CR03278-2023

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	8631-8151
Contact Person	Company Telephone Number

1 2	3 1	**PRELIMINARY 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

S T A M P S

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

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
Preliminary 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

Call to Order.
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.

Certification of Notice and Quorum*(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 April 21, 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, B and C)	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/National Bookstore, Inc.	Filipino	30,388,193,010	15.838%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

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

Note B: Of the 74,510,446,753 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. Of the 66,904,763,340 shares held (directly and indirectly) by Anglo, 66,477,529,274 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

Note C: The shares registered in the name of PCD are beneficially owned by its clients. Thus, PCD does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date. The proxies of NBS, AC and Anglo are appointed by their respective Boards of Directors and the Company becomes aware of such proxies only when the appointments are received by the Company. Mr. 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	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. 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
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		AVP Finance		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, while Mr. Pacifico Tombaga Jr. nominated Mr. Vincent L. Tempongko for election as independent directors of the Company for the ensuing fiscal year 2023. Messrs. Benavidez and Tombaga Jr. are not related to either or both of the nominees for Independent Director.

Messrs. Copok and Tempongko 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).

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

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	-
Allen L. Copok	-
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.

(iv) 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 annual Compensation
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 2021and 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 most recently completed year, directors received a per diem of P10,000 per month to defray their expenses in attending board meetings, which will continue to be received in the ensuing year. There are no other arrangements for compensation of directors, as such, during the last year and for the ensuing year.

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. Other Matters

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	**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.	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 **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.			
B.	**ARTICLE II SECTION 9** **INDEPENDENT DIRECTORS –** The Company shall have **independent directors constituting at least 20% of its board size.**			

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)*	

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.	

Messrs. Tempongko and Copok have always possessed the qualifications and none of the disqualifications of an independent director.

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

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

Mr. Allen L. Copok and *Mr. Vincent L. Tempongko* are nominees for Independent Director 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.

For over twenty (20) years of Technology Management, Mr. Tempongko has experience across Program Management, Strategic Planning, Network Investments, Business Development, Operations Management and Site Acquisition. 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. (2021-Present).

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

Vincent L. Tempongko	none
Allen L. Copok	none

(2) **Family Relationships**

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

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

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

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

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

The candidates for independent directors own the following number of voting shares as of the Record Date (15 March 2023):

Class	Beneficial Owner	Number/Nature of Beneficial Ownership				Citizenship	Percent Ownership
		Issued		Subscribed			
		Direct	Indirect	Direct	Indirect		
Common	Vincent L. Tempongko	0	0	0	0	Filipino	0.000%
Common	Allen L. copok	0	0	0	0	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 2,000,000 shares, or approximately 0.001% 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, **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 ________________.

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, **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. 315 ;
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

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 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.

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**

Discussion and Analysis of Material Events and Uncertainties

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

TBS

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, 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 702,167 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 480,075 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, 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. 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.

***Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*. (17-Q)**

Financial Performance

(1) Management's Discussion and Analysis

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**	12,304	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

	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**

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 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:

   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.

b) 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.

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

9. 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.

10. 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.

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/Stocks
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. MENDOZA	317,910,514	0.17%
8. CHRISTINE C. CHUA	254,097,005	0.13%
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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 Company's ability to declare and pay dividends is subject to the availability of funds and balance of the Retained Earnings.

VI. Corporate Governance

(a) The Company is in compliance with the leading practices on good corporate governance pursuant to the provisions of the 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*** have 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	Bonus	Other annual Compensation
Directors				
	2021	5,996,621 (with SARS)	-0-	-0-
	2022	2,028,529	-0-	-0-
	2023 (estimate)	2,220,000	-0-	-0-

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. 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 5, 2023.

ADRIAN S. ARIAS
Corporate Secretary

COVER SHEET

3 8 6 8 3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

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

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

Reynaldo E. Nazarea
Contact Person

8631-8151
Company Telephone Number

1 2 | 3 1
Month *Day*

SEC Form 17-A (2022)
FORM TYPE

0 6 | 1 5
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 5 3 4
Total No. of Stockholders

0
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2022**

2. SEC Identification Number: **38683**

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

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

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

6. ________ (SEC Use Only)
Industry Classification Code

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

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

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

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

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

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

    Yes [x] No [ ]

12. Check whether the issuer

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

    Yes [x] No [ ]

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

Yes [x]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱891,895,162 (91,009,710,415 shares at P0.0098 per share as of December 31, 2022)

14. Documents incorporated by reference:

(a) The Company's 2022 Audited Consolidated Financial Statements

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1.Business

(a) Description of Business

(1) Business Development

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

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

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

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

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

PETROLEUM PROJECTS

SERVICE CONTRACT NO. 6A (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 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.

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.

Additional information required by Item 1 (a) is also contained in Notes 7 and 11 to the Company's 2022Audited Consolidated Financial Statements.

INVESTMENTS IN ASSOCIATES

The Company's associates are PCIC, PCHI and ACMDC, where the Company has 40%, 13.21% and 0.53% equity interest, respectively. In December 2015, the Company entered into a Joint Voting Agreement with Alakor Corporation, National Book Store, Inc. and Anglo Philippine Holdings Corporation, collectively known as the Ramos Group, to jointly vote their shares in ACMDC in all matters affecting their rights as stockholders effective January 1, 2015. As of December 31, 2022, the combined interest of the parties to the agreement represents 43.01% interest in ACMDC.

PCIC posted a total comprehensive income of P28.4 million in 2022, 13% lower than the 2021 comprehensive income of P32.6 million. Gross revenues amounted to P112.6 million in 2022 as compared to P112.5 million in 2020.

PCHI's net income decreased to P26.9 million in 2022 from P39.6 million in 2021. Gross revenues amounted to P96.6 million in 2022 as compared to P103.6 million in 2021.

ACMDC's comprehensive net income in 2022 amounted to ₱5.08 billion as compared to comprehensive net loss ₱4.955 billion in 2021. Gross revenues amounted to ₱16.8 billion in 2022 and ₱17.9 billion in 2021.

Additional information is also contained in Note 9 to 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) Business of Issuer

(a) Description of Registrant

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

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

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. As a field goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions. Additional information required by Item 1 (2) (a) is also contained on Notes 8 and 11 to the Company's 2021 Audited Consolidated Financial Statements. The Company's present revenues and production and related expenses are from certain areas of SC 14 particularly Galoc. The crude oil revenues from these oilfields contributed about 72% of the total gross revenues.

Information as to production volume follows (in barrels):

	2022	2021	2020
Galoc	565,026	622,357	690,946

The Company also generates revenues from its equity investments by way of dividends received from, and/or equitizable share in the earnings of investee companies. Equitized earnings from affiliates constituted about 10% of the total gross revenues.

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

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

The Company has 0.53% minor equity interest in ACMDC, as of December 31, 2022, together with the other companies in the Ramos Group, the combined interest represents 43.01% in ACMDC.

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

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

	2022	2021	2020
Gross petroleum revenue	72%	75%	89%
Net operating income/loss	-26%	109%	27%

(3) Distribution Method of the Products or Service- For SC14C-1 consortium, the operator GPC sold the crude oil to several foreign firms. The proceeds from the sale of crude oil were distributed by the operator to the different consortium members in accordance with their respective participating interests.

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

(5) Competition-For SC14C-1, crude oil production for 2021 was sold to foreign firms, Trafigura Pte Ltd.,Vitol Asia Pte., Ltd. continued to act as a marketing agent for the SC14C-1 consortium. Competition for market of petroleum does not have a significant bearing in the operations of the Company.

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

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

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

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

a) Petroleum Revenue - production from Galoc which is 72% of the total gross revenues were sold to foreign firm Trafigura Pte Ltd..Vitol Asia Pte., Ltd. continued to act as a marketing agent for the SC14C-1 consortium.

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

(8) Transactions with and/or Dependence on Related Parties - the information required is contained on Note 16 to the Company's 2022 Audited Consolidated Financial Statements.

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

Service Contract No.	*Location*	*Expiry*	*Company's Capacity (as of December 31, 2022)*
6A Octon Block*	NorthWest Palawan		
6B Bonita Block**	NorthWest Palawan	February 2024	Consortium Member
14C-1 Galoc Block	NorthWest Palawan	December 2025	Consortium Member
14C-2 West Linapacan	NorthWest Palawan	December 2025	Operator
53 Onshore Mindoro	Mindoro	July 2055	Operator
74 Linapacan	NorthWest Palawan	August 2063	Consortium Member

**Relinquished and awaiting DOE's approval of service contract application*

***DOA and Transfer of Operatorship to Nido Petroleum were approved by the DOE on 19 December 2022*

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

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

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

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

Year	Amount
2022	**P19.4M**

2021	P20.9M
2020	P12.8M

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

(14) Employees- As at December 31, 2022, the Company had 25 employees.

Type of employee	Exploration/ Technical	Finance/ Administration Legal/Stocks
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.

(15) Major risk/s involved in each of the business of the company and subsidiaries- Information required by this Item is contained in Note 22 to the Company's 2022 Audited Consolidated Financial Statements. Note 22 discussed the risks factors namely: credit risk, liquidity risk and market risk which includes foreign currency risk and equity price risk. In addition we would like to disclose the following risks:

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

Production risk -The Company's crude oil production from the Galoc field may experience decline that are due to normal reserve depletion, production shutdown, adverse weather condition and problems relating to availability of vessels. In the Galoc field, the SC14C-1 consortium upgraded the mooring and riser system

(M&RS) of the FPSO which involved the installation of a revolving external turret on the bow of the FPSO. The installed turret practically eliminated the need for the risky and costly disconnection of the M&RS during adverse weather conditions and its subsequent reconnection which in the past had resulted in expensive damage and prolonged operating downtimes. Because of the improved M&RS system, the Galoc operations attained close to 100% process uptime in 2022.

(b) Additional Requirements as to Certain Issues or Issuers

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

Item 2. Properties

The information required by Item 2 is contained in Notes 7 and 8 to the Company's 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 Galoc and West Linapacan oilfields under the "Wells, platforms and other facilities" account. These production facilities are located in the offshore Palawan area, while the office condominium unit, furnitures, and other equipments are located at 125 Pioneer Street, Mandaluyong City. These properties are in good condition. The Company does not intend to make any substantial property acquisition in the next twelve (12) months.

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

SC No.	The Company's Interest (%)	Partners	Operator /Contractor	Issue Date	Expiry Date	Location	Status
SC6A (Octon)*	**72.1662	Anglo Phil. Holdings Corp. Forum Energy Phils.Corp. PXP Energy Corp.	The Company			Northwest Palawan	Exploration
SC6B (Bonita)	***58.182	Oriental Pet.& Minerals Corp Nido Petroleum Phils. Pty Forum Energy Phils. 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*

Item 3. Legal Proceedings

Labor Case *(Claim for Special Retirement Benefit and Damages)*

The claim for Special Retirement Benefit filed by the former President, Mr. Francisco Navarro, has been resolved. The Supreme Court Special First Division has issued a Resolution dated August 10, 2022, denying with FINALITY, the Motion for Reconsideration filed by Mr. Navarro from the earlier SC Resolution dated 06 October 2021, which dismissed his petition for review of the NLRC Decision.

The Supreme Court warned that no further pleadings, motions, letters or communications shall be entertained in the case.

The Criminal Case *(Violation of Sections 28 and 144 of the Corporation Code)*

In a Resolution dated November 27, 2017, the Office of the Chief Prosecutor of Mandaluyong City dismissed the complaint filed by Mr. Navarro against the Company for lack of probable cause. Complainant Mr. Navarro appealed the dismissal by filing a Petition for Review with the Department of Justice on January 22, 2018. Philodrill, through counsel, filed its Comment/Opposition to the Petition on February 21, 2018.

As of date, the matter remains pending with the DOJ, as no resolution has been issued yet on the Petition.

