COVER SHEET

4 0 0 5 8

SEC Registration Number

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City

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

Ma. Riana C. Infante

(Contact Person)

8633-7631

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

SEC FORM-17-Q

(Form Type)

Month *Day*

(Annual Meeting)

Nine Months Ended September 30, 2021

(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 ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarterly period ended **September 30, 2021**

2. Commission identification number **40058**

3. BIR Tax Identification No. **000-483-747**

4. **ORIENTAL PETROLEUM AND MINERALS CORPORATION**
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center Pasig City** **1600**
   Address of issuer's principal office Postal Code

8. **(632) 8633-7631 locals 278 and 281**
   Issuer's telephone number, including area code

9. Not applicable

   Former name, former address and formal fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding
Common Stock, P0.01 par value	**200 Billion**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**x**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Class A and B**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements – all tentative and unaudited filed as part of Form 17-Q

a) Consolidated Statements of Financial Position
b) Consolidated Statements of Income
c) Consolidated Statements of Comprehensive Income
d) Consolidated Statements of Changes in Stockholders' Equity
e) Consolidated Statements of Cash Flows

The above financial statements are prepared in conformity with accounting principles generally accepted in the Philippines. Included in this report is summary of the Company's significant accounting policies.

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 3rd Quarter of 2021 as compared with the most recent annual audited financial statements ending December 31, 2020.

Attached are the interim financial statements for and as of September 30, 2021.

The Company' management discloses the following:

- Interim operations are not cyclical and or seasonal;
- There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, amount, size, or incidents;
- There are no changes in the amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- There has been no issuances, repurchases, and repayments of debt and equity securities;
- The company maintains no business or geographical segment;
- There are no material events subsequent to the end of the interim period (January - September 2021) that have not been reflected in the interim reports;
- There has been no changes in the composition of the Company such as business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations;
- There are no contingent liabilities or contingent assets since the last annual balance sheet date ended December 31, 2020.
- There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS - (*in thousand dollars)*
(except exchange rates and number of employees)

As of and for the period ended September 30 (Unaudited)	**2021**	2020	Change
Income Statement data			
Revenues from petroleum operations	**2,268.17**	936.30	142%
Petroleum production costs	**1,676.35**	1,311.92	28%
Depletion, depreciation & amortization	**557.23**	513.47	9%
Interest and dividend income	**2,562.04**	2,708.98	(5%)
Balance Sheet data			
Cash and cash equivalents	**19,997.54**	17,418.34	15%
Short-term investments	**–**	945.03	(100%)
Crude oil inventory	**601.74**	642.35	(6%)
Equity instruments at fair value through other comprehensive income	**32,240.09**	33,445.07	(4%)
Debt instruments at amortized cost	**27,593.36**	28,575.05	(3%)
Property and equipment	**12,088.41**	12,851.72	(6%)
Accounts and other payables	**210.88**	174.29	21%
Other data			
Average peso dollar exchange rate	**49.04**	50.04	(2%)
Number of employees	**17**	15	13%

The Company's subsidiaries consolidated herewith are Oriental Mahogany Woodworks, Inc., Oriental Land Corporation and Linapacan Oil Gas and Power Corporation. Brief descriptions of the subsidiaries are as follows:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

OMWI (a wholly-owned subsidiary of Oriental Petroleum and Mineral Corporation - OPMC) was incorporated and started commercial operations on May 2, 1988 with principal objective of supplying overseas manufacturers, importers and designers with high quality furniture.

On March 31, 1994, the Board of Directors approved the cessation of OMWI's manufacturing operations effective May 1, 1994 due to continued operating losses. The management has no definitive plans for OMWI's operations.

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

LOGPOCOR (a wholly-owned subsidiary of OPMC) was incorporated on January 19, 1993 to engage in energy project and carry on and conduct the business relative to the exploration, extraction, production, transportation, marketing, utilization, conservation, stockpiling or storage of all forms of energy products and resources. OPMC acquired LOGPOCOR through the transfer of working interests in Blocks A, B, and C of Service Contract (SC)-14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the transferred working interests, however, LOGPOCOR continues to share in the related capitalizable expenses. On the other hand, the depletion of such costs is charged to OPMC and accordingly deducted from the unamortized cost.

c) ORIENTAL LAND CORPORATION (OLC)

OLC was incorporated on February 24, 1989 as realty arm of OPMC. It has remained dormant since incorporation.

Results of Operations

September 30, 2021 vs. September 30, 2020

PFRS 15, *Revenue from Contracts with Customers*, requires revenue from sale of petroleum products to be recognized at a point in time when control of the goods has been transferred from the Consortium Operator of the joint arrangement, on behalf of the Company, to the customer upon delivery. Thus, share in the ending crude oil inventory as of reporting period is not recognized as revenue but instead, charged against share in costs and operating expenses. Prior to adoption of PFRS 15, revenue was recognized at the time of production.

Revenues from petroleum operations at the end of September 30, 2021, which amounted to US$2.27 million, increased by US$1.33 million from US$0.94 million of the same period last year. The increase of average crude oil prices mainly led to the increase of petroleum revenue. Average crude oil price surged to US$65.78 per barrel for the period ended September 30, 2021 as compared to US$26.95 per barrel for the same period last year. The increase in oil prices was brought by recovering global demand.

Cost of petroleum inventories charged against the operating expenses at the end of September 30, 2021 amounted to US$0.35 million. In contrast, the cost of petroleum inventories recognized as expense for the same period last year amounted to US$0.03 million.

Petroleum production costs at the end of the nine-month period, which totaled to US$1.68 million, slightly increased by US$0.36 million for the same period last year. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.

Depletion, depreciation and amortization increased by 9% or around US$0.04 million.

Foreign exchange loss of US$2.00 million as at the end of third quarter was due to revaluation of peso denominated monetary assets and liabilities. The change from a foreign

exchange gain position in 2020 to foreign exchange loss in 2021 was driven by unfavorable movements of the Philippine Peso against U.S. Dollar in 2021 versus 2020.

For the period ended September 30, 2021, interest and dividend incomes totaled to US$2.56 million, a slight decrease of 5% from US$2.71 million same period last year, due to lower interest rates and dollar appreciation. This comprised of interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost and money market placements.

Financial Position

September 30, 2021

The Company's consolidated assets at the end of the period September 30, 2021, which amounted to US$93.61 million, is lower than same period last year of US$95.18 million due to the following movements:

- Equity instruments at fair value through other comprehensive income amounted to US$32.24 million at the end of third quarter of 2021, lower than same period last year of US$33.45 million due to redemption of securities, adjusted by changes in the market value of investments and foreign currency rates.

- Debt instruments at amortized cost totaled US$27.59 million at the end of third quarter of 2021, lower than same period last year of US$28.58 million due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.

- Consolidated property and equipment at the end of the third quarter of 2021 amounted to US$12.09 million. The decrease of about 6% was mainly due to depletion and depreciation expenses.

- Crude oil inventory amounted to US$0.60 million, a slight decrease of around 6% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers.

- The above-mentioned decrease in assets was partly offset by the increase in cash and cash equivalents to US$20.00 million. The increase of about 9% or US$1.63 million from the same period last year was mainly due to redemption of investment in preferred shares, cash receipts from interest and dividend income and Galoc operations and redemption of matured short-term commercial paper with a local bank.

September 30, 2020

The Company's consolidated assets at the end of the period September 30, 2020, which amounted to US$95.18 million, is higher than same period last year of US$91.54 million due to the following movements:

At the end of third quarter of 2020, cash and cash equivalents of US$17.42 million and time deposits placement under short-term investments account of US$0.95 million totaled to US$18.37 million. There is a decrease as compared to US$23.83 million (cash and cash equivalents of

US$22.83 million and time deposits placement under short-term investments account of US$1.00 million) for the same period last year mainly due to acquisition of additional equity instruments at fair value through other comprehensive income.

Crude oil inventory amounted to US$0.53 million, a decrease of 48% from the same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The decrease was mainly due to lower crude oil volume in tank and storage in 2020 as compared to 2019.

Equity instruments at fair value through other comprehensive income amounted to US$33.45 million at the end of third quarter of 2020, higher than same period last year of US$24.50 million attributable to additional investments in preferred shares.

Consolidated property and equipment at the end of the third quarter of 2020 amounted to US$12.85 million. The decrease of about 3% was mainly due to depletion and depreciation expenses, partially offset by share in Galoc capital expenditures.

