statement of Operations for the comparable period (01 January to 31 March 2022) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 31 March 2023), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 31 March 2022) are attached to this report.

4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 31 March 2023), as well as the basis of computation thereof.

5. The Company's interim financial report for the 1st quarter 2023 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.

6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 31 March, 2023) as compared with the most recent annual financial statements (2022), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.

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

8. There were NO unusual items during the interim period (01 January to 31 March 2023), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.

9. There were NO changes in the estimates of amounts reported in prior financial year (2022), which had a material effect in the current interim period (01 January to 31 March, 2023).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to March 31, 2023).

11. For the period January 1 to March 31, 2023, NO cash dividends were declared by the Board of Directors.

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

13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to March 31, 2023) that have not been reflected in the financial statements for said interim period.

14. There were NO changes in the composition of the Company during the interim period (January 1 to March 31, 2023) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.

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

16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to March 31, 2023).

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

Financial Performance
Total revenues for the first quarter ended March 31, 2023 decreased by ₱14.0 million or 19% to ₱59.0 million from ₱73.0 million for the same period last year. Petroleum revenues decreased by ₱14.4 million or 22% to ₱51.9 million from ₱66.3 million for the same period last year. The decrease was brought mainly by the decrease in crude prices for the first quarter of 2023 as compared to the same period last year. The combined gross production decreased to 127,020 barrels for the first quarter ended March 31, 2023, from 143,935 barrels produced for the same period last year. The average price per barrel decreased to $78.6 for the period ended March 31, 2023 as compared to $94.0 for the same period last year. Equity in net earnings of associates decreased by ₱0.6 million. Interest income increased by ₱1.3 million.

Total costs and expenses net of foreign exchange gains/losses increased by ₱18.6 million from ₱56.2 million for the first quarter of 2022 to ₱74.8 million for the first quarter of 2023.

Operating costs increased by 11%. Foreign exchange loss amounted to ₱9.6 million for the first quarter of 2023 as compared foreign exchange gain of ₱5.1 million for the same period last year. The company's net loss after tax amounted to ₱0.9 million for the first quarter of 2023 as compared net income of ₱3.0 million for the same period last year.

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

	March 31 , 2023	December 31, 2022
Current Ratio	*16.62 : 1*	*14.95 : 1*
Current Assets	666,697,330	685,618,138
Current Liabilities	40,117,355	45,858,882
Debt to Equity Ratio	*0.03 : 1*	*0.03 : 1*
Total Liabilities	74,484,316	82,047,982
Stockholders Equity	2,686,956,901	2,686,865,641
Equity to Debt Ratio	*36.07 : 1*	*32.75 : 1*
Stockholders Equity	2,686,956,901	2,686,865,641
Total Liabilities	74,484,316	82,047,982
Book Value per Share	*0.0140*	*0.0140*
Stockholders Equity	2,686,956,901	2,686,865,641
Shares outstanding	191,868,805,358	191,868,805,358
Earnings (Loss) per Share	*0.000005*	*0.000016*
Net Income (Loss)*	(941,027)	303909
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to March 31*

The current ratios as of December 31, 2022 and March 31, 2023 are 14.95:1 and 16.62:1, respectively. The Company's current assets exceeded its current liabilities by ₱626.58 million and ₱639.76 million as of March 31, 2023 and December 31, 2022, respectively. The "Financial assets at fair value through other comprehensive income (FVOCI)" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of ₱70.7 million as of March 31, 2023 and ₱69.6 million as of December 31, 2022. If these shares would be considered part of Current Assets, the recomputed current ratio would be 18.38:1 as of March 31, 2023 and 16.47:1 as of December 31, 2022.