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). The high and low sales price of the Company's shares for each quarter during the last two (2) years 2022 and 2021 and the first quarter of the current year 2023, expressed in Philippine Peso, 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	0.0100	0.0087

(2) Holders

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

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

Top 20 stockholders as of December 31, 2022:

NAME	NO. OF SHARES HELD	% TO TOTAL
1. PCD NOMINEE CORPORATION FILIPINO	173,676,382,015	90.52
2. PCD NOMINEE CORPORATION NON FILIPINO	1,580,659,884	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 PHILS., INC.	360,993,600	0.19

7. ALBERTO MENDOZA &/OR JEANIE MENDOZA	317,910,514	0.17
8. CHRISTINE C. CHUA	254,097,005	0.13
9. RCBC TA# 32-314-4	190,900,000	0.10
10. PHIL. REMNANTS CO., INC.	188,247,468	0.10
11. AYALA CORPORATION	188,068,125	0.10
12. CARMENCITA O. REYES	176,415,750	0.09
13. INDEPENDENT REALTY CORPORATION	165,807,000	0.09
14. ANSELMO C. ROQUE	150,000,000	0.08
15. PAULINO G. PE	135,490,200	0.07
16. JOSEPH D. ONG	121,595,829	0.06
17. 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, 2021and 2020, the Board has not approved any dividend declaration.

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

(4) Recent Sales of Unregistered Securities

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

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

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

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

Audited Consolidated Financial Statements for Years 2020 to 2022

(In thousands of Pesos)	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Income Statement			
Petroleum Revenues	**237,489**	207,127	90,399
Operating Income (Loss)	**(320,109)**	25,831	(266,613)
Net Income (Loss)	**(339,334)**	36,325	(251,881)

Assets			
Current Assets	**685,618**	606,731	573,998
Non-Current Assets	**2,083,295**	2,487,086	2,500,240
Total Assets	**2,768,914**	3,093,817	3,074,238
Liabilities			
Current Liabilities	**45,859**	38,388	46,307
Non-Current Liabilities	**36,189**	41,725	52,599
Stockholders' Equity	**2,686,866**	3,013,703	2,975,332
Earnings (Loss) Per Share	**(0.0018)**	0.0002	(0.0013)

(1) Plan of Operation

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

Issuing subscriptions call on the balance of the Subscriptions Receivable as of December 31, 2022; collecting a portion of Accounts Receivables as of December 31, 2022; Selling a portion of its existing investments and/or assets; and or Generating cash from loans and advances.

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

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

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

(2) Management's Discussion and Analysis

Financial highlights for the years 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

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; and 12.40:1 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, P568.3 million and P527.7 million, respectively. However, a portion of the "Investments" account in the statements of financial position consists mainly of shares of stock which are listed with the PSE and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock have an aggregate market value of P64.5 million as of December 31, 2022, P77.8 million as of December 31, 2021 and P79.5million 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; and 14.11:1 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

(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 2022 Audited Consolidated Financial Statements.

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

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

(iv) Trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenues or income from continuing operations, the information required by this item is contained in Notes 11 and 22 to the Company's 2022 Audited Consolidated Financial Statements.

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

a) Total assets 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, 2022 mainly 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, 2022 due 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. The increase was due to higher crude price and 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 mainly due to depletion expense net of additional capital expenditures booked 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 9 of 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 10 of the Audited Consolidated Financial Statements for 2022.

- Deferred oil exploration costs decreased by P404.3 million from its year-end 2021 balance of P1.008 billion to year-end 2022 balance of P604.3 million. The net decrease of P404.3 million was due to the provision for unrecoverable deferred oil exploration costs booked for SC6A and PCECP Area 7 Sulu Sea projects. Additional information is also contained in Notes 7 and 11 of the Audited Consolidated Financial Statements for 2022.

- Deferred tax asset (DTA) decreased from its year-end 2021 balance 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 20 of the Audited Consolidated Financial Statements for 2022.

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

b) Total liabilities slightly increased from its balance of P80.1 million in 2021 to P82.0 million balance in 2022.

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

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

- Dividends payable amounted to P33.129 million as of year-end 2021 and P33.127 million as of year-end 2022. The slight decrease 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 liability decreased 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 2022 balance 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 assets at fair value through other comprehensive income increased 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 P12.4 million was due to the fair value changes during the year. Additional information is also contained in Note 10 of the Audited Consolidated Financial Statements for 2022.

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

d) Petroleum revenues in 2022 totaled P237.5 million as compared to P207.1 million 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 level of 0.62 million barrels to 0.56 million barrels in 2022. Combined average prices for 2022 and 2021 were 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 P15.7 million in 2022, P12.3 million in 2021 and P14.3 million in 2020.

Foreign exchange gains (losses) amounted to P40.6 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 P105.4 milliom in 2022, P139.5 million in 2021 and P99.4 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 to P0.9 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.

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

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

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

(3) Interim Periods

No interim financial statements are included in this report.

Item 7. Financial Statements

The 2022 Audited Consolidated Financial Statements of the Company is incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

Information on Independent Accountant. The accounting firm of SyCip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed as the external auditor of the Company in the 2022, 2021 and 2020 annual stockholders' meetings.

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

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
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.

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

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

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

The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For year 2023, SGV will be recommended for appointment as external auditors during the stockholders' meeting.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9.Directors and Executive Officers of the Registrant

(a) Directors, Executive Officers Promoters and Control Persons

(1) Identify Directors and Executive Officers

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

Name	Age	Citizenship	Position	Period of Service	
				From	To
Gerard Anton S. Ramos	48	Filipino	Director Chairman	Dec 16, 2015 Dec. 21, 2022	Present Present
Adrian Paulino S. Ramos	44	Filipino	Director President	Jan 18, 2006 Dec. 21, 2022	Present Present
Presentacion S. Ramos	80	Filipino	Director	May 28, 1997	Present
Maureen Alexandra Ramos-Padilla	50	Filipino	Director	Jun 19, 2013	Present
Christopher M. Gotanco	73	Filipino	Director	Aug 17, 2005	Present
Reynaldo E. Nazarea	71	Filipino	Director Treasurer VP Administration	Jun 21, 2017 May 1, 2005 May 1, 1992	Present Present Present
Honorio A. Poblador III	77	Filipino	Independent Director	Feb 26, 2003	Present
Nicasio I. Alcantara	80	Filipino	Independent Director	Feb 26, 2003	Present
Dennis V. Panganiban	60	Filipino	AVP Exploration and Production VP Exploration & Production	Sep 1, 2011 Sept. 1, 2022	Aug 31, 2022 Present
Adrian S. Arias	60	Filipino	Corporate Secretary	Dec 2, 1992	Present
Jennifer P. Tombaga	58	Filipino	AVP Finance	Jan 1, 2022	Present
Arturo B. Maulion	60	Filipino	AVP Exploration & Production	Nov.7, 2022	Present

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

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

Mr. Gerard Anton S. Ramos has been a Director of the Company since December 16, 2015. He was appointed as Chairman of the Board on December 21, 2022 after the demise of his father, the late Alfredo C. Ramos.

Mr. Adrian Paulino S. Ramos has been occupying the position of Director since January 18, 2006. He was appointed as President of Philodrill on December 21, 2022.

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

Ms. Maureen Alexandra Ramos-Padilla has been serving as a Director of the Company since June 19, 2013.

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

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

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

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

Mr. Dennis V. Panganiban has been with the Company since 2011 serving as Asst. Vice President for Exploration and Production. He was promoted to the position of Vice President for Exploration and Production effective September 1, 2022, after the retirement of Mr. Alessandro O. Sales.

Mr. Arturo B. Maulion was appointed Asst. Vice President for Exploration and Production on November 7, 2022.

Ms. Jennifer P. Tombaga 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.

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

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

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

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

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 Corporation and PentaCapital Holdings, Inc.,

NICASIO I. ALCANTARA ***(80, Filipino)*** has been an Independent Director of the Company since 2003. He is the Chairman and President of ACR Mining Corporation and Chairman of the Board of Conal Corporation. He serves as the Chairman of Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the Bank's Audit Committee and Related Party Transactions Committee. He is currently a Director of Alsons Corporation, Seafront Resources Corporation, Enderun Colleges, Inc. Rsocal Corporation, Samal Agricultural Dev't. Corporation, South Star Aviation Corporation, Trusto Corporation and Phoenix Petroleum Philippines, Inc. Prior to this, Mr. Alcantara held the position of Chairman and President in various corporations, namely, Alsons Development and & Investment Corporation, Aquasur Resources Corporation, Alsons Aquaculture Corporation, Alsing Power Holdings, Inc., Mapalad Power Corporation, Fial Corproation, Southern Philippine Power Corporation, San Ramon Pwer, Inc., Sarangani Energy Corporation and Sunfoods Agri Ventrues Corporation. He was also the Chairman ofACR Mining Corporation, Finfish Hatcheries, Inc. and Site Group International, Ltd.

HONORIO A. POBLADOR III ***(77, Filipino)*** served as Independent Director of the company since 2003. He is currently Chairman of Elnor Investment Corporation, F&C Realty, Asuncion Agro-Realty Corporation and President of ASMACO Inc. Mr. Poblador holds several Directorships among them, PobCor Inc. and Alsons Consolidated Resources.

DENNIS V. PANGANIBAN ***(60, Filipino)*** was appointed Vice President for Exploration and Production effective September 1, 2022. Mr. Panganiban oversees the implementation of Philodrill's exploration and development programs. 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.

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.

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.

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.).

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

Presentacion S. Ramos	Anglo Philippine Holdings Corporation
	United Paragon Mining Corporation
Gerard Anton S. Ramos	Anglo Philippine Holdings Corporation
	Atlas Consolidated Mining & Dev't. Corp.
	United Paragon Mining Corporation
	Alakor Corporation
Adrian Paulino 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
Christopher M. Gotanco	Anglo Philippine Holdings Corporation
	Boulevard Holdings, Inc.
	United Paragon Mining Corporation
Nicasio I. Alcantara	Seafront Resources Corporation
Honorio A. Poblador III	Alsons Consolidated Resources
Reynaldo E. Nazarea	Anglo Philippine Holdings Corporation

(2) Significant Employees

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

(3) Family Relationships

Messrs. Gerard Anton S. Ramos and Adrian Paulino S. Ramos together with Mrs. Maureen Alexandra Ramos-Padilla are siblings, they are children of the late Alfredo C. Ramos and Mrs. Presentacion S. Ramos.

(4) Involvement in Certain Legal Proceedings

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

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

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

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

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

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

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

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

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

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

On January 4, 2023, Philodrill was notified by its external counsel of the Notice from the Supreme Court, Special First Division, which issued a Resolution dated August 10, 2022, which reads as follows:

*"**GR No. 245822 (Francisco Navarro vs. The Philodrill Corporation).**- Acting on the petitioner's motion for reconsideration of the Resolution dated October 6, 2021 which denied the petition for review on certiorari, and considering that there is no substantial argument to warrant a modification of this Court's resolution, the Court resolves to **DENY** reconsideration with **FINALITY**.*

***NO FURTHER** pleadings, motions, letters or other communication shall be entertained herein.*

*Let an **ENTRY** of judgment in this case be issued immediately."*

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

- Violation of Article 183 of the Revised Penal Code/Perjury Case against Mr. Nazarea and Ms. Matela.
- Violation of Article 183 of the Revised Penal Code/Perjury Case against Mr. Nazarea and Ms. Laurente.
- Violation of Sec. 28 in relation to Sec. 144 of the Corporation Code/Corporation Code Case against Mr. Nazarea, Mr. Alfredo C. Ramos, Ms. Presentacion S. Ramos, Mr. Gerard Anton S. Ramos, Mr. Christopher M. Gotanco, Mr. Maureen Alexandra R. Padilla, and Atty. Arias.

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

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

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

(1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the

Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time;

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

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

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

Item 10. Executive Compensation

(1) Summary Compensation Table

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

Name	Position *(as of Dec 31, 2022)*	Year	Salary	Bonus	Other annual Compensation
Adrian Paulino S. Ramos Reynaldo E. Nazarea Dennis V. Panganiban Jennifer P. Tombaga Arturo B. Maulion	CEO/President Treasurer & VP-Admin VP-Exploration & Production AVP-Finance AVP-Exploration & Production				
		2021	20,085,109	-0-	-0-
		2022	19,130,520	-0-	-0-
		2023 (estimate)	12,464,156		
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

(2) Compensation of Directors

(A) Standard Arrangement

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

(B) Other Arrangements

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

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

The Company maintains standard employment contracts with Messrs. Gerard Anton S. Ramos, Adrian Paulino S. Ramos, Reynaldo E. Nazarea, Dennis V. Panganiban, Arturo B. Maulion and Ms. Jennifer P. Tombaga, all of which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and company car plan.