At the end of third quarter of 2020, accounts and other payables account amounted to US$0.17 million, a decrease from US$0.69 million for the same period last year due to payment of accrued expenses and reversal of long-outstanding payables of US$0.25 million.

September 30, 2019

The Company's consolidated assets at the end of the period September 30, 2019, which amounted to US$91.54 million, is slightly lower than same period last year of US$91.81 million due to the following movements:

For the period ended September 30, 2019, cash and cash equivalents account amounted to US$22.83 million, as compared to US$9.60 million for same period last year. The increase in this account was due to reclassification from long-term investments to cash and cash equivalents, partially offset by acquisition of bonds and preferred shares.

Receivable as of the third quarter of 2019 totaled US$0.97 million, a decrease of US$2.29 million from same period last year. This account mainly represents the Company's share in the funds from crude oil produced and delivered during the last month of the period held in trust by Galoc Production Company for the Service Contract 14C Consortia.

Crude oil inventory amounted to US$1.23 million, an increase of 73% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher volume of crude oil on storage as of September 30, 2019.

Available-for-sale investments are presented as equity instruments at fair value through other comprehensive income in accordance with PFRS 9, *Financial Instruments*, which amounted to US$24.50 million at the end of third quarter of 2019.

Held-to-maturity investments are presented as debt instruments at amortized cost in accordance with PFRS 9, which amounted to US$27.11 million at the end of third quarter of 2019.

Consolidated property and equipment at the end of the third quarter of 2019 amounted to US$13.23 million. The decrease of 5% was mainly due to depletion and depreciation expenses.

September 30, 2021 versus December 31, 2020

The Company's consolidated assets at the end of the period September 30, 2021, which amounted to US$93.61 million, is lower by 3% or US$2.84 million compared to US$96.45 million as at December 31, 2020 due to the following movements:

- Receivables as at September 30, 2021 totaled US$0.41 million, a decrease of 73% from last year's US$1.03 million. The decrease in this account was mainly due to collection of proceeds from crude oil liftings.

- Equity instruments at fair value through other comprehensive income amounted to US$32.24 million, lower than last year's US$36.99 million attributable to the redemption of investments in preferred shares, adjusted by changes in the market value of investments and foreign currency rates.

- Debt instruments at amortized cost totaled US$27.59 million, lower than last year's US$28.00 million due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.

- Consolidated property and equipment at the end of the third quarter of 2021 amounted to US$12.09 million, lower as compared to last year's US$12.65 million due to depletion and depreciation expenses.

- The above-mentioned decrease in assets was partly offset by the increase in cash and cash equivalents of US$20.00 million. The increase of about 22% or US$3.66 million from the same period last year was due to redemption of investment in preferred shares, cash receipts from interest and dividend income and Galoc operations. The increase was also due to redemption of matured short-term commercial paper with a local bank.

- Crude oil inventory amounted to US$0.60 million, an increase by US$0.35 million from the same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher price and higher crude oil volume in tank and storage in 2021 as compared to 2020.

The causes for material changes of September 30, 2021 figures as compared to December 31, 2020 figures of the following accounts are:

Accounts	09/30/2021	12/31/2020	Change	%	Remarks
Balance Sheet					
Cash and cash equivalents and Short-Term Investments	**$19,997,544**	$16,333,004	3,664,540	31%	Increase was mainly due to cash receipts from interest and dividend income and and Galoc operations, redemption of investments in preferred shares and matured short-term commercial paper with a local bank.
Receivables	**414,704**	1,564,241	(1,149,537)	(73%)	The decrease in this account was mainly due to collection of proceeds from crude oil liftings.
Crude oil inventory	**601,742**	249,867	351,875	141%	This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher crude oil volume in tank and storage and higher average crude oil prices of US$72.60 in 2021 as compared to US$41.50 in 2020.
Equity instruments at fair value through other comprehensive income	**32,240,091**	36,986,361	(4,746,270)	(13%)	Decrease was due to redemption of investments in preferred shares, adjusted by changes in the market value of investments and foreign currency rates.
Debt instruments at amortized cost	**27,593,359**	27,997,544	(404,185)	(1%)	Decrease was due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.
Property and equipment	**12,088,408**	12,645,633	(557,225)	(4%)	Decrease was due to depletion and depreciation expenses.

The causes for material changes of September 30, 2021 figures as compared to September 30, 2020 figures of the following accounts are:

Accounts	09/30/2021	09/30/2020	Change	%	Remarks
Income Statement					
Revenues from petroleum operations	2,268,173	936,299	1,331,874	142%	The increase of average crude oil prices mainly led to the increase of petroleum revenue. Average crude oil price surged to US$65.78 per barrel for the period ended September 30, 2021 as compared to US$26.95 per barrel for the same period last year. The increase in oil prices was brought by recovering global demand.
Cost of petroleum inventories charged against (recognized as) operating expenses	(351,875)	25,798	(377,673)	(1464%)	PFRS 15, Revenue from Contracts with Customers, requires revenue from sale of petroleum products to be recognized at a point in time when control of the goods has been transferred from the Consortium Operator of the joint arrangement, on behalf of the Company, to the customer upon delivery. Thus, share in the ending crude oil inventory is not recognized as revenue but instead, charged against share in costs and operating expenses. Prior to adoption of PFRS 15, revenue was recognized at the time of production.
Petroleum production costs	1,676,354	1,098,379	364,434	28%	These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.

Accounts	09/30/2021	09/30/2020	Change	%	Remarks
Depletion, depreciation and amortization	557,226	513,468	43,758	9%	
Foreign exchange gain (loss)	(2,002,720)	1,683,557	(3,686,277)	(219%)	This movement was due to revaluation of peso denominated monetary assets and liabilities.
Interest and dividend income	2,562,040	2,616,895	(146,940)	(5%)	Decrease was due to lower interest rates and dollar appreciation. This comprised of interest received from investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost and money market placements.

I. Key Performance Indicators

	September 30, 2021	September 30, 2020
Current Ratio	**49.29**	53.32
Acid Test Ratio	**47.88**	51.58
Ratio of Debt-to-Equity	Not applicable	
Ratio of Asset-to-Equity	**1.03**	1.01
Interest Rate Coverage	Not applicable	
Return on Assets	**0.01**	0.03
Return on Equity	**0.01**	0.03
Net Working Capital Ratio	**0.22**	0.20

**Figures are based on Unaudited Financial Statements*

Current ratios are computed by dividing current assets over current liabilities. Acid test ratios are computed by dividing current assets less inventory and prepayments over current liabilities. Percentage of debt to equity resulted from dividing total borrowings (short-term & long-term borrowings) over stockholder's equity. Percentage of asset to equity resulted from dividing total assets over total stockholder's equity. Return on equity percentage pertains to net income over average total stockholder's equity while return on assets percentage is computed by dividing net income over average total assets. Net working capital ratios are derived at by getting the difference of current assets and current liabilities divided by total assets.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, short-term investments, equity instruments at FVOCI, debt instruments at amortized costs and accounts and other payables (excluding statutory liabilities). The main objectives of the Group's financial risk management are as follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The main risks arising from the Group's financial instruments are liquidity, credit, foreign currency, and equity price risk.

The Group's risk management policies are summarized below:

a) *Liquidity risk*
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and service maturing debts.

The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

As of September 30, 2021 and 2020, all financial liabilities are expected to mature within one year. All commitments up to a year are either due within the time frame or are payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk consist of cash and cash equivalents, short-term investments, receivables and equity instruments at FVOCI as of September 30, 2021 and 2020 which are usually on demand or collectible within a term of 30 days.

b) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with its dealers. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The investment of the Group's cash resources is managed to minimize risk while seeking to enhance yield. The holding of Equity instruments at FVOCI and Debt instruments at amortized cost exposes the Group to credit risk of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets, if the counterparty is unwilling or unable to fulfill its obligation. Credit risk management involves entering into transactions with counterparties that have acceptable credit standing.

In 2021 and 2020, the Group's cash in banks and cash equivalents and short-term investments are considered high-grade while the remaining financial assets are considered standard grade.

The Group uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that are deposited in/or transacted with reputable banks which have low probability of insolvency
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full

c) *Foreign currency risk*
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign currency exchange

risk arises from purchases in currencies other than the Group's functional currency. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits in the type of business in which the Group is engaged.

The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of the Group's investments and other transactions in Philippine Peso, the consolidated statements of income can be affected significantly by movements in the U.S. Dollars.

e) *Equity price risk*

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks.