Total assets decreased from ₱2.769 billion as of December 31, 2022 to ₱2.761 billion as of March 31, 2023. Cash and cash equivalents reflected a net decrease of ₱10.1 million or 3% due to the payments of accrued expenses. Receivables decreased by ₱1.2 million. Crude oil inventory decreased by ₱7.1 million or 12% due to lower price of crude oil on storage as of March 31, 2023. Other current assets decreased by ₱0.5 million due to the amortization of prepaid expenses. Property and equipment reflected a net decrease of ₱10.9 million to ₱294.7 million as of March 31, 2023 mainly due to the booking of depletion and depreciation costs. Financial assets at FVOCI increased by ₱1.0 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs increased by ₱1.8 million due to additional project costs. Deferred tax assets increased by ₱15.5 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Total liabilities decreased by ₱7.6 million from ₱82.0 million as of December 31, 2022 to ₱74.5 million as of March 31, 2023.

Stockholders' equity remained at ₱2.687 billion as of December 31, 2022 and March 31, 2023. For the first quarter, an adjustment for the decline in value of financial assets at FVOCI of ₱1.0 million in the valuation reserve of the company's listed stock investments was booked. As of March 31, 2023, net unrealized loss on the decline in value of financial assets at FVOCI amounted to ₱40.0 million as compared to ₱41.0 million as of December 31, 2022. The company's retained earnings amounted to ₱0.969 billion as of March 31, 2023 as compared to ₱0.970 billion as of December 31, 2022.

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

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

Discussion and Analysis of Material Events and Uncertainties

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

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

    a) collecting a portion of Accounts Receivables;
    b) selling a portion of its existing investments and assets;
    c) generating cash from loans and advances; and
    d) issuing subscriptions call on the balance of the subscriptions receivable.

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

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, EXCEPT those disclosed in Note 25 to the Company's 2022 Audited Financial Statements.

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

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

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

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

   Cash and cash equivalents reflected a net decrease of ₱10.1 million or 3% mainly due to the payment of accrued expenses and restatement of dollar denominated accounts.

   Crude oil inventory decreased by ₱7.1 million or 12% due to the lower price of crude oil on storage as of end of the interim period.

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

   Property and equipment reflected a decrease of ₱10.9 million to ₱294.7 million as of March 31, 2023 due to the booking of depletion and depreciation costs.

   Financial assets at FVOCI increased by ₱1.0 million or 2% due to the adjustment in the valuation reserve of the company's listed stock investments.

   Deferred tax assets increased by ₱15.5 million due to adjustments in the recognition of deferred tax assets as of end of the interim period.

   Other noncurrent assets increased by P0.8 million or 8% due to the pension asset booked as of end of the interim period.

Accounts payable and accrued liabilities reflected a ₱5.7 million decrease due to the payments of accrued expenses during the interim period.

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

Net unrealized loss on the decline in value of financial assets at FVOCI as of December 31, 2022 amounted to ₱41.0 million. For the interim period, ₱1.0 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of March 31, 2023, net unrealized loss on the decline in market value of financial assets at FVOCI amounted to ₱40.0 million.

The company's retained earnings amounted to ₱0.969 billion as of March 31, 2023 as compared to ₱0.970 billion as of December 31, 2022. The slight decrease of ₱0.9 million was due to the net loss booked for the first quarter of 2023.

Petroleum revenues decreased by ₱14.4 million or 22% to ₱51.9 million from ₱66.3 million for the same period last year due to lower crude price. The gross production decreased to 127,020 barrels for the first quarter ended March 31, 2023 from 143,935 barrels produced for the same period last year. The average price per barrel decreased to $78.6 for the period ended March 31, 2023 as compared to $94.0 per barrel for the same period last year.

Equity in net earnings of associates decreased by ₱0.6 million due to the lower level of income booked by affiliates.

Interest income increased by ₱1.3 million from ₱2.7 million to ₱4.0 million for the first quarter ended March 31, 2023.

Foreign exchange loss amounted to ₱9.6 million for the first quarter of 2023 as compared to foreign exchange gain of ₱5.1 million for the same period last year.

Share in costs and operating increased by ₱5.3 million or 11% due to higher level of production costs accrued during the first quarter of 2023.

Net loss amounted to ₱0.9 million for the first quarter of 2023, as compared to net income of ₱3.0 million for the same period last year.