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

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

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

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 December 31, 2022.

Class	Name/Address of Record Owner	Relationship With Issuer	Name of Beneficial Owner	Citizenship	No of Shares Held	Percentage Ownership
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various clients (Notes A, B and C)	Filipino	74,506,883,220	38.832%
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		Alakor Corporation	Filipino	16,735,965,801	8.723%

	125 Pioneer, Mandaluyong					
Common	Alakor Corporation 9/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Alakor Corporation	Filipino	16,735,965,801	8.723%
Common	Alakor Securities Corporation 5/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp./Alakor Corporation/National Bookstore, Inc.	Filipino	30,388,193,010	15.838%
Common	BDO Securities Corporation 27th Floor, Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Stockholder	Anglo Philippine Holdings Corp.	Filipino	36,462,800,000	19.004%
Common	Anglo Philippine Holdings Corp. 6/F Quad Alpha Centrum 125 Pioneer, Mandaluyong	Stockholder	Anglo Philippine Holdings Corp.	Filipino	536,170,330	0.279%

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

Note B: Of the 74,506,883,220 shares held by PCD, 73,364,426,918 shares have been fully paid and issued, while 1,142,456,302 are subscribed. The 16,735,865,802 shares held by NBS and the 16,735,965,801 shares held by AC are all subscribed. Of the 66,904,763,340 shares held (directly and indirectly) by Anglo, 66,477,529,274 shares have been fully paid and issued, while 427,234,066 shares are subscribed.

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

(2) Security Ownership of Management

The Company's directors (D), Chief Executive Officer (CEO), and four (4) most highly compensated executive officers (O) own the following number of voting shares as of December 31, 2022:

		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	0.0180%
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	Nicasio I. Alcantara (ID)	1,000,000	362,200,000	Filipino	0.189%
Common	Honorio A. Poblador III (ID)	29,900,000	0	Filipino	0.016%
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 December 31, 2022 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. 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.

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) during the last two (2) years consisting principally of advances to related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 16 to the Company's 2022 Audited Consolidated Financial Statements, a copy of which is included in this Annual Report.

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

(b) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 16 to the Company's 2022 Audited Consolidated Financial Statements.

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

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

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

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

PART IV – CORPORATE GOVERNANCE

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

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

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

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

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

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

PART V - EXHIBITS AND SCHEDULES

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

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

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

Date of Report	Description
January 17, 2022	List of Top 100 Stockholders as of December 31, 2021
February 17, 2022	Amendments to the Company's By-Laws
February 17, 2022	Setting of Annual Stockholders' Meeting
March 9, 2022	Annual Verification of the Department of Energy 2022
March 18, 2022	List of Stockholders as of Record Date March 16, 2022
April 19, 2022	List of Top 100 Stockholders as of 31 March 2021
April 20, 2022	Approval of 2021 Audited Financial Statements
May 24, 2022	DOE approval of the relinquishment of SC14 - Nido & Matinloc Blocks
June 15, 2022	Results of Organizational and Annual Stockholders' Meeting 2022
June 16, 2022	Approval of the Stockholders of The Philodrill Corporation on the Amendment of the Company's By-Laws
July 15, 2022	List of Top 100 Stockholders as of 30 June 2022
August 2, 2022	Retirement of Mr. Alessandro O. Sales, Vice President for Exploration and Production of The Philodrill Corporation
September 6, 2022	DOE approval of the relinquishment of Service Contract SC 6A (Octon Block)
September 21, 2022	Appointment of Mr. Dennis V. Panganiban as Vice President for Exploration and Production
October 5, 2022	Certificate of Attendance on Corporate Governance Webinar 2022
October 17, 2022	List of Top 100 Stockholders as of September 30, 2022
November 28, 2022	Demise of Mr. Alfredo C. Ramos
December 5, 2022	Certificate of Completion on Corporate Governance Webinar of Mr. Nicasio Alcantara
December 21, 2022	Appointment of Chairman & President and Extension of the Subscription Payment

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April __, 2023.
2 6 APR 2023

By:

ADRIAN PAULINO S. RAMOS
Principal Executive Officer/
Principal Operating Officer

REYNALDO E. NAZAREA
Principal Financial Officer/
Comptroller

ADRIAN S. ARIAS
Corporate Secretary

JENNIFER P. TOMBAGA
Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this 2 6 APR 2023 day of April 2023 affiants exhibiting to me their Passports or Driver's license, as follows:

Names	**Passport/DL no.**	Expiration Date	**Place of Issue**
ADRIAN PAULINO S. RAMOS	P6368801B	02-22-2031	DFA NCR East
REYNALDO E. NAZAREA	N15-78-009789	05-17-2023	
ADRIAN S. ARIAS	P9176511A	10-15-2028	DFA NCR East
JENNIFER P. TOMBAGA	N26-10-017887	07-31-2024	

Notary Public

DOC. NO. 94
PAGE NO. 7
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
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	8	6	8	3

COMPANY NAME

THE PHILODRILL CORPORATION AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8,534	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.*

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 ~~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. 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

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.

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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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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.

THE PHILODRILL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Financial Statements

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

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

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

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

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

Business Combination and Goodwill

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

Deferred effectivity

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

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

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

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

a. Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Financial Liabilities

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

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

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

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

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

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

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

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

c. Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

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

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

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

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

<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.

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

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

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

Contingencies

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

Foreign Currency Transactions

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

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

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

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

Determining 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.

<u>SC 74</u>

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 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.

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).

<u>SC6A</u>
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).

<u>SWAN Block</u>
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.

<u>PCECP Area 7 Sulu Sea</u>
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 ₱25,576*

	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
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the 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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1226 Makati City
Philippines

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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
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
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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

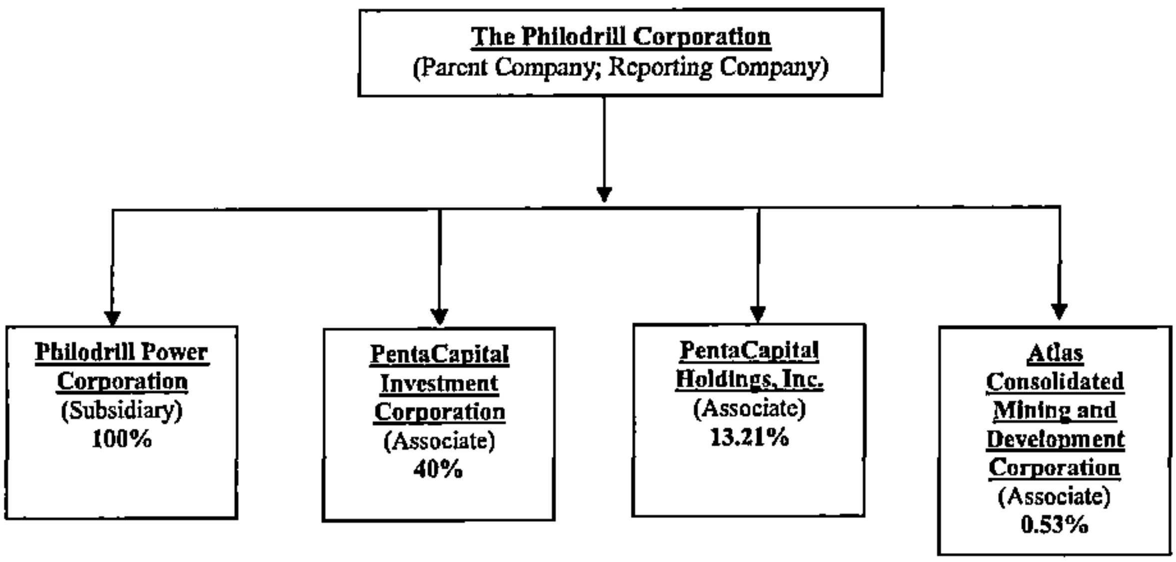
THE PHILODRILL CORPORATION AND SUBSIDIARY
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED
DECEMBER 31, 2022

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-			

<u>SCHEDULE IV - E</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 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 -				

SCHEDULE IV - G

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
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	8	6	8	3						

COMPANY NAME

THE PHILODRILL CORPORATION

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
AAPFS	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)
8,543	06/16	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph (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
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- <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 is responsible for the preparation and fair presentation of the parent company 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 ______ ~~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. 14
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 parent company financial statements of The Philodrill Corporation (the Parent Company), which comprise the Parent Company statements of financial position as at December 31, 2022 and 2021, and the Parent Company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Parent Company 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 parent company 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.

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

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

In preparing the parent company 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.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent Company'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 Parent Company'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 parent company 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of The Philodrill Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

PARENT COMPANY 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)	**241,384,215**	297,417,721
Crude oil inventory (Notes 6 and 7)	**57,229,468**	22,087,998
Other current assets	**5,006,142**	2,295,701
Total Current Assets	**685,359,222**	606,472,575
Noncurrent Assets		
Property and equipment (Note 8)	**305,664,288**	331,132,271
Investments in associates and subsidiary (Note 9)	**631,605,502**	631,605,502
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 (Note 13)	**10,104,181**	11,651,376
Total Noncurrent Assets	**1,815,565,835**	2,276,214,412
TOTAL ASSETS	**₱2,500,925,057**	₱2,882,686,987
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	**₱21,125,601**	₱13,695,602
Dividends payable (Note 22)	**33,126,610**	33,129,215
Income tax payable	**–**	30,665
Total Current Liabilities	**54,252,211**	46,855,482
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	**90,441,311**	88,581,163
Equity		
Capital stock (Note 14)	**1,743,479,943**	1,743,479,943
Paid-in capital from sale of treasury shares	**1,624,012**	1,624,012
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	**748,909,204**	1,116,010,626
Total Equity	**2,410,483,746**	2,794,105,824
TOTAL LIABILITIES AND EQUITY	**₱2,500,925,057**	₱2,882,686,987

See accompanying Notes to Parent Company Financial Statements.

THE PHILODRILL CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
SHARE IN PETROLEUM REVENUE (Note 7)	**₱237,488,580**	₱207,126,666
COSTS AND EXPENSES		
Share in costs and operating expenses (Notes 7 and 17)	**105,403,947**	139,477,198
Depletion expense (Notes 7 and 8)	**48,261,960**	51,282,027
General and administrative expenses (Note 18)	**64,854,911**	60,777,412
	218,520,818	251,536,637
OTHER INCOME (CHARGES)		
Provision for unrecoverable deferred oil exploration (Note 11)	**(423,754,823)**	–
Foreign exchange gains - net (Notes 4 and 7)	**40,613,540**	16,507,842
Interest income - net (Notes 4 and 16)	**15,705,047**	12,304,629
Dividend income (Notes 9 and 10)	**6,584,928**	8,840,885
Interest expense (Notes 13 and 19)	**(2,578,786)**	(2,236,159)
Gain on sale of investments (Note 10)	**–**	4,542,611
Others – net	**(3,414,482)**	(113,160)
	(366,844,576)	39,846,648
LOSS BEFORE INCOME TAX	**(347,876,814)**	(4,563,323)
(PROVISION FOR) BENEFIT FROM INCOME TAX (Note 20)		
Current	**(927,221)**	(679,664)
Deferred	**(18,297,387)**	11,173,300
	(19,224,608)	10,493,636
NET INCOME (LOSS)	**(367,101,422)**	5,930,313
EARNINGS (LOSS) PER SHARE (Note 15)		
Basic/Diluted	**(₱0.00191)**	₱0.00003

See accompanying Notes to Parent Company Financial Statements.

THE PHILODRILL CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME (LOSS)	**(₱367,101,422)**	₱5,930,313
OTHER COMPREHENSIVE INCOME (LOSS)		
Item not to be reclassified to profit or loss in subsequent periods:		
Unrealized gains (losses) on financial assets at FVOCI (Note 10)	**(12,379,543)**	3,874,565
Remeasurement gains (loss) on retirement benefit liability, net of tax (Note 19)	**(5,521,484)**	4,510,162
Income tax effects	**1,380,371**	(1,353,049)
Other comprehensive income (loss), net of tax	**(16,520,656)**	7,031,678
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱383,622,078)**	₱12,961,991

See accompanying Notes to Parent Company Financial Statements.