The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statement of financial position as equity instruments at FVOCI.

Fair Values

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, short-term investments and accounts and other payables (excluding statutory liabilities) approximate the fair value.

The fair value of the equity instruments at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date.

The fair value of the debt instruments at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date.

The fair value of the debt instruments at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date. Fair value and carrying value of debt instruments at amortized cost amounted to $27.59 million and $28.58 million as at September 30, 2021 and 2020, respectively.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at September 30, 2021 and 2020, the fair value of equity instruments at FVOCI under Level 1 hierarchy amounted to $32.24 million and $33.45 million, respectively.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Group considers its capital stock, net of any subscription receivable, capital in excess of par value and retained earnings which amounted to $89.17 million and $91.19 million as of September 30, 2021 and 2020, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended September 30, 2021 and 2020.

As of September 30, 2021, OPMC's Capital stock consists of the following:

1. Common Stock – Class "A" with par value of ₽0.01 per share, 120 billion shares issued and outstanding out of the 120 billion authorized shares
2. Common Stock – Class "B" with par value of ₽0.01 per share, 80 billion shares issued and outstanding out of the 80 billion authorized shares

All OPMC shares of stock enjoy the same rights and privileges, except that Class "A" shares shall be issued solely to Filipino citizens, whereas Class "B" shares can be issued either to Filipino citizens or foreign nationals.

The Company's management discloses the following information:

- There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- There are no material commitments for capital expenditures.
- There are no known trends or uncertainties, that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- There are no significant elements of income or loss that did not arise from continuing operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.
- 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.
- 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.

Other matters:

The owners of more than 5% of the Company's securities as of September 30, 2021 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	93,032,931,087	46.52%
Common	JG Summit Capital Services Corp.	37,051,952,896	18.53%
Common	R. Coyiuto Securities, Inc.	21,612,400,006	10.81%
Common	Prudential Guarantee & Assurance, Inc.	12,892,285,272	6.45%

As of September 30, 2021, OPMC has approximately 11,573 stockholders both for Class "A" and "B" shares.

Board of Directors and Executive Officers

The Company's Board of Directors and executive officers as of September 30, 2021 are as follows:

Board of Directors

Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	Lance Y. Gokongwei
Director	Perry L. Pe
Director	Benedicto T. Coyiuto
Director	James G. Coyiuto
Director	Brian M. Go
Director	Josephine V. Barcelon
Director	J.V. Emmanuel A. De Dios
Independent Director	Antonio L. Go
Independent Director	Ricardo A. Balbido, Jr.

Executive Officers

Chief Executive Officer	James L. Go*
President and Chief Operating Officer	Robert Coyiuto, Jr.*
Corporate Secretary	Vicente O. Caoile, Jr.
Assistant Corporate Secretary	Perry L. Pe*
SVP - Operations and Administration / Corporate Information Officer	Apollo P. Madrid
Finance Adviser	Aldrich T. Javellana
Chief Financial Officer / Compliance Officer	Ma. Riana C. Infante
Treasurer	Teodora N. Santiago

**Member of the Board of Directors*

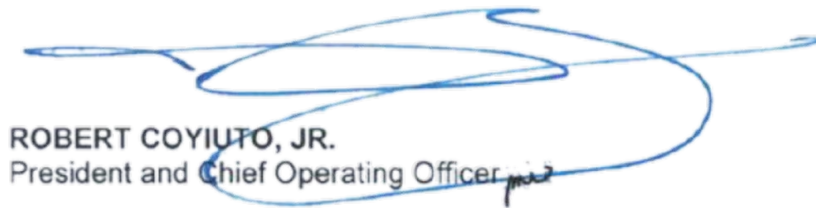
PART II – OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

SIGNATURES

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

ORIENTAL PETROLEUM AND MINERALS CORPORATION



ROBERT COYIUTO, JR.
President and Chief Operating Officer

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In U.S. Dollars)

	Six Months Ended September 30 (UNAUDITED)		Year ended December 31
	2021	2020	2020 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	**$19,997,544**	$17,418,339	$15,298,829
Short-term investments	**–**	945,034	1,034,175
Receivables	**414,704**	628,455	1,564,241
Crude oil inventory	**601,742**	642,348	249,867
Other current assets	**9,446**	9,144	10,008
Total Current Assets	**21,023,436**	19,643,320	18,157,120
Noncurrent Assets			
Equity instruments at fair value through other comprehensive income	**32,240,091**	33,445,070	36,986,361
Debt instruments at amortized cost	**27,593,359**	28,575,054	27,997,544
Property and equipment	**12,088,408**	12,851,721	12,645,633
Deferred exploration costs	**662,844**	662,844	662,844
Total Noncurrent Assets	**72,584,702**	75,534,689	78,292,382
	$93,608,138	$95,178,009	$96,449,502
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**$210,881**	$174,289	$202,749
Dividends payable	**215,602**	194,094	240,274
Total Current Liabilities	**426,483**	368,383	443,023
Noncurrent Liabilities			
Pension liability	**612,540**	522,337	649,792
Deferred tax liabilities - net	**1,456,519**	358,117	1,456,519
Total Noncurrent Liabilities	**2,069,059**	880,454	2,106,311
Total Liabilities	**2,495,542**	1,248,837	2,549,334
Equity			
Paid-up capital	**85,641,745**	85,641,745	85,641,745
Retained earnings	**3,530,625**	5,548,475	5,058,983
Reserve for changes in value of equity instruments at fair value through other comprehensive income	**1,147,108**	1,916,262	2,406,322
Remeasurement gains on pension liability - net	**98,644**	120,735	98,644
Cumulative translation adjustment	**694,474**	701,954	694,474
Total Equity	**91,112,596**	93,929,171	93,900,168
	$93,608,138	$95,178,008	$96,449,502

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(In U.S. Dollars)

	Six Months Ended		Three Months Ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
REVENUE FROM PETROLEUM OPERATIONS	**$2,268,173**	$936,299	**$1,154,910**	$ 602,353
COSTS OF PETROLEUM OPERATIONS				
Depletion, depreciation and amortization	**557,226**	513,468	**121,364**	145,213
Petroleum production costs	**1,676,354**	1,311,921	**720,600**	685,378
	2,233,580	1,825,389	**841,964**	830,591
GROSS PROFIT (LOSS)	**34,593**	(889,090)	**312,946**	(228,238)
OTHER OPERATING INCOME (EXPENSE)				
Cost of petroleum inventories charged against/ (recognized as) expense	**351,875**	(25,798)	**(286,353)**	(207,150)
OPERATING PROFIT (LOSS)	**386,468**	(914,888)	**26,593**	(435,388)
GENERAL AND ADMINISTRATIVE EXPENSES	**416,702**	492,703	**137,632**	116,217
OTHER INCOME				
Interest income	**1,066,610**	1,321,850	**334,458**	471,969
Dividend income	**1,495,430**	1,387,130	**539,915**	496,439
	2,562,040	2,708,980	**874,373**	968,408
OTHER CHARGES				
Foreign currency gain (loss) – net	**(2,002,720)**	1,683,557	**(1,608,737)**	870,278
INCOME BEFORE INCOME TAX	**529,086**	2,984,946	**(845,403)**	1,287,081
PROVISION FOR INCOME TAX	**–**	–	**–**	–
NET INCOME	**$529,086**	$2,984,946	**($845,403)**	$1,287,081
Weighted Average Number of Common Stock Outstanding	**200,000,000,000**	200,000,000,000	**200,000,000,000**	200,000,000,000
Net Income per share	**$0.000003**	$0.000015	**($0.000004)**	$0.000006

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In U.S. Dollars)

	Nine Months Ended		Three Months Ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
NET INCOME (LOSS)	**$529,086**	$2,984,946	**($845,404)**	$1,287,081
OTHER COMPREHENSIVE INCOME (LOSS)				
Item not to be reclassified to profit or loss in subsequent periods -				
Movement in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income	**(1,259,214)**	2,052,443	**(1,588,511)**	1,524,660
TOTAL COMPREHENSIVE INCOME	**($730,128)**	$5,010,564	**$1,147,108**	$3,231,485

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In U.S. Dollars)