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

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

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

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

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

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

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

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

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

Fair Values of Financial Instruments

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

	Consolidated Unaudited March 2023	Consolidated Unaudited March 2023	Consolidated Unaudited March 2022	Consolidated Unaudited March 2022
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	371,594,391	371,594,391	324,263,394	324,263,394
Advances to related companies	229,490,564	229,490,564	226,870,564	226,870,564
Accrued interest receivables	25,528,331	25,528,331	28,444,783	28,444,783
Other noncurrent assets	10,104,179	10,104,179	9,242,274	9,242,274
Accounts with partners, others	6,327,187	6,327,187	44,786,455	44,786,455
Financial assets at FVOCI	70,664,335	70,664,335	80,583,931	80,583,931
	713,708,986	713,708,986	714,191,401	714,191,401
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	6,492,720	6,492,720	29,597,706	29,597,706
Dividends payable	33,126,610	33,126,610	33,129,215	33,129,215
	39,619,330	39,619,330	62,726,921	62,726,921

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

B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

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

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

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

Credit risks

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

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

As of March 31, 2023, all of the outstanding trade receivable is from the SC14 C-1 consortium. For SC14 C-1 consortium, the operator has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production. The operator also negotiated for the sale of future Galoc cargoes to exclusive buyer Trafigura Pte Ltd. through Vitol Asia which started in May 2019.

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

	Unaudited balances as of March 31, 2023
Loans and receivables	
Cash and cash equivalents	371,594,391
Advances to related companies	229,490,564
Accounts with contract operators and partners	6,327,187
Accrued interest	25,528,331
Other noncurrent assets	10,104,179
Financial assets at FVOCI	70,664,335
Gross maximum credit risk exposure	713,708,986

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2023 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	371,594,391						371,594,391
Advances to related companies	223,360,001				1,376,801	4,753,762	229,490,564
Accounts with partners	6,327,187						6,327,187
Accrued interest	9,361,895					16,166,436	25,528,331
Other noncurrent assets	10,104,179						10,104,179
Financial assets at FVOCI	70,664,335						70,664,335
Total	691,411,987				1,376,801	20,920,198	713,708,986

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

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

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

Liquidity risk

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

The table below summarizes the aging analyses of the Group's financial assets as of March 31, 2023 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	371,594,391	0	371,594,391
Receivables			
Advances to related parties		229,490,564	229,490,564
Accounts with partners	6,327,187	0	6,327,187
Accrued interest	2,403,310	23,125,020	25,528,331
Other noncurrent assets	10,104,179	0	10,104,179
AFS financial assets	70,664,335	0	70,664,335
	461,093,402	252,615,584	713,708,986

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

	Less than three months	Three to twelve months	Total
March 31, 2023	39,619,330		39,619,330

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

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

As of March 31, 2023, the exchange rate of the Philippine peso to the US$ is ₱54.36 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

NEW AREA APPLICATION (formerly Service Contract No. 6A)
In a letter dated January 26, 2023, the DOE granted Area Clearance over the nominated Area of Interest covering 160,000 hectares (including the area relinquished by SC 74) located in offshore Northwest Palawan. The same letter also advised Philodrill and Partners to submit the Letter of Intent, together with other documentary requirements, to proceed with the PCECP nomination/application process. In compliance with the DOE's directive, Philodrill published the application in 2 broadsheet newspapers on March 15, 2023, and submitted the bid documents on March 17, 2023.

For the new application, a new Joint Application and Participation Agreement was executed by the joint venture partners without Alcorn and PetroEnergy. The new participating interests are as follows:

Philodrill	72.1662 %
Anglo	14.1460 %

Forum	6.8439 %
PXP Energy	6.8439 %
TOTAL	100.00%

The DOE informed Philodrill that the opening of the bids shall be held on May 15, 2023.

SERVICE CONTRACT NO. 6B (Cadlao/Bonita)
The DOE approved the proposed 2023 WP&B of USD 34,015,015 (firm + contingent). Philodrill is carried on the cost of the 2023 Budget.