THE PHILODRILL CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 14)	Paid-in Capital from Sale of Treasury Shares	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, 2021	**₱1,743,479,943**	**₱1,624,012**	**(₱32,509,624)**	**(₱41,530,811)**	**₱1,110,080,313**	**₱2,781,143,833**
Net income	–	–	–	–	5,930,313	5,930,313
Other comprehensive income	–	–	3,874,565	3,157,113	–	7,031,678
Total comprehensive income	–	–	3,874,565	3,157,113	5,930,313	12,961,991
Balances at December 31, 2021	**₱1,743,479,943**	**₱1,624,012**	**(₱28,635,059)**	**(₱38,373,698)**	**₱1,116,010,626**	**₱2,794,105,824**
Net loss	₱–	₱–	₱–	₱–	(₱367,101,422)	(₱367,101,422)
Other comprehensive loss	–	–	(12,379,543)	(4,141,113)	–	(16,520,656)
Total comprehensive loss	–	–	(12,379,543)	(4,141,113)	(367,101,422)	(383,622,078)
Balances at December 31, 2022	**₱1,743,479,943**	**₱1,624,012**	**(₱41,014,602)**	**(₱42,514,811)**	**₱748,909,204**	**₱2,410,483,746**

See accompanying Notes to Financial Statements.

THE PHILODRILL CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before income tax	**(₱347,876,814)**	(₱4,563,323)
Adjustments for:		
Provision for unrecoverable deferred oil exploration costs (Note 11)	**423,754,823**	–
Depletion and depreciation expense (Note 8)	**49,216,836**	54,428,709
Unrealized foreign exchange (gains) losses - net (Note 4)	**(32,586,052)**	(16,507,842)
Interest income (Note 4)	**(15,705,047)**	(12,304,629)
Retirement benefit expense (Note 19)	**(20,028,470)**	(5,047,804)
Dividend income (Notes 9 and 10)	**(6,584,928)**	(8,840,885)
Amortization of other deferred charges	**2,409,099**	2,009,308
Accretion expense (Note 13)	**1,915,669**	1,448,014
Gain on sale of investments (Note 10)	–	(4,542,611)
Working capital changes:		
Decrease (increase) in:		
Receivables	**56,033,505**	(14,493,484)
Crude oil inventory	**(35,141,470)**	(7,616,222)
Other current assets	**(2,710,440)**	268,198
Increase (decrease) in accounts payable and accrued liabilities	**7,429,999**	(7,958,277)
Cash used in operations	**80,126,710**	(23,720,848)
Income taxes paid including creditable taxes applied	**(957,886)**	(697,474)
Interest received	**15,705,047**	12,186,593
Dividend received	**6,584,928**	8,840,885
Net cash flows from (used in) operating activities	**101,458,799**	(3,390,844)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to:		
Deferred oil exploration costs (Note 11)	**(19,417,983)**	(20,886,697)
Property and equipment (Note 8)	**(9,639,381)**	(2,109,921)
Other noncurrent assets	–	10,018,200
Financial assets at FVOCI	–	8,420,001
Net cash flows used in investing activities	**(29,057,364)**	(4,558,417)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments of dividends (Note 14)	**(2,605)**	(8,520)
Cash flows used in financing activities	**(2,605)**	(8,520)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,398,830**	(7,957,781)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**24,669,412**	19,356,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**284,671,155**	273,272,869
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱381,739,397**	₱284,671,155

See accompanying Notes to Parent Company Financial Statements.

THE PHILODRILL CORPORATION
NOTES TO PARENT COMPANY 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), are primarily engaged in oil exploration and production and the development, exploitation, and processing of energy resources. The Parent Company is also an investment holding company with investments in financial services and mining.

The registered business address of the Parent Company 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 two 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.

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 financial statements of the Parent Company as at and for the years ended December 31, 2022 and 2021 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 parent company financial statements have been prepared in compliance with Philippines Financial Reporting Standard (PFRSs).

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

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 Parent Company 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 an impact on the parent company 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.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

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

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Parent Company 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 parent company financial statements.

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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- 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 Parent Company 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 Parent Company 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 depending on the immediate cash requirements of the Parent Company 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 Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as determined under PFRS 15, *Revenue from Contracts with Customers.*

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

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

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

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

The Parent Company'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 Parent Company'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 Parent Company 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 statement of income when the right to payment has been established, except when the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company 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 Parent Company 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 Parent Company could be required to repay.

Impairment of financial assets
The Parent Company 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 Parent Company 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 Parent Company considers a financial asset as past due when contractual payments are over 90 days. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. 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 Parent Company 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 Parent Company'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 Parent Company 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 Parent Company 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 Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

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

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 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 Parent Company's financial liabilities at amortized cost include trade and other payables, advances from a related party and lease liabilities. The Parent Company did not have financial liabilities at fair value through profit or loss as at December 31, 2021 and 2020.

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

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

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

c. Offsetting of Financial Instruments

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

<u>Fair Value Measurement</u>
The Parent Company 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 Parent Company.

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 Parent Company 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 financial statements on a recurring basis, the Parent Company 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 Parent Company 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.

Investment in subsidiary

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies of the entities. Investment in subsidiary is accounted for using cost method. Income from the investment is recognized only to the extent that the investor receives distribution from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as recovery of investments and are recognized as a reduction of the cost of investment.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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 its returns

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

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Parent Company determines whether it is necessary to recognize an impairment loss on its investment in its subsidiary. At each reporting date, the Parent Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognizes the loss in profit or loss.

Interest in Joint Arrangements
The Parent Company 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 Parent Company 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

Investments in Associates
Associates are entities which the Parent Company 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 cost method.

When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Parent Company and its associates are eliminated to the extent of the Parent Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Parent Company.

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 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.

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 Parent Company'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 statement of income when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil exploration asset is written off through the 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 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 oil and gas properties. Other than license costs, no amortization is charged during the exploration and evaluation phase. For exchanges/swaps or parts of exchanges/swaps that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognized.

The recoverability of deferred oil exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Parent Company 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 Parent Company 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 Parent Company as a gain on disposal.

Outside the E&E phase

The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Parent Company'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 Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

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

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

Capital Stock
Capital stock is measured at par value for all shares issued. When the Parent Company 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 Parent Company statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration received is recognized in paid-in capital from sale of treasury shares.

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

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

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

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

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

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

Revenue Recognition
Revenue from Contracts with Customers
Revenue from sale of petroleum is recognized at a point in time when the control of the goods has transferred from the Consortium Operator of the joint arrangement to the customer, which is typically upon delivery of the petroleum products to the customers. Revenue is measured at amount that reflects the consideration to which the Parent Company 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 Parent Company has generally concluded that it is the principal in its revenue arrangements.

Under the terms of the relevant joint operating agreements, the Parent Company is entitled to its participating share in the sale of petroleum products based on the Parent Company's participating interest. The revenue recognized from the sale of petroleum products pertains to the Parent Company'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 Parent Company 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 Parent Company 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 Parent Company's participating interest in the SC.

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

Provisions
Provisions are recognized when the Parent Company 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 Parent Company records the present value of estimated costs of legal and constructive obligations required to restore oil fields in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells and platforms, and dismantling operating facilities. The obligation generally arises when the asset is installed, or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related oil assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the Parent Company 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 provision for decommissioning when they occur.

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

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

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

<u>Retirement Benefit Liability</u>
The Parent Company 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 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 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 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 Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company'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 statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

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

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

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

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

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

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.

<u>Contingencies</u>
Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

<u>Foreign Currency Transactions</u>
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 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 Parent Company'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 Parent Company 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 Parent Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the end of the reporting period are not adjusting events are disclosed in the notes to financial statements when material to the financial statements.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS 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 financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the 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 financial statements as they become reasonably determined.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

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

suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Parent Company 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 Parent Company 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 Parent Company to assess their rights and obligations arising from the arrangement. Specifically, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company's joint arrangements are in the form of joint operations (see Note 7).

Determining Whether Significant Influence Exists
The Parent Company has investments in associates. These are shares purchased not for the purpose of trading. The Parent Company considers that it has a significant influence in the associates as the Parent Company is represented in the governance of the associates. In assessing whether significant influence still exists, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company's historical observed default rates. The Parent Company 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 Parent Company'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 Parent Company's 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 Parent Company's oil properties. The Parent Company 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 Parent Company's competent person indicating an increase in oil reserves estimate. The increase in oil reserves resulted to a decrease in depletion costs 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 Parent Company 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 Parent Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed in full from successful development or by sale.

Key inputs and assumptions used in the assessment are as follows:
- Estimated reserves - which are based on oil resources reports based on the information gathered from seismic and geological data, analyses and evaluation activities;
- Discount rate of 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 Parent Company'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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company'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 Parent Company'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 Parent Company's retirement obligations.

Information on the Parent Company'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 Parent Company and earn interest at the respective short-term investment rates.

Interest earned from cash in banks and short-term investments in 2022 and 2021 amounted to ₱5.6 million and ₱2.4 million, respectively.

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

5. Receivables

	2022	2021
Advances to related parties (Note 16)	**₱230,885,564**	₱226,129,564
Accrued interest from related parties (Note 16)	**24,072,093**	26,031,447
Accounts with partners (Note 7)	**5,298,609**	84,808
Accrued interest from banks	**1,872,866**	488,851
Accounts with contract operators (Note 7)	**–**	65,476,992
Others	**175,281**	126,257
	262,304,413	318,337,919
Less allowance for ECL	**20,920,198**	20,920,198
	₱241,384,215	₱297,417,721

The receivables are generally payable on demand. These are also 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 Parent Company makes advances for the operating expenses of the consortiums wherein it is the operator. The Parent Company records this under the "accounts with partners" account which represent receivables from these consortiums' members.

Accounts with contract operators represent the excess of proceeds from crude oil liftings over the amounts advanced by the contract operators for the Parent Company'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 and ₱127.9 million in 2022 and 2021, respectively (see Note 17).

7. Interest in Joint Operations

The Parent Company'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)	**10.17784**	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 the Parent Company's competent person indicating a 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 Parent Company 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 participating interest 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 participating interest 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 participating interest 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 and 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 the 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.

<u>SC 74</u>
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 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.

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 and approved on March 30, 2023. 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 Parent Company's interest in the jointly controlled operations in the various SCs and GSECs, and any liabilities incurred jointly with the other partners, as well as the related revenue and expenses of the venture, which are included in the parent company financial statements, are as follows:

	2022	2021
Current assets:		
Receivables (Note 5):		
Accounts with contractor 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 liability:		
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)
Revenue:		
Share in petroleum revenue	**₱237,488,580**	₱207,126,666
Costs of petroleum operations:		
Share in costs and operating expenses (Note 17)	**(105,403,947)**	(139,477,198)
Depletion (Note 8)	**(48,261,960)**	(51,282,027)
Other income (loss):		
Foreign exchange gains (losses) - net	**10,784,517**	(2,848,225)
	(142,881,390)	(193,607,450)
	₱94,607,190	₱13,519,216

8. Property and Equipment

	2022				
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	₱1,161,253,641	₱18,961,929	₱ 13,887,100	₱8,015,016	₱1,202,117,686
Additions	9,264,506	–	79,900	294,975	9,639,381
Disposal	–	–	(4,981,000)	–	(4,981,000)
Adjustment to capitalized 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	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
			2021		
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
Disposal	(285,256,452)	–	–	–	(285,256,452)
Adjustment to capitalized 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 (Note 7)	51,282,027	–	–	–	51,282,027
Depreciation (Note 18)	–	547,109	2,412,400	187,173	3,146,682
Reclass/Wite-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	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 and 2021 are ₱834.8 and ₱777.4 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 Parent Company continues to utilize fully depreciated property and equipment with an aggregate acquisition cost of ₱17.2 million and ₱17.7 million, respectively.