	Paid up capital				Other comprehensive income (loss)			
	Capital Stock	**Subscription Receivable**	**Capital in Excess of Par Value**	**Retained Earnings**	**Reserve for Changes in Value of Equity Instruments at FVOCI**	**Remeasurement Gains on Pension Liability**	**Cumulative Translation Adjustment**	**Total**
Balances as at January 1, 2021	**$ 82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 5,058,983**	**$ 2,406,322**	**$ 98,644**	**$ 694,474**	**$ 93,900,168**
Comprehensive income								
Net income for the period	**–**	**–**	**–**	**529,086**	**–**	**–**	**–**	**529,086**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1,259,214)**	**–**	**–**	**(1,259,214)**
Total comprehensive income	**–**	**–**	**–**	**529,086**	**(1,259,214)**	**–**	**–**	**(730,128)**
Cash dividends	**–**	**–**	**–**	**(2,057,444)**	**–**	**–**	**–**	**(2,057,444)**
Balances as at September 30, 2021	**$ 82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 3,530,625**	**$ 1,147,108**	**$ 98,644**	**$ 694,474**	**$ 91,112,596**
Balances as at January 1, 2020	$ 82,268,978	$ (277,744)	$ 3,650,477	$ 4,560,651	$ (136,181)	$ 120,735	$ 701,954	$ 90,888,870
Comprehensive income								
Net income for the period	–	–	–	2,984,946	–	–	–	2,984,946
Other comprehensive income	–	–	–	–	2,052,443	–	–	2,052,443
Total comprehensive income	–	–	–	2,984,946	2,052,443	–	–	5,037,389
Collection of subscription receivable	–	34	–	–	–	–	–	34
Cash dividends	–	–	–	(1,997,122)	–	–	–	(1,997,122)
Balances as at September 30, 2020	$ 82,268,978	$ (277,710)	$ 3,650,477	$ 5,548,475	$ 1,916,262	$ 120,735	$ 701,954	$ 93,929,171
Balances as at July 1, 2021	**$ 82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 4,376,028**	**$ 2,735,619**	**$ 98,644**	**$ 694,474**	**$ 93,546,510**
Comprehensive income								
Net income for the period	**–**	**–**	**–**	**(845,403)**	**–**	**–**	**–**	**(845,403)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1,588,511)**	**–**	**–**	**(1,588,511)**
Total comprehensive income	**–**	**–**	**–**	**(845,403)**	**(1,588,511)**	**–**	**–**	**(2,433,914)**
Balances as at September 30, 2021	**$ 82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 3,530,625**	**$ 1,147,108**	**$ 98,644**	**$ 694,474**	**$ 91,112,596**
Balances as at July 1, 2020	$ 82,268,978	$ (277,710)	$ 3,650,477	$ 4,261,394	$ 391,602	$ 120,735	$ 701,954	$ 91,117,430
Comprehensive income								
Net income (loss) for the period	–	–	–	1,287,081	–	–	–	1,287,081
Other comprehensive income	–	–	–	–	1,524,660	–	–	1,524,660
Total comprehensive income (loss)	–	–	–	1,287,081	1,524,660	–	–	2,811,741
Balances as at September 30, 2020	$ 82,268,978	$ (277,710)	$ 3,650,477	$ 5,548,475	$ 1,916,262	$ 120,735	$ 701,954	$ 93,929,171

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (In U.S. Dollars)

	Nine Months Ended		Three Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITES				
Income before income tax	**$529,086**	$2,984,946	**($845,404)**	$1,550,441
Adjustments for:				
Depletion, depreciation and amortization	**557,226**	513,468	**121,364**	145,213
Unrealized foreign exchange loss (gain)	**1,964,931**	(1,836,056)	**1,570,915**	(1,022,778)
Interest income	**(1,066,610)**	(1,321,851)	**(334,458)**	(471,970)
Dividend income	**(1,495,430)**	(1,387,130)	**(539,915)**	(759,799)
Operating income before working capital changes	**489,203**	(1,046,623)	**(27,498)**	(558,893)
Decrease (increase) in:				
Receivables	**917,450**	60,823	**(60,594)**	(64,718)
Crude oil inventory	**(351,875)**	135,080	**286,353**	352,326
Other current assets	**562**	1,296	**190**	(126)
Increase (decrease) in:				
Accounts and other payables	**74,047**	(607,772)	**88,195**	(50,169)
Provision for plug and abandonment	**–**	(817,011)	**–**	(408,505)
Cash generated from (used in) operations	**1,129,387**	(2,274,207)	**286,646**	(730,085)
Income taxes paid	**–**	–	**–**	–
Net cash provided by (used in) operating activities	**1,129,387**	(2,274,207)	**286,646**	(730,085)
CASH FLOWS FROM INVESTING ACTIVITES				
Interest received	**1,316,803**	1,280,173	**575,735**	448,699
Dividends received	**1,477,324**	1,651,571	**339,529**	759,799
Decrease in short-term investments	**1,025,030**	627,142	**11,488**	1,055,383
Proceeds from redemption/maturity of:				
Equity instruments at fair value through other comprehensive income	**3,487,056**	–	**1,395,268**	–
Debt instruments at amortized cost	**2,058,884**	–	**–**	–
Acquisitions of:				
Equity instruments at fair value through other comprehensive income	**–**	(311,769)	**–**	–
Debt instrument at amortized cost	**(3,257,554)**	–	**(2,086,056)**	–
Property and equipment	**–**	(39,312)	**–**	(13,154)
Net cash provided by (used in) investing activities	**6,107,543**	3,207,805	**235,964**	2,250,727
CASH FLOWS FROM FINANCING ACTIVITES				
Cash dividends paid	**(2,057,444)**	(1,843,594)	**(2,057,444)**	(1,843,594)
Receipt of subscription receivable	**–**	33	**–**	–
Net cash used in financing activities	**(2,057,444)**	(1,843,561)	**(2,057,444)**	(1,843,594)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(480,771)**	440,453	**(383,305)**	297,760
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,698,715**	(469,510)	**(1,918,139)**	(25,192)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**15,298,829**	17,887,849	**21,915,683**	17,443,531
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$19,997,544**	$17,418,339	**$19,997,544**	$17,418,339

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIRIES
Aging of Accounts Receivable
As of September 30, 2021 (In U.S. Dollar)

	Total	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	Beyond 360 days
Trade receivables	186,058	186,058	–	–	–	–	–
Interest receivable	228,541	228,541	–	–	–	–	–
Grand Total	414,599	414,599	–	–	–	–	–

1. Corporate Information and Status of Operations

Oriental Petroleum and Minerals Corporation (the Parent Company) and its subsidiaries (collectively referred to as “the Group”) were organized under the laws of the Republic of the Philippines to engage in oil exploration and development activities. The Parent Company was incorporated on December 22, 1969.

On March 26, 2018, during the special meeting of its stockholders, the stockholders ratified the amendments of the Second and Fourth Articles of the Articles of Incorporation (AOI) to engage in the business of power generation and exploration, development, utilization and commercialization of renewable energy resources and to extend the corporate term for 50 years from December 22, 2019, respectively. The amendments to the AOI was approved by the Securities and Exchange Commission (SEC) on July 4, 2018.

The Parent Company’s principal office is located at 34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. The Parent Company was listed in the Philippine Stock Exchange (PSE) on October 14, 1970.

The Group is 19.40% owned by JG Summit Holdings, Inc. (JGHSI).

Service Contract (SC) 14
On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972, the Parent Company, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in northwest offshore Palawan, Philippines, which was amended from time to time. This contract area includes the Galoc Field where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, B1, C1, C2 and D) covered by SC 14 are situated offshore Northwest of Palawan Island. While production activities continue in Blocks A, B, B1 and C1 of SC 14, crude oil production in the West Linapacan Oilfield in Block C2 was suspended in 1999 due to a significant decline in crude oil production caused by increasing water intrusion. The Group continually conduct technical evaluation activities of the said area and submitted a work program and budget to DOE. However, the Parent Company participated in the production of other fields, including Nido, Galoc and Matinloc. Total production from these fields is modest but enough to cover operating and overhead expenses of SC 14.

The Galoc oilfield located in Block C was declared commercial operations on June 22, 2009 with effectivity on June 19, 2009 while Block D remains a retained area.

In December 2010, the DOE extended the term of SC 14 for another fifteen (15) years or up to December 17, 2025.

SC 14C1 - Galoc

Farm-in Agreement (FA)
On September 23, 2004, Team Oil (TEAM) and Cape Energy (CAPE) entered into a FA with the SC 14C - Galoc joint venture partners for the development of the Galoc Field. The FA was concluded in a Deed of Assignment (DA) dated August 22, 2005 where TEAM and CAPE designated Galoc Production Company (GPC) as the special purpose company to accept the assigned participating interest and to act as the Operator of the Galoc production area.