Upon receipt of the DOE's letter of approval to the Deed of Assignment between Nido and the SC 6B Partners (Farmors), Nido sent a draft of the Joint Operating Agreement (JOA) for review. The Farmors reviewed the draft JOA, reverted with their comments and the JOA is currently being finalized by Nido.

Nido is still searching for a suitable rig for the drilling of Cadlao-4. They were able to locate a suitable rig currently being used in Vietnam. The rig requires the installation of a mooring system. The rig procurement slippage has now pushed the drilling campaign to Q3 2023.

SERVICE CONTRACT NO. 14 (Nido, Matinloc, and North Matinloc Blocks)
The conversion to electronic format of the physical files from the production operations has been completed. After the review of the scanned documents, the hard copies were disposed of as scrap materials. The DOE requested that digital copies of the files and documents be submitted.

Philodrill retrieved additional boxes of documents from the storage companies for scanning.

SERVICE CONTRACT NO. 14C-1 (Galoc)
The Galoc Field's average daily production at the end of the quarter was 1,409 barrels of oil per day. Total Cumulative Gross Field Production was 24,112,523 barrels of oil. The production came from the G5 and G6 wells.

As of March 31, 2023, the oil-in-storage was at 123,734 barrels. The last offtake operations for Cargo #74 were conducted on January 3-4, 2023, with oil volume of 136,087 barrels.

NPG assisted in the ongoing efforts to manage the oil spill incident from the sinking of MT Princess Empress last 28 February 2023 in offshore Mindoro. Last March 6, 2023, NPG donated 44 pcs. of 160L hazardous waste plastic drums, 50 pcs. of disposable coveralls and 10 boxes of disposable nitrate gloves to the Environmental Management Bureau (EMB) MIMAROPA.

NPG also donated oil spill dispersant to the Marine Environmental Protection Force in Palawan to manage the oil slick that has reached the waters of Cuyo and Taytay Palawan. The supply vessel supporting the Galoc operations, MV Sulu Venture, however, suffered an engine breakdown during its delivery run to El Nido. The Unisalv management, upon full risk assessment, decided to conduct emergency drydock repair and examinations for damage. The supply vessel is currently in Batangas for repair.

SERVICE CONTRACT NO. 14C2 (West Linapacan)
The farm-in negotiation with Nido is still ongoing. Since the farm-in arrangement has yet to be finalized, the JV agreed to submit a provisional work program and budget of USD 152,810 to comply with the extended deadline on the submission of the 2023 WP&B given by the DOE.

PROVISIONAL BUDGET (USD)	PHO'S PRO-RATED SHARE (Based on PI)	PHO CASH REQUIREMENT	PHO Contingent REQUIREMENT
152,810	42,894	42,894	-

A final WP&B will be submitted once a firm proposal for a 2023 WPB is submitted by Nido under a farm-in agreement.

SERVICE CONTRACT NO. 53 (Onshore Mindoro)
After the two community assemblies and the decision-making process were concluded in November 2022, the Memorandum of Agreement (MOA) Negotiation and Drafting was held on March 9, 2023, in Magsaysay, Occidental Mindoro. The activity was participated in by 34 Hagura Elders, of which 9 out of 15 signatories were present, NCIP officials, DOE and Philodrill representatives. The draft MOA with the IPs is still under review by the NCIP Legal Affairs Office (LAO).

Philodrill submitted an amendment to the survey area for Bulalacao, Oriental Mindoro while a Work Order was issued by the NCIP Regional Office to Roxas Service Center. A pre-FPIC meeting shall follow to discuss and approve the Work and Financial Plan for the area.

Matahio has not submitted its farm-in offer as it continues to review the technical data in SC53. Nido has yet to respond to the JV's counteroffer on the Farm-in Option Offer, however, Nido informed Philodrill that they are amending the Farm-In Option Offer to consider Philodrill's proposals.

SERVICE CONTRACT NO. 74 (Linapacan)
The 2023 WP&B was submitted to the DOE on January 31, 2023. The WP&B is composed of a firm budget of $231,800 to cover the G&G cost under Phase 1, the general and administrative expenses, and service contract payments (payable to the DOE). The contingent portion of the budget includes Phases 2-4 of the Qaestor study, which will be determined and decided later depending on the positive results of Phase I. The DOE approved both the request for a 2-year Moratorium and the 2023 Work Program and Budget.