9. Investments in Associates and Subsidiary

The cost of investments in associates and subsidiary follow:

	2022	2021
Associates:		
Atlas Consolidated Mining and Development Corporation (ACMDC)	**₱419,069,303**	₱419,069,303
Penta Capital Investment Corporation (PCIC)	**159,787,856**	159,787,856
Penta Capital Holdings, Inc. (PCHI)	**43,549,216**	43,549,216
Subsidiary:		
PPC	**9,199,127**	9,199,127
	₱631,605,502	₱631,605,502

Investments in Associates

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

Following are the summarized financial information of ACMDC, PCIC and PCHI as at and for the years ended December 31, 2022 and 2021 (in thousands):

	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

	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

The Parent Company received dividends amounting to ₱5.3 million and ₱7.6 million in 2022 and 2021, respectively, from its investments in associates.

Investment in Subsidiary

The Parent Company owns 100% of the shares of PPC, an entity which is primarily engaged in the development, exploitation and processing of energy resources.

As at December 31, 2022 and 2021, the carrying amount of investment in a subsidiary amounted to ₱9,199,127.

As at March 29, 2023, PPC has not yet started commercial operations.

10. Financial Assets at Fair Value through OCI

	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 Parent Company sold 300 million shares of investment in OPMC with a total carrying amount of ₱3.8 million for ₱8.4 million, which resulted to a gain on sale of ₱4.5 million.

The Parent Company received cash dividends from OPMC and Shang Properties totaling to ₱1.3 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 parent company statements of financial position:

	2022	2021
Beginning of year	**₱28,635,059**	₱32,509,624
Changes in fair value during the year, net of tax	**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:

Cost:	2022	2021
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
Allowance for impairment loss:		
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 the deferred oil exploration costs incurred in connection with the Parent Company's participation in the acquisition and exploration of petroleum concessions is dependent upon the discovery of oil and gas in commercial quantities from the respective petroleum concessions and the success of the 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 Parent Company's present petroleum revenues and production costs and related expenses are from certain areas of SC-14, particularly Nido, Matinloc, North Matinloc and Galoc.

The aforementioned SCs 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 Parent Company's share in the jointly controlled assets of the aforementioned SCs is included principally under the "Receivables," "Crude oil inventory," "Property and equipment" and "Deferred oil exploration costs" accounts in the Parent Company statements of financial position (see Note 7).

<u>SC6A</u>

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

PCECP Area 7 Sulu Sea

In 2012, the Parent Company 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 Parent Company, 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 Parent Company, 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 Parent Company 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 Parent Company, 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
Payables to PPC	**8,424,689**	8,511,974
Accruals for:		
Employee benefits	**4,670,000**	–
Professional fees	**910,560**	1,187,200
Others	**215,983**	1,432,155
Withholding taxes	**358,030**	995,668
Others	**27,999**	19,631
	₱21,125,601	₱13,695,602

Accounts with partners represent payables arising from transactions of the consortium and varies in timing with regards to settlement. The Parent Company 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.

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 Parent Company 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

As at December 31, 2022 and 2021, capital stock consists of:

	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 Parent Company has 8,534 shareholders.

Retained Earnings

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

15. Earnings Per Share

	2022	2021
Net Income (loss)	**(₱367,101,422)**	₱5,930,313
Weighted average number of common shares issued and outstanding during the year (Note 14)	**191,868,805,358**	191,868,805,358
Basic/Diluted loss per share	**(₱0.00191)**	₱0.00003

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 and the date of authorization of the parent company 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 Parent Company's advances to related parties and the corresponding interest income from these advances are as follows:

Related Party		Volume	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, no impairment
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.

In 2022 and 2021, unrealized foreign exchange losses attributable to foreign-currency denominated related party transactions amounted to ₱4.8 million and ₱2.9 million, respectively.

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 Parent Company from its advances to related parties follow:

	2022	2021
Alakor	**₱8,138,993**	₱8,138,993
National Bookstore	**1,933,549**	1,751,764
	₱10,072,542	₱9,890,757

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

	2022	2021
Short-term employee benefits	**₱19,130,520**	₱20,085,109
Post-employment benefits	**6,413,302**	5,326,420
	₱25,543,822	₱25,411,529

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

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 Parent Company'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
Petroleum operations (Note 6)	**₱103,942,774**	₱134,884,214
Personnel cost	**1,461,173**	4,592,984
	₱105,403,947	₱139,477,198

Share in petroleum operations consist of the Parent Company's share in the production costs, lifting and marketing fees, and other operating expenses of the SC-14 C1 Galoc oil fields for 2022 and 2021, respectively. The cost of petroleum inventories recognized as expense in 2022 and 2021 amounted to ₱103.9 million and ₱127.9 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
Personnel cost	**₱36,402,010**	₱34,688,807
Entertainment, amusement and recreation	**8,227,696**	6,267,631
Transportation and travel	**6,397,280**	4,946,605
Supplies	**3,889,460**	2,983,878
Outside services	**2,360,319**	2,492,483
Utilities	**1,470,542**	1,566,282
Insurance	**1,438,734**	1,472,709
Dues and subscriptions	**1,392,346**	1,416,821
Depreciation (Note 8)	**954,876**	3,146,682
Repairs and maintenance	**941,035**	723,890
Rent	**380,203**	382,448
Taxes and licenses	**214,845**	222,691
Others	**785,565**	466,485
	₱64,854,911	₱60,777,412

Personnel costs include the following:

	2022	2021
Salaries, allowance and bonuses	**₱25,995,486**	₱24,756,272
Employees, facilities and benefits	**7,324,288**	3,832,098
Pension expense (Note 19)	**2,308,413**	4,164,051
SSS, Med. and HDMF Prem.	**773,823**	738,158
Provision for year-end expenses	**–**	1,198,228
	₱36,402,010	₱34,688,807

19. Retirement Benefit Liability

The Parent Company has a funded, non-contributory defined benefits retirement plan covering its regular permanent employees. Retirement benefit expenses are based on the employee's 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

	January 1, 2022	Net Benefit Cost in Profit or Loss: Current Service Cost	Net Benefit Cost in Profit or Loss: Net interest Cost (Income)	Net Benefit Cost in Profit or Loss: Subtotal	Benefits Paid	Remeasurements in Other Comprehensive Income: Actuarial Gain on Defined Benefit Obligation	Remeasurements in Other Comprehensive Income: Remeasurement Loss on Plan Asset	Remeasurements in Other Comprehensive Income: 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

	January 1, 2021	Net Benefit Cost in Profit or Loss: Current Service Cost	Net Benefit Cost in Profit or Loss: Net interest Cost (Income)	Net Benefit Cost in Profit or Loss: Subtotal	Benefits Paid	Remeasurements in Other Comprehensive Income: Gains (Losses) on Return on Plan Assets	Remeasurements in Other Comprehensive Income: Remeasurement Loss on Plan Asset	Remeasurements in Other Comprehensive Income: 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 Parent Company is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Parent Company's discretion.

The Parent Company'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 are 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 benefit liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2022	2021
Discount rates	+1%	**₱37,972,780**	₱66,992,700
	-1%	**41,110,744**	71,034,430
Salary increase rate	+1%	**41,283,166**	71,312,040
	-1%	**37,797,683**	66,701,740

The Parent Company 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 as of December 31, 2022:

Within the next 12 months	₱14,390,215
Between 2 and 5 years	16,946,677
Between 5 and 10 years	18,044,973
Between 10 and 15 years	7,250,736
Between 15 and 20 years	9,335,812
More than 20 years	19,467,918
Total expected payments	₱85,436,331

The average duration of the defined retirement benefit 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
MCIT	**₱495,121**	₱106,807
Final taxes	**432,100**	572,857
	₱927,221	₱679,664

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 parent company statements of income is as follows:

	2022	2021
(Provision for) benefit from income tax computed at the statutory income tax rate	**(₱86,969,204)**	₱1,140,831
Add (deduct) tax effect of:		
Expired NOLCO	**58,757,490**	–
Movement in unrecognized deferred tax assets	**24,826,230**	–
Nontaxable income	**(18,279,026)**	11,195,773
Nondeductible expenses	**2,778,240**	(1,746,306)
Interest income subjected to final tax	**(1,507,727)**	696,332
Expired portion of excess MCIT over RCIT	**737,289**	(220,137)
Final tax on interest income	**432,100**	(572,857)
(Provision for) benefit from income tax	**(₱19,224,608)**	10,493,636

Deferred income tax

Net deferred income tax assets represent the following:

	2022	2021
Deferred income tax assets on:		
Net operating loss carry-over (NOLCO)	**₱75,058,176**	₱152,316,148
Provision for impairment on deferred oil exploration cost	**105,938,706**	39,813,493
Retirement benefits	**455,535**	7,214,150
Unamortized past service cost	**6,810,994**	1,036,567
Provision for P&A costs	**8,591,740**	7,488,889
Provision for impairment of 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
	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 Parent Company 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 Parent Company'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 Parent Company'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 Parent Company'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 Parent Company.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk, and market risks. The market risks exposure of the Parent Company 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 Parent Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from cash and cash equivalents and receivables. The Parent Company'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 US$1.0 to ₱50.99 as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity of the Parent Company'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 Parent Company'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 Parent Company's equity other than through profit or loss.

Credit Risk

Credit risk is the risk that the Parent Company 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 Parent Company, which comprise of cash in banks, short-term investments, receivables, financial assets at FVOCI and advances to related parties, the Parent Company's exposure to credit risk could arise from default of the counterparty.

The Parent Company trades only with recognized, creditworthy third parties. However, the Parent Company'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 Parent Company, 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 Parent Company'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	**241,384,215**	297,417,721
Financial assets at FVOCI	**69,632,048**	82,011,591
Decommissioning fund under "Other noncurrent assets"	**10,104,179**	9,242,274
	₱702,834,263	₱673,313,561

In determining the credit risk exposure, the Parent Company 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 Parent Company 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	4,844,077	16,166,436	25,904,959
Others	5,473,890	–	–	–	–	5,473,890
Financial assets at FVOCI	69,632,048	–	–	–	–	69,632,048
Other noncurrent assets	10,104,179	–	–	–	–	10,104,179
	₱694,550,802	₱681,627	₱1,340,955	₱6,220,879	₱20,920,198	₱723,714,461

**Excluding cash on hand of ₱25,576*

		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	110,135	–	–	100,930	–	211,065
Financial assets at FVOCI	82,011,591	–	–	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	–	–	9,242,274
	₱661,990,651	₱675,207	₱1,328,115	₱9,319,588	₱20,920,198	₱694,233,759

**Excluding cash on hand of ₱29,179*

The table below shows the credit quality of the Parent Company'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	**5,473,890**	–	–	–	**5,473,890**
Financial assets at FVOCI	**69,632,048**	–	–	–	**69,632,048**
Other noncurrent assets	**10,104,179**	–	–	–	**10,104,179**
	₱702,834,263	**₱–**	**₱20,920,198**	**₱–**	**₱723,754,461**

**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	211,065	–	–	–	211,065
Financial assets at FVOCI	82,011,591	–	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	–	9,242,274
	₱673,313,561	₱–	₱20,920,198	₱–	₱694,233,759

**Excluding cash on hand of ₱29,179*

Liquidity Risk

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

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

2022	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	**(₱20,767,571)**	**₱–**	**₱–**	**(₱20,767,571)**
Dividends payable	**(33,126,610)**	**–**	**–**	**(33,126,610)**
	(₱53,894,181)	**₱–**	**₱–**	**(₱53,894,181)**
Financial assets				
Cash in banks and cash equivalents	**₱381,713,821**	**₱–**	**₱–**	**₱381,713,821**
Receivables	**241,384,215**	**–**	**20,920,198**	**262,304,413**
Financial assets at FVOCI	**69,632,048**	**–**	**–**	**69,632,048**
Other noncurrent assets	**10,104,179**	**–**	**–**	**10,104,179**
	₱702,834,263	**₱–**	**₱20,920,198**	**₱723,754,461**

**Excluding government payables*

2021	Less than three months	Three to twelve months	More than twelve months	Total
Financial liabilities				
Accounts payable and accrued liabilities*	(₱12,699,934)	₱–	₱–	(₱12,699,934)
Dividends payable	(33,129,215)	–	–	(33,129,215)
	(₱45,829,149)	₱–	₱–	(₱45,829,149)
Financial assets				
Cash in banks and cash equivalents	₱284,641,975	₱–	₱–	₱284,641,975
Receivables	297,417,719	–	20,920,198	318,337,917
Financial assets at FVOCI	82,011,591	–	–	82,011,591
Other noncurrent assets	9,242,274	–	–	9,242,274
	₱673,313,559	₱–	₱20,920,198	₱694,233,757

**Excluding government payables*

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

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 Parent Company is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the statements of financial position as financial assets at FVOCI.