Under the FA and DA, GPC will pay 77.721% of the cost to develop the Galoc Field in exchange for a 58.291% participating interest in the area. Other significant terms and conditions of the Agreements follow:

1) That GPC, together with the other paying party, Nido Petroleum Philippines, Pty. Ltd. (Nido Petroleum), be allowed to first recover their share of the development cost from crude oil sales proceeds from the Galoc Field after production expenses.

2) That GPC will be assigned its pro-rata share of the $68 million historical cost recovery of the Galoc block equivalent to $33 million to be recovered pursuant to the terms of the Block C agreement below.

3) That GPC will reimburse the joint venture partners (except GPC and Nido Petroleum) for expenditures previously incurred in relation to the Galoc Field as follows:

   a) $1.5 million payable out of 50% of GPC's share of the Filipino Participation Incentive Allowance (FPIA); and

   b) $1.5 million payable upon reaching a cumulative production of 35 million barrels of oil from the Galoc Field.

On July 1, 2009, GPC purchased additional interest in the field from Petroenergy Resources Corporation (Petroenergy) and Alcorn Gold Resources Corporation (AGRC).

As at September 30, 2021 and 2020, the Parent Company and its subsidiary, Linapacan Oil Gas and Power Corporation (LOGPOCOR), hold a combined participating interest of 7.78505% in Galoc.

Joint Operating Agreement (JOA)
On September 12, 2006, the Consortium entered into a JOA, amending the existing JOA, for the purpose of regulating the joint operations in the Galoc Block. The JOA shall continue for as long as:

1) the provisions in SC 14 in respect of the Galoc Block remain in force;
2) until all properties acquired or held for use in connection with the joint operations has been disposed of and final settlement has been made between the parties in accordance with their respective rights and obligations in the Galoc Block; and
3) without prejudice to the continuing obligations of any provisions of the JOA which are expressed to or by their natures would be required to apply after such final settlement.

The items are still subsisting hence the JOA continues to be in effect.

Block C Agreement

In 2006, Block C Agreement was entered into by the consortium members (the Galoc Block Owners) of SC 14C - Galoc to specify gross proceeds allocation as well as the rights and obligations relating to their respective ownership interest in the Galoc Block (the "Galoc Contract Area Rights") and their respective ownership interest in the Remaining Block (except for GPC).

The agreement also clarifies how GPC and Philodrill, which are the designated Operator of the Galoc Block and the Remaining Block, respectively, shall work together to perform their obligations and exercise their rights as Operator.

The Allocation of Contract Area Rights under Section 3 of the Block C Agreement provides that:

1) GPC shall be entitled to the FPIA, Production Allowance, Recovery of Operating Expenses and the Net Proceeds of the SC 14 insofar as it relates to the Galoc Block.

2) The portion of the Galoc Contract Area Rights allocable as FPIA, Production Allowance and Net Proceeds shall be distributed as follows:

   a) GPC shall be allocated an amount equal to its participating interest in the Galoc Block which is currently 58.291%.

   b) Nido Petroleum and Philodrill shall be allocated an amount equal to 17.500% and 4.375%, respectively.

   c) The balance of 19.834% shall be allocated to the Remaining Block (except GPC) in accordance with number 5 below.

3) The portion of the Galoc Contract Area Rights allocable to recovery of operating expenses (the reimbursement amount) shall be distributed as follows:

   a) First, an amount equal to the operating expenses incurred by the Galoc Block Owners in respect of production costs on and from the date of the 2nd Galoc well being brought on stream shall be allocated to each Galoc Block Owner in accordance with each Galoc Block Owner's participating interest.

   b) Second, an amount equal to the operating expenses incurred by GPC and Nido Petroleum in respect of the Galoc Block (excluding the $68 million historical cost assigned to the Galoc Block pursuant to the FA) shall be allocated 77.721% to GPC and the balance of 22.279% to Nido Petroleum.

   c) Third, any reimbursement amount remaining after applying the provisions of 3a and 3b above shall be allocated 58.291% to GPC, 17.500% to Nido Petroleum, 4.375% to Philodrill and 19.834% to the Galoc Block Owners (except GPC but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) until all the Galoc Block Owners have received in aggregate a total of $34 million in accordance with this provision. The 19.834% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.

d) Fourth, any reimbursement amount remaining after applying the provisions of 3a, 3b and 3c above shall be allocated 38.861% to GPC, 17.500% to Nido Petroleum and the balance of 43.639% to the Galoc Block Owners (except GPC but including Nido Petroleum only in relation to its remaining 4.779% interest in the Galoc Block) until all the Galoc Block Owners have received in aggregate a total of $34 million in accordance with this provision. The 43.639% allocated to the Galoc Block Owners (except GPC) shall be distributed by GPC in accordance with number 5 below.

4) After the provisions in Clause 3.3 of the Block C Agreement (as detailed in number 3 above) have been satisfied, all the Galoc Block Owners shall share the reimbursement amount in accordance with each Galoc Block Owner's participating interest as follows:

   a) GPC, Nido Petroleum and Philodrill shall receive 58.291%, 17.500% and 4.375%, respectively; and

   b) The balance of 19.834% shall be distributed by GPC to the Galoc Block Owners (except Galoc but including Nido Petroleum and Philodrill only in relation to its remaining 4.779% interest and its 2.022% interest in the Galoc Block, respectively) in accordance with Clause 5 of the Block C Agreement (see number 5 below).

5) All amounts due to the Galoc Block Owners (except GPC) pursuant to Clauses 3.2, 3.3c, 3.3d and 3.4 (see numbers 2, 3c, 3d and 4 above) (the "Outstanding Balance"), shall be distributed by GPC in accordance with written instructions to distribute the Outstanding Balance authorized by all the other Galoc Block Owners.

Effective July 1, 2009, the amount allocated to Petroenergy and AGRC in accordance with the Block C agreement shall be allocated to the remaining partners in accordance with the amount of additional interest they have purchased from Petroenergy and AGRC. The additional interest purchased are as follows: Nido Petroleum (0.60052%), Philodrill (0.19745%), Parent Company (0.13970%) and LOGPOCOR (0.07335%).

The Block C agreement shall terminate when SC 14 terminates.

Lifting Agreement

In 2008, GPC and its partners entered into a lifting agreement which provides for the lifting procedures to be applied by GPC to ensure that:

1) each lifter is able to lift its Lifting Entitlement on a timely basis;
2) each lifter receives its Actual Lifting Proceeds;
3) overlift and underlift position of each party are monitored and settled;
4) each lifter pays its Actual Lifting Deduction Payment to the GPC; and
5) GPC has sufficient funds in the Joint Account to pay the Philippine Government and the Filipino Group Entitlement.

The terms of the Block C Agreement shall prevail in the event of a conflict with the terms of this agreement.

The agreement shall terminate when SC 14 terminates unless terminated earlier by the

unanimous written agreement by the parties.

Decommissioning Agreement (DA)
On December 12, 2008, GPC and its partners entered into a DA which provides for the terms upon which the wells, offshore installations, offshore pipelines and the Floating Production Storage and Offloading (FPSO) facility used in connection with the joint operations in respect of the Galoc Development shall be decommissioned and abandoned in accordance with the laws of the Philippines, including all regulations issued pursuant to the Oil Exploration and Development Act of 1972.

In accordance with the DA, each party has a liability to fund a percentage of the decommissioning costs (to be determined at a later date), which shall be equal to the party's percentage interest. The funding of the decommissioning costs shall commence on the date ("Funding Date") GPC issues a written notice to the DOE after completion of the EPT, specifying the date of commencement of commercial operations of the Galoc Block. The decommissioning cost, as funded, shall be kept in escrow with a bank of international standing and repute to be appointed by GPC.

The DA shall terminate when SC 14 terminates.

In October 2016, the Galoc Block Consortium approved the drilling of Galoc-7 to test the Mid Galoc Prospect, which is estimated to contain oil resources of 6.2 million to 14.6 million barrels.

On November 8, 2016, the DOE approved the Galoc-7 drilling program, with an estimated budget amounting to US$31 million. GPC drilled the Galoc-7 well and a sidetrack, Galoc-7ST, from March to April 2017 using the drillship Deepsea Metro I. The wells encountered 7-12 meters of net sand, which is below the prognosed thickness. In view of this, and in consideration of low fuel prices, the Consortium decided to temporarily suspend all activities related to a possible Phase III development and concentrate its efforts in optimizing oil production at the Galoc Field in order to sustain profitability and prolong the field's economic life.