PART II – OTHER INFORMATION

There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 31 March 2023).

SIGNATURES

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

By:

Date: 5/10/23
ADRIAN PAULINO S. RAMOS
President

Date: 5/9/23
REYNALDO E. NAZAREA
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 Statements of Financial Position

	(Unaudited) March 31 2023	(Audited) December 31 2022
ASSETS		
Current Assets		
Cash & cash equivalents	371,594,391	381,739,397
Receivables	240,425,883	241,643,133
Crude oil inventory	50,154,099	57,229,468
Other current assets	4,522,957	5,006,140
Total Current Assets	666,697,330	685,618,138
Noncurrent Assets		
Property and equipment - net	294,725,877	305,664,288
Investments - Associates	902,450,814	899,335,155
Financial assets at fair value through other comprehensive income	70,664,336	69,632,048
Investments in subsidiary	0	
Deferred oil exploration and development costs	606,128,569	604,283,335
Deferred tax assets	209,820,908	194,276,481
Other noncurrent assets	10,953,383	10,104,178
Total Noncurrent Assets	2,094,743,887	2,083,295,485
TOTAL ASSETS	2,761,441,217	2,768,913,623
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	6,990,745	12,732,272
Income tax payable	0	0
Dividends payable	33,126,610	33,126,610
Total Current Liabilities	40,117,355	45,858,882
Noncurrent Liability		
Non current portion of provision for plug and abandonment costs	34,366,961	34,366,961
Retirement benefit liability	0	1,822,139
Total Noncurrent Liabilities	34,366,961	36,189,100
TOTAL LIABILITIES	74,484,316	82,047,982
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,271,834	1,568,271,834
Subscribed	350,416,220	350,416,220
Subscriptions receivable	(175,208,110)	(175,208,110)
Paid in capital from sale of treasury	1,624,012	1,624,012
Share in other comprehensive income of an associate	55,497,116	55,497,116
Unrealized loss on decline in value of financial assets at FVOCI	(39,982,315)	(41,014,602)
Remeasurement loss on retirement benefit liability	(42,514,812)	(42,514,812)
Retained Earnings	968,852,956	969,793,983
Total Equity	2,686,956,901	2,686,865,641
TOTAL LIABILITIES AND EQUITY	2,761,441,217	2,768,913,623

THE PHILODRILL CORPORATION

Consolidated Statements of Comprehensive Income

	January 1 to March 31 2023	January 1 to March 31 2022
PETROLEUM REVENUE	51,884,328	66,325,089
COSTS AND EXPENSES		
Share in costs and operating	(51,919,743)	(46,636,393)
Plug and abandonment costs	0	0
General and administrative	(13,324,160)	(14,750,349)
	(65,243,903)	(61,386,742)
OTHER INCOME (CHARGES)		
Equity in net earnings of associates - net	3,115,660	3,759,221
Interest income	3,979,961	2,708,308
Foreign exchange gains	(9,605,750)	5,142,129
Others	10,796	232,468
	(2,499,333)	11,842,126
INCOME (LOSS) BEFORE INCOME TAX	(15,858,908)	16,780,473
PROVISION FOR (BENEFIT FROM) INCOME TAX	(14,917,881)	13,741,364
NET INCOME	(941,027)	3,039,109
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized recovery (loss) on financial assets at FVOCI	1,032,287	(1,427,661)
TOTAL COMPREHENSIVE INCOME	91,260	1,611,448

Earnings (loss) per share was computed as follows:

Net income (loss)	(941,027)	3,039,109
Weighted average no. of shs	191,868,805,358	191,868,805,358
Income (Loss) per share	(0.000005)	0.000016

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows

(Unaudited)