The following table shows the sensitivity of the Parent Company's equity (through OCI) from changes in the carrying value of the Parent Company'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 Parent Company's equity (through OCI) due to changes in the carrying value of the Parent Company'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 Income before Income tax
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 Parent Company's equity excludes the impact on transactions affecting profit or loss.

23. Capital Management

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

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

The following table summarizes the total capital considered by the Parent Company:

	2022	2021
Capital stock	**₱1,743,479,943**	₱1,743,479,943
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)
Remeasurement of Retirement in OCI	**(42,514,811)**	(38,373,698)
Retained earnings	**748,909,204**	1,116,010,626
	₱2,410,483,746	₱2,794,105,824

24. Contingent Liability

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

25. 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.

26. Supplementary Tax Information under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the year.

In addition, under Presidential Decree 87 Section 12(a), the Parent Company, as well as all other service contractors, is exempted from all taxes, except income tax.
The Parent Company reported and/or paid the following types of taxes for the year:

a. Taxes and Licenses

Fringe benefit taxes	₱342,735
Real estate taxes	131,653
License and permits fees	83,192
	₱557,580

b. Withholding Taxes

	Paid	Accrued	Total
Final withholding taxes	₱223,120	₱–	₱223,120
Withholding taxes on compensation and benefits	6,285,630	324,295	6,609,925
Expanded withholding tax	382,314	33,735	416,049
	₱6,891,064	₱358,030	₱7,249,094

c. Others

The Parent Company has not locally produced and imported or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2022.

The Parent Company has no outstanding tax cases in any other court or bodies outside of the BIR as at December 31, 2022.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of The Philodrill Corporation (the Parent) as at and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the parent company financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

March 29, 2023

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 income actually earned/realized during the period**		
Net income 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	–	
Increase 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**

Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	THE PHILODRILL CORPORATION
Location of Headquarters	8^{TH} F, Quad Alpha Centrum Bldg., 125 Pioneer St., Mandaluyong
Location of Operations	with active Service Contracts in NW Palawan and Mindoro, Phils.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	THE PHILODRILL CORPORATION
Business Model, including Primary Activities, Brands, Products, and Services	Oil and Gas Exploration and Production
Reporting Period	2022
Highest Ranking Person responsible for this report	ADRIAN PAULINO S. RAMOS President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
The Philodrill Corporation recognizes the value of sustainability reporting as a useful risk management tool that will generate savings for the Company and help attain its goal of increased shareholder value. Philodrill is committed to providing access to affordable, reliable and sustainable energy that is essential to fuel our economy and improve living conditions. Material topics were determined through the engagement of stakeholders (both internal and external) and rationalize the factors that have the most impact, where it occurs or how such factors affected the respondents' lives. This Report will provide insight on the Company's risk management policies and governance practices and what it does to manage social, environmental, and economic sustainability.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	237,488,580.00	Php
Direct economic value distributed:		
Operating costs	108,330,134.00	Php
Employee wages and benefits	36,887,414.00	Php
Payments to suppliers, other operating costs	41,179,393.00	Php
Dividends given to stockholders and interest payments to loan providers	0	
Taxes given to government	7,613,477.00	Php
Investments to community (e.g. donations, CSR)	345,183.00	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationships	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The impact of economic performance is on the primary business operations of the Company. As the upstream O&G industry is a capital intensive business, strong economic performance means more projects are carried out. The impact is directly caused by the company as it is the measure of its performance in operating the business.	Strong economic performance means that value is delivered to our **shareholders**, value is delivered through our services to **society**, **employees** are offered competitive salaries and benefits, obligations to **suppliers and creditors** are met, **custome**r orders are fulfilled, **Government** gains revenues and the **local communities** receive investment.	The Company implements Enterprise Risk Management (ERM). ERM provides reasonable assurance regarding the achievement of the Company's objectives. Philodrill can identify, assess, respond and monitor the outcomes of the industry's leading risk factors with an Enterprise Risk Management system in place.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
In the oil and gas industry, managing capital projects, in particular large capital projects, in a global environment is becoming increasingly complex. Oil and gas companies need to make strategic	The Company itself, employees, suppliers and creditors, contractors	Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to the risks and opportunities

decisions about which projects should be developed first to ensure their company's best performance. 1. **Price Risk**. The price of oil and gas is the primary factor in deciding whether a reserve is economically feasible. Basically, the higher the geological barriers to easy extraction, the more price risk a given project faces. This is because unconventional extraction usually costs more than a vertical drill down to a deposit. 2. **Supply and Demand Risk.** Operations take a lot of capital and time to get going, and they are not easy to shut down when prices go south or to ramp up when they go north. The uneven nature of production is part of what makes the price of oil and gas so volatile. Other economic factors also play into this, as financial crises and macroeconomic factors can dry up capital or otherwise affect the industry independently of the usual price risks. 3. **Cost Risk**. The more onerous the regulation and the more difficult the drill, the more expensive a project becomes. 4. **Operational Risk.** Companies struggle to find and retain the qualified workers that they need to operate the field.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Good economic performance opens opportunities for the Company to participate in more exploration projects and enter into Joint Venture agreements.	The stockholders, employees, National Government and the local community	Management implements rationalization of exploration projects, prioritizing those within the medium-term prospects. In all its undertakings, tighter measures are employed to ensure efficient utilization

Provides the Company resources to offer competitive compensation package and benefits for its employees, and share profit to its stockholders. But more importantly, the Government gains more revenues and better investments are returned back to the local communities.		of resources to minimize cost and dependence on outsourced services that are more costly.

Climate-related risks and opportunities[15]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	*Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material*	*Disclose how the organization identifies, assesses, and manages climate-related risks*	*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material*
The Philodrill's Board of Directors ensures that a comprehensive, corporate-wide climate change mitigation or adaptation strategy is in place. Executive Management must identify adaptation measures and opportunities to mitigate energy cost, carbon and carbon related regulatory measures. The most cost effective measures the Company can take to adapt to physical risks (to build resilience for climate changes which can no longer be avoided) and mitigate energy costs and carbon risks (reduce exposure) are then described based on observation of global	Philodrill is committed to protecting the environment. It works hard to cause no harm to people. The Company as Operator sets environmental standards in accordance with global best practices, which meet all regulatory requirements. The company's standards cover its environmental performance including: managing emissions of greenhouse gases, using less energy more efficiently, flaring and burning off less gas during oil production, preventing spills and leaks of hazardous materials, using less fresh water and conserving biodiversity wherever we operate. It encourages the Partners	The Company adheres to processes that assess and mitigate risks and support decision making. These processes include the following: *Enterprise Risk Management.* ERM process provides corporate oversight for identifying major risks to the Company and ensuring mitigation plans are in place. The ERM process includes risk review with executive management and the Board of Directors that identifies risks inherent in our business. Risks assessed through this process include financial, operational, geopolitical, commodity pricing, security, geological and technological as well as climate change risks.	The Company has not set targets for emissions reduction for the most recent years as most of its major assets are still in the exploration stage while Greenhouse Gas (GHG) emissions at the office has minimal impact to the environment. However, for the Galoc Operations, wherein Philodrill has a participating interest, GHG emission and gas flaring are being monitored and measured. The Company, once producing again will actively engage in

best practices. These measures should not be considered in isolation but within the capital planning cycle of the Company.	in the consortium to comply with the best standards. The Company works in partnership with the government (DOE, PCSD), Academics (UP Geological Society) and local community (El Nido) to maintain and sustain its high standards.	*Strategic and business planning processes*. The Mancom is responsible for managing the strategic and business planning processes at the Board's direction. These processes are designed to ensure that our business remains resilient under a variety of circumstances, and they include examination of external points of view, ongoing assessment of the dynamics of the energy sector, monitoring of policy and regulatory developments, and examination of trends, such as advancements in technology and evolution of consumer preferences. *Portfolio management.* The Company manages its portfolio of assets to meet objectives in accordance with its strategic and/ or business plans. A decision to invest in an asset and add it to the Company's portfolio is made based on the then-current view of factors, including anticipated future cost, NPVs, market, pricing and regulatory conditions.	direct and indirect monitoring of GHG emissions.
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

The Philodrill Corporation, through its Board of Directors, is committed to its goal of energy sufficiency, but remains focused on operating responsibly and safely. The Board meets regularly, on a monthly basis to discuss updates of company assets which includes climate-related concerns. During these meetings, decision-making issues that require top-level approval are presented. The management assures that the impacts on the environment (i.e., climate change) are carefully considered in the choices presented to the board. Updates on policies implemented, actions undertaken, and effects of these decisions are discussed with the board.	As most the assets are still in the exploration stage, the bulk of the workload is tied in office works. Production of paper wastes is the most common short-term environmental risk the Company is facing. By going electronic, not only is the Company reducing paper wastes but also operational expenses. The more intense extreme rainfall events and other natural disasters were identified as affecting its employees in a short- term period. The flaring of natural gases in the Galoc asset emits tonnes of GHG into the atmosphere thus causing medium-term health hazards to the employees onboard the platform and long- term effect on global warming.	During the last meeting for the year, Management discusses with the Board the work program and budget (WP&B) plans for the succeeding year. The Exploration program such as Geological & Geophysical activities are strategically scheduled all throughout the coming year. Management identifies possible environmental (including climate-related) risks that may impede the accomplishment of the said activities or cause any disruption in the operations. Guidance from the Board is sought on the implementation of cost-effective adaptation strategies. Previously collected data such as rainfall quantity, ocean current pattern, and gas emissions helps in forecasting risks that may arise during the implementation of G&G activities. The occurrence probability of these risks and the object which it will directly and indirectly affect are considered carefully.	Philodrill's operated blocks are strictly complying with RA 8749 or the Philippine Clean Air Act of 1999 which has the Department of Environment and Natural Resources (DENR) as the lead agency. The quality and quantity of gas emissions during operations are compared to the standard limits set by the DENR. Philodrill adheres to the DOE standards concerning regulations in the energy industry. The Company regularly submits quarterly and annual operations reports and results of exploration activities of the Company's operated service contract. The Company's plans are also aligned with the department's mission to be globally-competitive while improving the quality of life of Filipino communities.
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance

	financial planning.		against targets
Management provides the link between its employees and the host communities that are directly exposed to climate-related risks to the Board which is the decision-making body of the Company. Management is also responsible in providing immediate sound decisions and actions toward these risks. Management oversees all operations and assesses possible environmental impacts of the Company's activities.	Philodrill is exposed to many weather related climate change risks that could result in construction delays, production downgrades or blow outs to decommissioning costs, if not managed well. Company activities are planned and scheduled accordingly to lessen climate-related risks (e.g., weather pattern) that will incur additional expenses. Environmental factors, such as the reuse of materials and appropriate disposal, are considered when closing down a site.	During the initial planning stages of our major projects, a screening process is implemented to identify potential environmental and social impacts. These may include impacts on sensitive areas and freshwater resources, as well as the prevalence of bribery and corruption in the LGU, local employment and community health and safety. The results are used to identify actions and mitigation measures and then implement these in project design, construction and operations. The Management team works hard to understand environmental and social sensitivities in the areas where we operate with the aim of avoiding, minimizing and mitigating any potential impacts.	The primary target of the Company is to lessen carbon footprint and the negative environmental impact of its exploration activities. Recycling is practiced in the office premises. Reusable items such as papers, newspapers, carton boxes, plastic bags, and plastic/glass bottles are either reused or if unrecyclable are sold and proceeds distributed to the staff. These measures that not only aid the employees in work but also benefits the Company by lessening operational expenses and providing additional income. Conservation of electricity and water is also a constant practice. The Company is contributing less air pollutants with the efficient use of GHG-emitting equipment. Management ensures that the facilities of producing oil fields are in good condition so that emissions of hazardous matters are at the minimum or acceptable limits.