In mid-2018, there was a new Operator for the Galoc Block. In a Sale Purchase Agreement, Bangchak Corporation Public Co. (Thailand) which holds the 55.88% interest shares of GPC-1 and Nido Petroleum (Galoc) Pty Ltd. in the Galoc Block, sold their share to Tamarind Galoc Pte. Ltd.

Tamarind Galoc Pte. Ltd. is headquartered in Kuala Lumpur, Malaysia. Tamarind initiated several projects which include production optimization, conduct of a more refined well test, renegotiate lease contract with the owners of the FPSO "Rubicon Intrepid", renegotiate terms of the helicopter contract with INAEC, and conduct feasibility studies for the fabrication of a Condensate Recovery Unit to be installed at the FPSO "Rubicon Intrepid".

Notice of Termination of Lease on FPSO
On March 25, 2020, the Rubicon Offshore International (ROI), owner of the Floating Production Storage Offloading (FPSO) tanker, gave a Notice of Termination to GPC1 and other members of the Consortium. The termination notice covered the period 25 March 2020 to 24 September 2020, or for 6 months.

After receipt of the Notice of Termination, GPC1 started making plans for the disconnection of the FPSO from the Galoc Oilfield site. However, the FPSO disconnection was not implemented

or carried out because a new strategy was developed to continue production operations in the Galoc Oilfield.

i. Continuation of Production Operations: During Transition Period from August 2020 to January 2021

Upon the initiative of the GPC1, an alternative strategy was developed to continue production operations even before the end of the Termination Notice.

GPC1 brokered the purchase of ROI's FPSO Rubicon Intrepid by its mother company, Tamarind Resources Pte. Ltd., through a separate entity, Upstream Infrastructure Holdings (UIH). Tamarind Resources will have full control of the FPSO. The purchase was effective August 1, 2020.

GPC1 also arranged a new bareboat charter between UIH and the Galoc Joint Venture at minimal rates.

During the 6-month Transition Period, the FPSO Rubicon Intrepid will remain at the Galoc Oilfield location and continue production from the Galoc oilwells. A separate Operations & Management (O&M) contract has been negotiated with ROI for the 6-month Transition Period.

ROI senior management staff, FPSO crew, and production technicians will continue to carry out operations of the FPSO Rubicon Intrepid.

ii. Continuation of Production Extension Period: February 1, 2021 – September 30, 2022

To further continue production operations in the Galoc Oilfield beyond the 6-month Transition Period, a new alliance was formed with Three60 Energy, an established international offshore operator. Three60 Energy is an independent specialist service provider with headquarters in Aberdeen, Scotland and has branch offices in Kuala Lumpur, Malaysia and Singapore. It has been engaged to provide the Operations and Management (O&M) of the FPSO for 18 months.

UIH and Tamarind Resources will continue to supervise the operations of ROI and Three60 Energy. GPC1's FPSO Operations Advisor has been mobilized to assure and control the activities and work force of ROI and Three60 Energy.

iii. Withdrawal of GPC2 / KUFPEC

On September 14, 2020, GPC2/Kuwait Foreign Petroleum Exploration Company (KUFPEC), communicated their withdrawal from SC14C1 - Galoc Block Joint Venture. KUFPEC before notice of withdrawal held a working interest of 26.4473% in SC - 14C1, Galoc Block.

As a result of KUFPEC's withdrawal their working interest will be allocated to the remaining partners.

The Parent Company, together with LOGPOCOR, chose not to accept the pro rata interest and remained at a combined 7.78505% working interest.

Similarly, the Operator - GPC1 elected not to get their allocated interest from KUFPEC and maintained their working interest at 33%. They passed on their allocation to Nido Production Galoc (NPG), a sister company under Tamarind Resources Pte. Ltd.

The Department of Energy has acknowledged KUFPEC's withdrawal from SC-14C1, Galoc Block.

iv. Resignation of GPC1 as Operator

On December 23, 2020, Galoc Production Company - 1 (GPC1) announced their resignation as Operator of SC-14C1, Galoc Block.

Nido Production Galoc Co. (NPG), a sister company under Tamarind Resources Pte. Ltd., has assumed the role as the new Operator.

SC 14 –West Linapacan

A farm-in agreement was signed in May 2008 with Pitkin Petroleum Plc. The agreement requires the farm-in party / farminee to carry out, at its own cost, technical studies, drill a well or wells, and redevelop the West Linapacan-A oilfield. In return, Pitkin Petroleum Plc. will earn 75% interest out of the share in the farming-out parties/farmors. The farming-out parties / Farmors are free up to commercial "first oil" production.

Pitkin Petroleum Plc. will have earned 58.29% interest after fulfilling their work obligations. In February 2011, Pitkin farmed-out half of the 58.29% interest to Resources Management Associates Pty Ltd. of Australia (RMA). This transfer of interest was approved by the Department of Energy (DOE) in July 2011. The transfer of operatorship to RMA was approved by the DOE in April 2012. The Farmors continued to be carried free up to commercial first oil production. RMA carried technical studies that will lead to the drilling and re-development of the West Linapacan-A structure. An independent third party assessment was also commissioned to determine the range of recoverable reserves from the structure.

In 2014, preparations were made to drill a well with spud-in date no later than end December 2014. However, there was difficulty in raising the necessary funding for the drilling operations. Starting the second half of 2014, prices of crude oil worldwide started to dramatically decline. This decline continued up to the end of the year.

On January 14, 2015, the West Linapacan Block Farmors informed the Department of Energy/DOE of the termination of the Farm In Agreement due to the non-performance of work obligation by Pitkin Petroleum (hence RMA) for the rehabilitation of the West Linapacan field. In a letter dated March 12, 2015, the DOE acknowledged the termination of the Farm In Agreement between the Farmors and Pitkin (hence RMA) since RMA could not provide the proof of financial capability to perform the work program. The 58.29% participating interest previously assigned to Pitkin provided under the Farm In Agreement will be reassigned to the SC14C2 West Linapacan Block Farmors.

The joint venture partners developed a work program and budget for the year 2017 which was submitted to and subsequently approved by the DOE.

The main activity was to carry out a technical and commercial audit of the activities carried out by the previous Operator-RMA Hk Ltd. In addition, a contingent underwater survey, by way of a Remote Operated Vehicle (ROV), was considered to gather information on the conditions of the

subsea equipment installed in the old West Linapacan wellheads.

In-house geotechnical studies continued to be carried out on the contract area. An Assessment Study was commissioned for a low capital expenditure re-development of the West Linapacan-A oilfield. The estimated oil reserves, however, differed significantly from earlier studies. An evaluation of other development options will be carried out. A Scoping Study was also commissioned for the possible re-entry and extended production test of the West Linapacan-A1 Well. The re-entry and EPT will be carried out for six months using coiled tubing. This procedure is undergoing evaluation.

On January 7, 2020, the Group and other members of the Consortium of the service contract entered into a Sale and Purchase Agreement and farm-out agreement with a third party for the sale and assignment of the 28.21% interest of the Group in SC 14 Block.

As of December 31, 2020, the SPA and farm-out agreement has not yet completed the relevant closing conditions, which include regulatory approval, due to absence of proof of financial capability of the third party.

As of September 30, 2021, SPA and farm-out agreement has been terminated.

SC14A, B&B-1 – Nido, Matinloc & North Matinloc

Production in the Nido and Matinloc fields was terminated permanently on March 13, 2019. Nido started oil production in 1979 while Matinloc was put in place in 1982. The final inception-to-date production figures for the two fields are: 18,917,434 bbls for Nido and 12,582,585 bbls for Matinloc. The North Matinloc Field, which was in production from 1988 to 2017 produced a total of 649,765 bbls. The total production for the three fields is 32,149,784 barrels.

The permanent plug and abandonment of the Libro-1 and Tara South-1 wells was completed in early June 2018. The two wells had been shut since 1989 and 1990, respectively. The plug and abandonment took 41.5 days to complete. In 2018, the Group incurred actual costs to plug and abandon wells from Libro-1 and Tara South-1 oilfields amounting to $0.79 million.

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during the plugging operations.

The Consortium conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019.

In October 2020, the Parent Company, with the Consortium, completed the cement plugging of the two remaining Nido wells. In November 2020, the DOE certified that the plug and abandonment of the Nido - A1 & - A2 wells was carried out in accordance with the approved P&A program by the DOE. In December 2020, the Nido and Matinloc platforms were already turned over to the DOE.