	January 1 to March 31 2023	January 1 to March 31 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(941,027)	3,039,109
Adjustments for:		
Depletion, depreciation and amortization	11,134,773	11,893,641
Equity in net losses (earnings) of associates - net	(3,115,660)	(3,759,221)
Operating loss before working capital changes	7,078,086	11,173,529
Decrease (increase) in:		
Receivables	(1,111,509)	27,280,797
Crude oil inventory	7,075,369	(6,944,934)
Other current assets	456,350	279,628
Increase (decrease) in accounts payable and accrued expens	(4,778,965)	(435,686)
Increase (decrease) in retirement benefits liability	(2,671,344)	1,235,654
Net cash from (used in) operating activities	6,047,987	32,588,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of AFS financial assets	0	0
Reductions in (additions to):		
Property and equipment	(196,362)	(588,433)
Deferred oil exploration and development costs	(1,845,234)	(5,585,876)
Advances to affiliated companies - net	1,393,030	(741,000)
Other noncurrent assets	(15,544,428)	13,918,559
Net cash from (used in) investing activities	(16,192,994)	7,003,249
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividend payable	0	0
Net cash from (used in) financing activities	0	0
NET INCREASE (DECREASE) IN CASH	(10,145,007)	39,592,238
CASH, BEGINNING	381,739,397	284,671,154
CASH, ENDING	371,594,391	324,263,392

THE PHILODRILL CORPORATION

Consolidated Statement of Changes in Equity

	March 2023	March 2022
CAPITAL STOCK - P0.01 par value		
Authorized -	200 billion shs	200 billion shs
Issued		
Balance at the beginning of year	1,568,271,834	1,568,270,502
Issuances for the period	0	0
Balance at end of first quarter	1,568,271,834	1,568,270,502
Subscribed		
Balance at the beginning of year	350,416,220	350,417,551
Issuances for the period	0	0
Balance at end of first quarter	350,416,220	350,417,551
Subscriptions receivable		
Balance at the beginning of year	(175,208,110)	(175,208,110)
Collection of subscriptions receivable	0	0
Balance at end of first quarter	(175,208,110)	(175,208,110)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Acquisition	0	0
Balance at end of first quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(41,014,602)	(28,635,059)
Adjustments	1,032,287	(1,427,661)
Balance at end of first quarter	(39,982,315)	(30,062,720)
Share in other comprehensive income of an associate		
Balance at the beginning of year	55,497,116	26,480,535
Acquisition	0	0
Balance at end of first quarter	55,497,116	26,480,535
Remeasurement loss on retirement benefit liabiltiy		
Balance at the beginning of year	(42,514,812)	(38,373,698)
Acquisition	0	0
Balance at end of first quarter	(42,514,812)	(38,373,698)
Retained Earnings		
Balance at the beginning of year	969,793,983	1,308,971,005
Cash dividend	0	0
Net income (loss) for the period	(941,027)	3,039,109
Balance at end of first quarter	968,852,956	1,312,010,114
Total Stockholders' Equity	2,686,956,901	3,015,158,187

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	459,355	438,056	464,889		432,521		432,521
	459,355	438,056	464,889	0	432,521	0	432,521

THE PHILODRILL CORPORATION
SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE	
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
Investments in associates-at equity								
Penta Capital Investment Corp.	1,600,000	354,393,750	2,693,600				1,600,000	357,087,350
Penta Capital Holdings, Inc.	300,000	80,562,113	422,060				300,000	80,984,173
Atlas Consolidated Mining and Development Corporation	19,000,000	464,379,292					19,000,000	464,379,292
		899,335,155	3,115,660	0	0	0		902,450,815
Amount shown under the caption "Available For Sale Investments"								
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955
Vulcan Industrial & Mining Corp.	3,100,000	4,080,876					3,100,000	4,080,876
Oriental Petroleum & Mining Corp.	2,460,800,000	31,230,745					2,460,800,000	31,230,745
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000
Shang Properties	202,000	651,076					202,000	651,076
		110,646,651	0	0	0	0		110,646,651
less-allowance for decline in market value		(41,014,602)				1,032,287		(39,982,316)
		69,632,049	0	0	0	1,032,287	0	70,664,335
		968,967,204	3,115,660	0	0	1,032,287		973,115,150