	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	
	The Company’s management and staff plan and create scenario analysis prior to implementation of projects. A contingency plan is always included in the programs presented to the board. Usually, an additional 10-20% of the total project budget and total number of working days is allocated as contingent measures.	Management practices a holistic approach in doing the Company’s overall risk management. After identification, assessment, and action preparation for the climate-related risks, integration with the other risks are done. A cause-and- effect relationship is established on the risks associated with each other. G&G activities are undertaken during favorable weather window periods taking into consideration weather downtime, thus limiting risks and expenses and ensuring the safety of operations.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Php39,728,856.00	96.48%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Localizing supply chain represents an opportunity to help reduce emissions and energy usage. Local supplies do not create large carbon footprints through overseas plane travel or long truck trips. This cuts down on fuel consumption and air pollution.	Suppliers	Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inability of local suppliers to meet the demand.	suppliers	Management assesses the availability and competency of local suppliers. Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		

The Company reduces shipping and storage cost while increasing revenue of the local economy by involving local suppliers. This presents opportunity to the Company to be more competitive in terms of its pricing of local crude oil produce and sold to refineries or end users.	Suppliers and other oil and gas companies	The Company seeks and maintains mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.

ENVIRONMENT

Resource Management

Energy consumption within the organization: (*Annual Consumption at the Principal office)*

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	N.A.	GJ
Energy consumption (diesel)	30.05	GJ
Energy consumption (electricity)	55,680 (4,640/month)	kWh

**Electricity consumption at the principal office for 2022*

Energy consumption on site: Galoc

Energy Consumption (Diesel)			
Parameter	Term/Formula	Unit	Year 2022
Sulfur in fuel actually used (average)	A	%	0.004
Fuel Consumption	B	li	176,500
Conversion Factors	C	lb/kg	2.205
	D	li/gallon	3.785
Diesel Density	E	lb/gallon [1]	7.1
	F = E/(C*D)	kg/li	0.8507
Average Diesel Heating value	G	BTU/lb [1]	19,300
	H = G * C	BTU/kg	42,556.50
	I = H * F	BTU/li	36,203.43
Power Input	J = I*B/1000000	MMBTU	6,389.91

Energy Consumption (Natural Gas)			
Parameter	Term/Formula	Unit	Year 2022
Fuel Consumption	A	mmscf	41.35
Average Natural Gas Heating value	B	BTU/scf [1]	1,050
Power Input	C = A*B	MMBTU	43,416.76

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	N.A.	GJ
Energy reduction (diesel)	28.69	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	N.A.	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Energy directly impacts the Company's operations. Energy resources are vital and necessary to the daily operations of the oil fields. Rationalization of energy consumption involves the Company, its employees and contractors both onsite (field operations) and offsite (office site). Continuous reduction of energy consumption is being done through implementation of energy conservation measures.	*Employees, contractors, JV partners, community*	Philodrill is committed to using less energy and more efficiently, flaring and burning off less gas during oil production. It encourages Partners in joint ventures to comply with global standards and best practices. The Company is also implementing cost-cutting measures resulting to the proper monitoring of and reduction in general & administrative expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Inefficient use of equipment resulting to higher energy consumption.	Employees, personnel working on site	Continuous monitoring and constant reminder to company employees of efficient use of office equipment. Orient maintenance staff on the schedule of switching on and off of lights, aircon, workstations, and other electrical equipment. Encourage employees to car pool, if

		possible, to save on gasoline/diesel Facilities at site are well maintained and kept at best condition to work efficiently.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
The Company will assess the impact of implementing alternative work scheme including an option to work from home to decrease operational costs and increase employees' productivity by minimizing travel time.	Employees	Continuous assessment of practicality and viability of implementing alternative work scheme.

Water consumption within the organization (off site – Office)

Disclosure	Quantity	Units
Water withdrawal	No data	Cubic meters
Water consumption	435.90	Cubic meters
Water recycled and reused	0	Cubic meters

Water consumption on site (Palawan)

Disclosure	Quantity	Units
Water withdrawal	n/a (with own desalination/water maker)	Cubic meters
Water consumption	8,704	Cubic meters
Water recycled and reused	0	Cubic meters

**Note that we are manufacturing/making our own fresh water that was converted from the sea water within the area.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

As the country experienced water crisis in 2019, the Company has been prioritizing water management, so as not to contribute further to the depletion of our water resources. At the Platform, we use reverse osmosis in seawater desalination to produce clean water that can be used for drinking, bathing, food preparation, and other general purposes.	Community, Employees, and personnel working in the platforms	The Company educates and constantly reminds its employees on the efficient use of water. Reprocessing of seawater to produce clean, safe, and fresh water to be self-sufficient, instead of relying on water tank refilling by supply vessels, which will entail additional logistical processes is continuously being implemented.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Within the office premises, some personnel are unaware that they irresponsibly use water facilities resulting to higher consumption.	Employees	The Company constantly reminds its employees to practice water conservation. Management lowered the water pressure in the comfort rooms, to control water flow and avoid spillage. Also, management ensures that there are no faucet and toilet leaks to avoid water wastage by conducting regular inspections
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Efficient water consumption leads to financial savings, which can be appropriated by the Company for other purposes. Additionally, water conservation helps the community as a whole in prolonging the water supply especially during dry seasons from March to May wherein the water in reservoirs falls below normal level.	Employees and Building Management	The Company constantly reminds employees to use water responsibly.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Galoc FPSO (Intrepid Balanghai) Location: Location: West Philippine Sea, 87km north of El Nido town 11° 58' 37.2" N 119° 18' 43.2" E	
Habitats protected or restored	none	ha
IUCN17 Red List species and national conservation list species with habitats in areas affected by operations	(list)	

**Note that we have a full copy of the Marine Protected Areas (MPA) for the whole Occidental Mindoro and Palawan with given locations and areas. Species are generally referred to as fishes, corals, seaweeds and the like.*

What is the impact and where organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company ensures strict compliance with environmental laws and policies by securing required permits from the DOE, DENR-EMB. Philodrill supports the conservation and preservation of protected areas that house our country's rich	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company secures a Certificate of Non Coverage (CNC) or Environmental Compliance Certificate (ECC), whichever is applicable, from the Environmental Management Bureau (EMB) of the DENR to cover all its exploration activities, as well as Strategic Environmental Plan Clearance (SEPC) from Palawan Council for Sustainable Development (PCSD).

natural resources (both flora and fauna).		1. Service Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016 2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016 3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify risk/s related to material topic of the organization		
For the fieldworks, marine and land seismic and gravity surveys, drilling and production activities, the risk include the disturbance of local ecosystem in the area (i.e. cutting of trees, oil spill, improper disposal of large volumes of saline water, and gas flaring).	Employees, Marine Crew onboard the Vessels, Personnel working at the platforms and local Communities adjacent to or within the SCs	The Company strictly abides with Environmental laws and policies. The exploration, production and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment, soils, surface, ground, and marine waters. Regular Health, Safety, Security and Environment (HSSE) meetings are being conducted during onshore and offshore operations. The Company conducts Bathymetric Survey to determine the shallow water areas or pinnacles to be avoided during seismic surveys. The P&A of production wells in SC 14A and SC 14B in 2018 and 2019 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later disposal. With regard to the SC 14C-1, Galoc field operations, Oil Spill Contingency Plans are in place in case of any untoward incidents. Produced water and petroleum wastes are being monitored in compliance with the standard acceptable amount defined by the DENR. Used diesel is being monitored to ensure that there is no spillage.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		
Decrease of negative environmental impact while minimizing incurred operational cost by partnering with other companies that provide exploration services within adjacent areas. In the office, decrease environment impact and CO2 imprint by going paperless/electronic. In offshore operations, JV partners devise ways to repurpose old platforms (they	Local communities adjacent or within the SCs, Employees, and Third Party Contractors	The SC 14 JV turned over the Nido and Matinloc platforms to the DOE in December 2019 so that they can be used by the DND-AFP for national defense, instead of creating a new outpost.

were converted as defense outpost of the government) instead of building or manufacturing a new one.		

Environmental impact management

Air Emissions

GHG

Air Pollutants:

Emission Rate Estimates

For the flaring facility, emission rate estimates of the GFAD Floating Production Storage Offloading (FPSO) Vessel for the year 2022 are presented in the table below:

Pollutant	Emission Factor [1]0 (tons pollutant/tons gas)	Emission for the Year 2022 (tons)
CO2	2.8	213,589.31
CO	0.0067	511.1
NOx	0.0012	91.54
N2O	0.000081	6.17
SO2	0.0000128	0.98
CH4 n atural gas	0.018	1,373.06
VOC natural gas	0.002	152.3
Gas Quantity Emitted		
Volume of Gas, ft3	2,586,181,700	
Equivalent Weight, tons	76,281.9	

For fuel combustion, emission rate estimates of the FPSO for the Year 2022 are presented below:

Pollutant	**Emission Factors**		**Year 2022 (tons)**
	lb/MMBTU	*kg/MMBTU*	
CO2	165	74.80	477.94
CO	0.85	0.39	2.47
NOx (controlled) [2]	1.9	0.86	5.49
SOx	1.01 S	0.458 S	0.011
TOC	0.09	0.04	0.26
PM	0.1	0.05	0.29

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
At the office, usage of air conditioning (AC) systems that release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs) which are GHGs that trap heat and cause depletion of the ozone layer. Natural gases (i.e. methane (CH4), ethane, propane, butane, and other heavier components), which are GHG and VOCs, produced in the Galoc field are flared out as these are not economical to be developed and also pose safety and health hazards (i.e. major blowout accident leading to destruction and fatality) if not attended properly. Flaring natural gases results to byproducts or GHGs such as CO, CO2, VOCs, NOX, SOX, and other air pollutants	Employees of Philodrill and personnel onboard the platform, and nearby communities	The Company regulates its AC systems to lessen its power consumption. Out of twenty two (22) AC systems pre-installed in the office, only twelve (12) are regularly in operation during work hours (9:00-16:00). These units are those near work desks occupied by the Company's employees. As an alternative, Management has opted to purchase AC systems with HFCs refrigerants instead of CFCs, since the former have lesser detrimental effects to the environment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Emission of GHG into the environme HFCs represent only a small portion of the total GHG emissions. However, they trap heat in the atmosphere as much as CO2. Although flaring/burning of natural gases emits a number of pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large	Employees of Philodrill and personnel onboard the platform, and nearby communities	Together with the reduced usage of AC units in the office, routine check and maintenance are also being implemented to ensure efficiency of the AC systems. To prevent major blowout accidents, flaring is favored by the management than venting off natural gases.

amounts of released natural gases/GHGs may cause health hazards to the platform's crew and contribute to ozone destruction and global warming.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the Organization		
In the office, decrease environment impact and CO2 footprint by going electronic. Less electricity consumption brought about by the minimal use of AC units and the cost-effective performance resulting from the regular maintenance will lead to savings that can be allocated to other company expenses. At the site, proposal to use a device which could reduce the gas flaring is seriously being considered.	Employees	The Company is practicing energy conservation measures. Philodrill is implementing paperless approach to certain transactions to minimize paper consumption and CO2 emission during printing and photocopying. Although the abovementioned energy conservation measures can be considered basic with minimal effect to the environment, Philodrill believes that this effort will still be beneficial to the community and environment in the long run.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
NOx, SOx, VOCs, and PMs are products of fuel combustion and ship emissions. These are released into the atmosphere and affect the ozone layer and contribute to global warming. In SC 14C-1, flaring of natural gases (i.e. methane (CH4), ethane, propane, butane and other heavier	Employees onboard the platform, FPSO, and nearby communities	In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.

petroleum components) results to by-products or air pollutants such NOx, SOx, VOCs, and PM. Ethane and propane are the most abundant non-methane hydrocarbon compounds found in natural gas.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Abundant NOX and SOX released into the environment from ship emission/fossil fuel combustion causes acid deposition. These gaseous pollutants are the major components of acid rain and smog apart from its contribution to greenhouse effect and global warming. Although flaring/burning of gases emits certain pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases may cause health hazards to the platform crew.	Employees onboard the platform, FPSO, and nearby communities	Strict implementation of the MARPOL guidelines to decrease ship emissions. FPSO/Ship engines are also properly maintained to avoid machine failures that could increase the ship's intake of fossil fuel which in turn leads to an increase in combusted fuel. The management opted to do gas flaring rather than venting to minimize health hazards and accidents.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Strict compliance with the laws governing air and seas/water will enable the Company and Galoc JV to operate without interruption. Fines and penalties will also be avoided. A healthier and more conducive environment for the employees onboard the platform and FPSO.	Employees onboard the platform/FPSO and nearby communities	Strict compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines.