In 2020, 2019 and 2018, the Group recognized plug and abandonment and stripping costs amounting to $0.13 million, $1.36 million and $2.06 million, respectively. As of June 30, 2021 and 2020, outstanding balance of the provision for the plug and abandonment amounted to nil and $0.41 million, respectively.

Participating Interests
As of September 30, 2021 and 2020, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

		(In percentage)
	2021	2020
SC 14 (Northwest Palawan)		
Block A (Nido)	**42.940**	42.940
Block B (Matinloc)	**17.703**	17.703
Block B-1 (North Matinloc)	**27.772**	27.772
Block C (West Linapacan)	**30.288**	30.288
Block C (Galoc)	**7.785**	7.785
Block D	**20.829**	20.829
SC 6 (Bonita)	**4.909**	16.364

Among the other operations of the Group, the suspension of the production activities in the West Linapacan Oilfield raises uncertainties as to the profitability of the petroleum operations for the said oilfield. The profitability of petroleum operations related to the said oilfield is dependent upon discoveries of oil in commercial quantities as a result of the success of redevelopment activities thereof.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation
The accompanying consolidated financial statements of the Parent Company and its wholly-owned subsidiaries, LOGPOCOR, Oriental Mahogany Woodworks, Inc. (OMWI) and Oriental Land Corporation (OLC), collectively referred to as the “Group”, which include the share in the assets, liabilities, income and expenses of the joint operations covered by the SCs as discussed in Note 1 to the consolidated financial statements, have been prepared on a historical cost basis, except for equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair values and crude oil inventory which is valued at net realizable value (NRV).

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as of December 31, 2020.

The unaudited interim consolidated financial statements are presented in U.S. Dollars, the Parent Company’s functional and presentation currency. All values are rounded to the nearest dollar, except when otherwise indicated.

For consolidation purposes, the financial statements of the Subsidiaries (OMWI and OLC) whose functional currency is Philippine Peso were translated to U.S. Dollars using the prevailing rate as of the reporting date for statement of financial position accounts and the weighted average rate for the reporting period for the statements of income and statements of comprehensive income accounts. The exchange differences arising from the translation are recognized in other comprehensive income (OCI), until disposal at which time the cumulative translation adjustment recognized in OCI is included in the statement of income.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The accompanying unaudited interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2021 and 2020. The subsidiaries are all incorporated in the Philippines.

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activity**	**2021**	2020
LOGPOCOR	Oil exploration and development	**100%**	100%
OMWI	Furniture manufacturing and distribution	**100%**	100%
OLC	Real estate	**100%**	100%

As at September 30, 2021 and 2020, OMWI and OLC subsidiaries of the Parent Company have ceased their operations.

The financial statements of LOGPOCOR, OMWI and OLC 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. Specifically, the Group controls a subsidiary if and only if the Group has:

1. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee, and
3. The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority voting rights result in control. 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:

a.) The contractual arrangement with the other vote holders of the investee
b.) Rights arising from other contractual arrangements
c.) The Group'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 financial statements 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 Company and to the non-controlling interests, even if this results in

the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their 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, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any gain or loss in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company.

3. **Changes in Accounting Policies and Disclosures**

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2020. 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 an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combination, Definition of Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

  These amendments will apply on future business combinations of the Group.

- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Standards and Interpretation Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships;
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Group shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 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 for 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- 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 by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - 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, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placements and that are subject to insignificant risk of change in value.

Short-term investments

Short-term investments are placements in time deposits and other money market instruments

with original maturities of more than three months but less than one year.

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

Financial Assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost (debt instruments)
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss (debt instruments)
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss (equity instruments)
- financial assets measured at fair value through profit or loss

Contractual cash flows characteristics. the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 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 includes cash and cash equivalents, short-term and long-term investments, receivables and debt instruments at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI)
Debt instruments. A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of September 30, 2021 and 2020, the Group does not have debt instruments at FVOCI.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of September 30, 2021 and 2020, the Group elected to classify irrevocably its quoted equity instruments under this category.

Financial assets at fair value through profit or loss (FVPL)
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above,

debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

As of September 30, 2021 and 2020, the Group does not have financial assets at FVPL.

Impairment of financial assets

The Group recognizes an ECL 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.

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

For cash and cash equivalents, short-term and long-term investments and debt instruments at amortized costs, 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 a12-month basis. To estimate the ECL for cash and cash equivalents, short-term and long-term investments and debt instruments, the Company uses the ratings published by a reputable rating agency (i.e., Moody's, Fitch, Capital Intelligence, and Standard and Poor's).

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. 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.

Financial Liabilities
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.

The Group's financial liabilities include accounts and other payables.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, 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.

This category generally applies to interest-bearing loans and borrowings.

Derecognition of Financial Assets and Liabilities

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

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

When the Group has transferred 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.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

- In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to by 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 non-financial 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
- 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 each reporting period.

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 for the reporting month adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.). The share in the ending crude oil inventory is not recognized as revenue and charged against share in costs and other operating expenses.

Long-term Investments

Long-term investments are placements in time deposits and other money market instruments with original maturities of more than one year. Long-term investments are carried in the consolidated statement of financial position at amortized cost.

Property and Equipment

Transportation equipment and office furniture and equipment are carried at cost less accumulated depreciation and any impairment in value.

Wells, platforms and other facilities are carried at cost less accumulated depletion, depreciation and amortization and any impairment in value.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Subsequent costs are capitalized as part of these assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

In situations where it can be clearly demonstrated that 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 cost of property and equipment.

When assets are retired or otherwise disposed of, the cost of the related accumulated depletion and depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

Depreciation of property and equipment, other than wells, platforms and other facilities, commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Transportation equipment	6
Office furniture and equipment	5-10

Depletion, depreciation and amortization of capitalized costs related to the contract areas under “Wells, platforms and other facilities” in commercial operations is calculated using the unit-of-production method based on estimates of proved reserves.

The EUL and depletion and depreciation, residual values and amortization methods are reviewed periodically to ensure that the period and methods of depletion and depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Interest in Jointly Arrangements

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control over the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations

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

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

- Assets, including its share of any assets held jointly

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

Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC/Geophysical Survey and Exploration Contract (GSEC) area. Under this method, all exploration costs relating to each SC/GSEC are deferred pending determination of whether the contract area contains oil and gas reserves in commercial quantities. The exploration costs relating to the SC/GSEC area where oil and gas in commercial quantities are discovered are subsequently capitalized as “Wells, platforms and other facilities” shown under the “Property and equipment” account in the consolidated statement of financial position upon commercial production. When the SC/GSEC is permanently abandoned or the Group has withdrawn from the consortium, the related deferred oil exploration costs are written-off. SCs and GSECs are considered permanently abandoned if the SCs and GSECs have expired and/or there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. Recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Equity

Capital stock

Capital stock is measured at par value for all shares subscribed, issued and outstanding. 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. When the Group issues shares in excess of par, the excess is recognized in the “Capital in excess of par value” account; any incremental costs

incurred directly attributable to the issuance of new shares are treated as deduction from it. If additional paid in capital is not sufficient, the excess is charged against retained earnings.

Subscription Receivable
Subscription receivable represents the amount corresponding to shares subscribed but not fully paid.

Retained Earnings
Retained earnings represents cumulative balance of profit and losses of the Group and with consideration of any changes in accounting policies and errors applied retrospectively.

Other Comprehensive Income (OCI)
OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. The Group's OCI pertains to reserve for fluctuation in value of FVOCI, remeasurement gains (losses) on pension liability and cumulative translation adjustment. Reserve for fluctuation in value of FVOCI and remeasurement gains (losses) on pension liability cannot be recycled to statement of income in the subsequent period. Upon derecognition, the cumulative translation adjustment is recycled to statement of income.

Revenue Recognition
Revenue from sale of petroleum products 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 the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from Petroleum Operation
Revenue from petroleum operation is recognized at a point in time when the control of the goods has transferred from the Consortium Operator, on behalf of the sellers, to the buyer at the delivery point. Revenue is measured at the fair value of the consideration received or receivable.

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.

Interest Income
Interest income is recognized as it accrues using the EIR method, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of that financial asset.

Dividend Income
Dividend income is recognized when the Group's right to receive the dividend is established, which is generally when the shareholders approve the dividend.