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	169,000,000	169,000,000
National Book Store, Inc.	55,755,000	54,360,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,376,801	1,376,801
	230,885,563	229,490,563
less allowance for doubtful accounts	(4,753,762)	(4,753,762)
	226,131,801	224,736,801

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,184,627,620	196,362			1,184,823,982
Office condominium units and improvements	18,961,929				18,961,929
Office furniture, fixtures and equipment	8,309,990	0			8,309,990
Transportation equipment	8,986,000		(66,800)		8,919,200
	1,220,885,539	196,362	(66,800)	0	1,221,015,101

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes-Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	884,102,322	10,946,350			895,048,672
Office condominium units and improvements	14,299,965	136,777			14,436,742
Office furniture, fixtures and equipment	7,911,533	47,651			7,959,184
Transportation equipment	8,907,432	(62,805)			8,844,627
	915,221,251	11,067,973	0	0	926,289,225

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	604,283,335	1,845,234			0	606,128,569
	604,283,335	1,845,234	0	0	0	606,128,569

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	200,000,000,000	156,827,183,387	35,041,621,971	0	858,102,111	191,010,703,247

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE FIRST QUARTER ENDED MARCH 31, 2023

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & items in litigation
a) Trade receviables									
1) Account with contract operator	0	0							
less allowance for doubtful accounts	0								
2) Account with partners	5,891,017		5,891,017						
Net Trade Receivables	5,891,017	0	5,891,017	0	0	0	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	25,528,331	818,710	1,584,600	3,802,500	3,156,085			16,166,436	
less allowance for doubtful accounts	(16,166,436)							(16,166,436)	
2) Advances to related companies	229,490,564			54,360,000	169,000,000			6,130,564	
less allowance for doubtful accounts	(4,753,762)							(4,753,762)	
3) Others	436,170		436,170						
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	234,534,867	818,710	2,020,770	58,162,500	172,156,085	0	0	1,376,802	
Net Receivables	240,425,884	818,710	7,911,787	58,162,500	172,156,085	0	0	1,376,802	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

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

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
MARCH 31, 2023

	March 2023		December 2022	
Profitablity Ratios:				
Return on assets	-0.03%		-12.26%	
Return on equity	-0.04%		-12.63%	
Gross profit margin	-0.07%		35.30%	
Net profit margin	-30.57%		10.88%	
Liquidity Ratios:				
Current ratio	16.62	:1	14.95	:1
Quick ratio	15.26	:1	13.59	:1
Financial Leverage Ratios:				
Asset to equity ratio	1.03	:1	1.03	:1
Debt to equity ratio	0.03	:1	0.03	:1

Basis of Preparation and Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

  Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

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

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

  Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

  Deferred effectivity

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

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

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

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

a. Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PFRS 9 for impaired financial instruments.

b. Financial Liabilities

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

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

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

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

The Group's financial liabilities at amortized cost include trade and other payables, advances from a related party and lease liabilities. The Group did not have financial liabilities at fair value through profit or loss as at December 31, 2022 and 2021.

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

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

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

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right in the normal course of business, event of default and insolvency or bankruptcy of the Group and all of the counterparties to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.
Fair Value Measurement
The Group measures financial assets at FVOCI at fair value at each balance sheet date. Fair value is the price

that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Farm-ins and Farm-outs

In the exploration and evaluation (E&E) phase

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

Outside the E&E phase

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

<u>Retained Earnings</u>
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.

<u>Earnings (Loss) per Share</u>

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

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

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

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

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

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

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

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

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

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

Provision for P&A costs
The Group's P&A liability where it has a present legal or constructive obligation as a result of past events, and it is possible that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells and platforms, and dismantling operating facilities. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related oil assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income under "Interest expense". Additional disturbances or changes in P&A costs will be recognized as additions or charges to the corresponding assets and P&A liability when they occur.

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

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

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

Contingencies

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

Foreign Currency Transactions

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

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

Segment Reporting

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

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

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

Events After the End of the Reporting Period

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