Effluents

TYPE	YEAR 2022	WATER MANAGEMENT		
		If contained in FPSO specify containment details		If discharged to the sea, specify the manner of discharge
		Water not considered as waste		
Produced formation water		Stored in Slop Tank (Oily Water Tank) a : 1,032.1 bbls (164.08 m3)	Diverted to Cargo Tank (as part of crude product) a : 566.52 bbls (90.07 m3)	Discharged Overboard b : 133,478.93 (21,220.82 m3)
		Re-processed Produced Formation Water* : NA		
Wash water (vessel washings)	0.25 m3/day x 365 days = 91.25 m3	Contained in slop tank (oily water tank)*		
Cooling Water for the Engine Room	6,000 m3/day x 365 days = 2,190,000 m3	--		Subsea discharge
Cooling Water for Process Area	8,400 m3/day x 348.16 days = 2,924,544 m3	--		Overboard discharge
*Produced water with >15 ppm oil content is either diverted to the cargo tank (if oil content is very high) and/or directed to the oily water tank (slop tank). In due time, oil in the slop tank separates and floats on top of the water layer. The relatively oil-free water is flowed to the clean water slop tank and is re-processed for overboard disposal, while the accumulated oil is flowed to the cargo tank (as part of crude product). b Produced water that is discharged overboard has less than 15 ppm oil content as tested on board. An alarm system or a full-time technician diverts the produced water to the slop tank if oil content is greater than 15 ppm				

Disclosure	Quantity	Units
Total volume of water discharges	21,220.82	Cubic meters
Percent of wastewater recycled	N.A.	%

**Note that majority of waste water produced from extraction of crude oil was treated before discharging overboard based on the accepted level of effluents set by the international standards and EMB.*

Only 253.69 m3 of wastewater was recycled as per Galoc report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Offshore International and National Guidelines for Wastewater Discharges to the surface and bottom of the sea should be followed, as to control pollution and to have minimal impact to the marine environment and ecosystem. Maximum defined contamination levels should be followed.	Personnel at the platform, Fishermen, and Community	In offshore petroleum operations of the Company, subsidiaries, and JV partners, the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
The effluents with oil and other toxic waste contents exceeding the acceptable amount set by the MARPOL guidelines will contaminate the sea and sea bottom. This will cause damage to marine flora and fauna and can possibly cause related health implications to the community.	Personnel at the platform, Fishermen, and Community	Strict implementation of safety and environmental standards of the JV consortium. In case of untoward incidents, mitigation procedures are in place. At the FPSO vessel and platforms, produced water is analyzed and discharged overboard if it has less than 15 ppm of oil content. If the produced water exceeds the 15 ppm allowable limit, procedures under the Oil Spill Contingency Plan are carried out to treat the water before disposal.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Some produced formation water or effluent is being reprocessed and used onboard.	Marine crew at the FPSO, Fishermen, and Community	Reprocessed or treated water discharges onboard by Galoc consortium can be utilized for other general purposes in the vessel or platform.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Philodrill is serious in complying with Environmental Laws and Policies	Employees and Community adjacent or within the SCs	Philodrill acquired CNC/PCC from EMB-DENR to cover its exploration activities, as well as SEPC from PCSD as follows: 1. Contract 6A – Octon Block • Certificate of Non-Coverage issued by the DENR – Environmental Management Bureau to Pitkin Petroleum Plc – SC 6A Geophysical Surveys (2D and 3D Seismic) and Exploration Program on June 6, 2012 • Strategic Environment Plan (SEP) Clearance issued by the Palawan Council for Sustainable Development to Philodrill and DOE – Oil and Gas Exploration Project on SC 6A – on May 26, 2016 2. Service Contract 74 • Strategic Environment Plan Clearance issued by PCSD to Pitkin Petroleum/ Philodrill Corporation on August 27 2014 • Strategic Environment Plan Clearance issued by PCSD to Philex Petroleum/ Philodrill/PNOC-Exploration Corporation on May 24, 2016

		3. Service Contract 14 C-1 – Galoc • Strategic Environment Plan Clearance issued by PCSD and concurred by DENR for the Galoc Field Area Development Project on December 15, 2016 • Environmental Compliance Certificate issued by DENR (signed by Sec. Angelo Reyes) on August 30, 2006. The ECC coverage specified the "Oil Development and Production of Galoc and Octon Fields" 4. Service Contract 53 – Onshore Mindoro • Certificate of Non-Overlap of any Ancestral Domain/Land of Indigenous Cultural Communities issued by the National Commission on Indigenous People (NCIP) Region 1V on September 22, 2014
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
Non-compliance with environmental laws and regulations might lead to imposition of penalties and fines, or even to the extent of cancellation of the SC	Employees and Company	The Company continues strict adherence to environmental laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		
Philodrill management consistently maintains an environmentally, ergonomically, and legally compliant operations	Employees and Community	The Company adheres strictly to environmental laws and regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]	24	#
a. Number of female employees	15	#
b. Number of male employees	9	#
Attrition rate[19]	0	rate
Ratio of lowest paid employee against minimum wage	2:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	20%	0%
PhilHealth	Y	0	0
Pag-ibig	Y	6.67%	0%
Parental leaves	Y	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	66.67%	0%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	6.67%	11.11%
Further education support	Y	-	-
Company stock options	Y	-	-
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	18%	44%
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Provides assistance in facilitating and processing of the applications. The Company ensures regular and timely remittance of the employee's monthly premiums. Philodrill provides assistance to employees in facilitating and processing of the applications when availing other SSS and Pag-Ibig benefits.	The Company considers its people its greatest asset. Employees are provided with benefits packages (i.e. Maternity Benefit, Sickness Benefit and, Salary Loans) along with a wide range of learning and professional development opportunities to help them achieve their full potential. Benefits provided for the employees are as follows: 1. Base Salary; 2. Medical Coverage for Employees and their spouses and dependents; 3. Employees' Annual Medical Check-Ups and HMO; 4. Life and Accident Insurance; 5. Educational assistance; 6. Annual Vacation Leave – 15 days; 7. Annual Sick Leave – 15 days; and 8. Other allowances (transportation, rice, mobile phone). The Company also promotes work-life balance and the welfare of the employees. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Magna Carta of Women (RA 9710) and Solo Parent Welfare Act of 2000 (RA 8972).
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Non-adherence to providing benefits mandated by the government is a violation of the law and will subject the Company to civil and criminal liabilities in addition to revocation of license to operate.	All employees enter into labor contracts for legal employment with the Company. The Company exercises check-and-balance practices to ensure that various policies are properly implemented.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
The Company is considering telecommuting or work from home arrangements. Work from home arrangement decreases operational expenses of the Company and increases employees' work efficiency.	The Company prioritizes management of its employees to ensure that it maintains a high performing workforce that is at par with the best in the industry.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	132	hours
b. Male employees	48	hours
Average training hours provided to employees		
a. Female employees	44	hours/employee
b. Male employees	24	hours/employee

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Philodrill exerts effort to attract, motivate, develop and retain the best local talent and equip our people with the right skills for the future. The Company’s performance and ability to thrive in this environment depend on it. The onshore and offshore petroleum competency requirement is complex and requires high standard of safety and proficiency. Philodrill believes that its employees are the main asset of the Company and continuous training and development should be implemented.	Technical personnel are attending SEAPEX meetings/seminars both local and abroad, as well as annual Philippine Geological Conferences. A Basin Analysis training course was attended by a Philodrill geologist, together with other geoscientists from local petroleum operators. HSSE trainings such as First Aid and Basic Life Saving Trainings are attended by assigned personnel every two years. Earthquake and fire drills are also implemented by the Company
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
Globally, the petroleum industry is experiencing a downturn, which caused a slowdown in overall operations and sustenance of personnel training and development.	The training and development budget will be realigned in response to the oil price crash. Our personnel are encouraged to take advantage of free webinar courses provided by technical experts.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
While petroleum operations are slowing down, the Company should take this opportunity to avail of training which is much cheaper if done locally with other petroleum operators. Also, online trainings are cheaper as they will not require travel and accommodation costs. HSSE trainings should be attended by all personnel with different definitions of safety standards.	Cooperation with other Petroleum Exploration Companies in organizing an international training course but is conducted locally. First aid training by the Red Cross should be attended by employees. The Company looks for opportunities for inexpensive local or online training if available. Additionally, technical personnel are participating on free online courses offered by petroleum experts.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	15	62.5%
% of male workers in the workforce	9	37.5%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Company activities such as hiring, promotion, and compensation are conducted without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, marital status, dependents, genetics, disability, age, social class, or political views.	The management of Philodrill is committed to respecting people's differences and creating an inclusive workplace culture. It does not tolerate any kind of harassment or prejudice. In order to respect and value the diversity of the employees and all with whom the Company do business, managers are required to ensure that the working environment is free from any form of harassment and discrimination. Philodrill advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Solo Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277). The company's board diversity policy can be found in the Company's website through this link: https://philodrill.com/documents14/ov_diversity_policy.pdf
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
The Company has not identified any violation relating to diversity and equal opportunity.	All employees are provided with equal career opportunities and recognize that people bring different skill qualities to the work place.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
As at March 31 2020, the Company has 27 employees comprising 16 females and 11 males. The Company will continue to encourage: - greater female participation; and - executive senior professional employees to look for mentoring opportunities for more junior employees to gain valuable insights into the Company and the oil & gas industry, generally. Diversity creates goodwill within the community and within the industry.	The Company will continue to promote inclusiveness to help break down barriers and reduce the fear of being rejected, not only for who the employees are, but also for the ideas they voice. Continuous hiring of both local and foreign consultants for the company's exploration projects.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	192,456	Man-hours
No. of work-related injuries	none	#
No. of work-related fatalities	none	#
No. of work related ill-health	none	#
No. of safety drills	48	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
The Company and its Subsidiaries consistently foster a safe working environment. Philodrill implements employee health and safety measures and training programs that protect people from occupational hazards by preventing injury, illness, and fatality.	The Company strictly complies with all relevant occupational health and safety laws and regulations. Philodrill aims to achieve a zero injury and fatality rate for its entire staff. Same is true with offshore operations of subsidiaries, which adhere to international HSSE policies. At the work site, first aid kits and fire extinguishing equipment are conspicuously located and properly maintained. To ensure emergency preparedness, staff participates in regular fire and earthquake evacuation drills. Regular first aid and lifesaving trainings are being attended by assigned safety officer at the office.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the Organization	
No fatal cases, occupational injuries or incidents were recorded during the year at the office as well as in the field. Failure to manage workplace safety would negatively impact employee health and productivity.	The Company enforces occupational health and safety protocols for the benefit of the employees, contractors, and host communities.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	
By properly managing and implementing health and safety trainings, employees and contractors can handle their jobs safely for the benefit of the organization and all stakeholders. The Company aims to be up-to-date with current best practices in HSSE.	The Company will continue to provide the necessary equipment, training, and resources to enable employees and contractors to work safely. Philodrill will consistently encourage and empower employees by letting them attend safety trainings and retake training sessions, if necessary, to refresh their memory.

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Oil & Gas Exploration & Production	Economic growth	Environmental damage associated with field operations.	Strict compliance to government laws and regulations on health and environmental safety.
Oil & Gas Exploration & Production	Decent work	Health & Safety	Conduct IEC campaign prior to the fieldwork.
Oil & Gas Exploration & Production	Welfare of vulnerable groups	Traditional lifestyle of indigenous people are affected	Careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

* *None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*