Costs and Expenses
Cost of services and general and administrative expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized:

a. on the basis of a direct association between the costs incurred and the earning of specific items of income;

b. on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
c. immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Petroleum Production Cost
Petroleum production cost represents costs that are directly attributable in recognizing revenue from petroleum operations.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are recognized when incurred.

Leases

Accounting policy effective January 1, 2019

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Accounting policy prior January 1, 2019
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (b), or (d) and at the date of renewal or extension period for the scenario (c).

Group as a Lessee
Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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 liability method, on all temporary differences, with certain exceptions, at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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 profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference 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 profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate 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 reporting date.

Deferred tax relating to items recognized directly in equity is recognized as other comprehensive income.

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

Pension Expense

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.

Defined benefit costs comprise the following:

- Service costs
- 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 expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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 expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on pension liabilities" are not reclassified to another equity account in subsequent periods.

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.

Foreign Currency-Denominated Transactions and Translations

The consolidated financial statements are presented in U.S. Dollar, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign currency translations are charged or credited to the consolidated statement of income.

All differences are taken to the consolidated statements of income with the exception of differences on foreign currency borrowings that provide, if any, a hedge against a net investment in a foreign entity. These are taken directly to equity until disposal of the net investment, at which time they are recognized in the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Parent Company's subsidiary, OMWI, and OLC is Philippine Peso. As at reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (the US Dollars) at the exchange rate at the reporting date and the consolidated statements of income accounts are translated at weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment" account in the equity section of the consolidated statements of financial position. Upon disposal of a subsidiary, the deferred cumulative translation adjustment amount recognized in equity relating to that particular subsidiary is recognized in the consolidated statement of income.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's business segments consist of: (1) oil exploration and development; (2) furniture manufacturing and distribution; and (3) real estate. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

Earnings Per Share

Earnings per share is determined by dividing net income (loss) by the weighted average number of shares outstanding for each year after retroactive adjustment for any stock dividends declared. Diluted earnings per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of dilutive potential common shares.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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 are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim consolidated financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the amount reported in the unaudited interim consolidated financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the unaudited interim consolidated financial statements, as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the unaudited interim consolidated financial statements.

Determination and Classification of 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 arrangement are those relating to operations 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 structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group considers the rights and obligations arising from:
    - The legal form of the separate vehicle;
    - Thee terms of the contractual arrangement; and
    - Other facts and circumstances (when relevant).

This assessment often requires a 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.

As at September 30, 2021 and 2020, the Group's joint arrangement is in the form of a joint operation.

Determination of functional currency
The entities within the Group determine the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The determination of functional currency was based on the primary economic environment in which each of the entities generates and expends cash. The Parent Company and LOGPOCOR's functional currency is the US Dollar. The functional currency of OMWI and OLC is Philippine Peso.

Provisions and contingencies
In the normal course of business, the Group is subject to certain exposure and claims by third parties. The Group does not believe that this exposure will have a probable material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the judgement and estimates or in the effectiveness of the strategies relating to this exposure.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at 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 year are discussed below:

Fair values of financial assets and liabilities
The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgments. While components of fair value measurements were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect the consolidated statement of comprehensive income and consolidated statement of changes in equity, as appropriate.

Estimation of Provision for ECLs of Receivables
The Group uses a provision matrix to calculate ECLs for receivables and debt instruments at amortized cost. The provision rates are based on days past due of each counterparty that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults of the counter parties, 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 counter party's actual default in the future.

No provision for ECL on the Group's receivables were recognized in 2021 and 2020.

Estimating Provision for Plug and Abandonment Costs
Significant estimates and assumptions are made in determining the provision for decommissioning. Factors affecting the ultimate amount of liability include estimates of the extent and costs of decommissioning activities, technological changes, regulatory changes, cost increases, and changes in discount and foreign exchange rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

The Group has no outstanding provision for plug and abandonment costs amounting to nil and $0.41 million as at September 30, 2021 and 2020, respectively. In 2020 and 2019, the Group also recognized plug and abandonment costs in the consolidated statement of income amounting to $0.13 million and $1.36 million which pertains to actual and estimated costs to plug and abandon wells from Libro and Tara South, and wells from Nido, Matinloc and North Matinloc fields.

Estimation of Oil Reserves
The estimation of oil reserves requires significant judgment and assumptions by management and engineers and has a material impact on the consolidated financial statements, particularly on the depletion of wells, platforms and other facilities and impairment testing. There is the inherent uncertainty in estimating oil reserve quantities arising from the exercise of significant management judgment and consideration of inputs from geologists/engineers and complex contractual arrangements involved as regards the Group's share of reserves in the service contract area. This reserve estimate also depends on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of these data.

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 a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available. As those fields are further developed, new information may lead to revisions.

Impairment of wells, platforms and other facilities of SC 14C1
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less

incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the inflation rate used. These estimates are most relevant to the wells, platforms and other facilities of SC 14C1 recognized by the Group.

Assessing Recoverability of Deferred Exploration Costs
The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability deferred exploration costs need to be assessed for impairment. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, Exploration for and Evaluation of Mineral Resources, are as follows:

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

Pension Expense
The cost of pension and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions include among others, the determination of the discount rate, salary increase rate and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Salary increase rate is based on expected future inflation rates for the specific country and other relevant factors and employee turnover rate is based on Group's experience on employees resigning prior to their retirement.

Recognition of Deferred Tax Assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

6. **Cash and Cash Equivalents**

This account consists of:

	2021	2020
Petty cash fund	**$196**	$206
Cash in banks	**2,274,1265**	1,529,404
Short-term deposits	**17,723,223**	15,888,729
	$19,997,544	$17,418,339

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates which ranges from 0.10% p.a. to 1.10% p.a. in 2021 and 0.15% p.a. to 1.00% p.a. in 2020.

There are no cash restrictions on the Group's cash balance as at September 30, 2021 and 2020.

7. **Receivables**

This account consists of:

	2021	2020
Trade receivables	**$186,058**	$324,480
Interest receivable	**228,541**	303,975
	$414,704	$628,455

Due from operators represent the excess of proceeds from crude oil liftings over the amounts advanced by the contract operator for the Group's share in exploration, development and production expenditures.

Due from operators are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at September 30, 2021 and 2020.

Interest receivable pertains to interest income to be received by the Group in relation to its short-term investments and debt instruments at amortized cost.

Dividend receivable pertains to cash dividends to be received by the Group in relation to its quoted equity instruments at fair value through other comprehensive income.

8. **Investments**

Short-term investments

In 2020, the Group availed of short-term commercial paper with a local bank amounting to $1.03 million. This investment has original maturity of more than three (3) months but less than one (1) year from date of placement. This investment earned interest of 4.00% and matured on March 15, 2021.

In 2019, the Group availed of short-term investment with a local bank amounting to $1.50 million. This investment has original maturity of more than three (3) months but less than one (1) year from date of placement. This investment earned interest of 1.90% and matured on January 9, 2020.

Equity Instruments at FVOCI

Equity instruments at FVOCI represent equity instruments in quoted shares carried at fair value as at the end of the reporting period.

Movement in the reserve for fluctuation in value of equity instruments at FVOCI/AFS investments at fair value are as follows:

	2021	2020
Balance at January 1	**$2,406,322**	($136,181)
Unrealized gain (loss) during the year	**(1,259,214)**	2,052,443
Balance at September 30	**$1,147,108**	$1,916,262

The carrying values of listed shares have been determined as follows:

	2021	2020
Balance at January 1	**$36,986,361**	$31,080,859
Additions	**–**	311,769
Redemption	**(3,487,056)**	–
Reserve for fluctuation in value of equity instruments at FVOCI investments	**(1,259,214)**	2,052,443
Balance at September 30	**$32,240,091**	$33,445,071

Debt Instruments at Amortized Cost

In 2021, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $3.26 million (PhP161.24 million). The various bonds pay interest at rates ranging from 3.60% to 4.10% per annum and will mature starting May 4, 2025 to August 9, 2028.

In 2019, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $13.47 million (PhP700.00 million). The various bonds pay interest at rates ranging from 4.70% to 5.10% per annum and will mature starting June 28, 2021 to May 6, 2026.

In 2018, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $8.06 million (P425.00 million). The various bonds pay interests at rates ranging from 6.08% to 8.51% per annum and will mature starting November 9, 2020 to October 25, 2028.

In 2017, the Group acquired fixed rate bond from a corporate bond issuer amounting to $2.01 million (P100 million). The bonds pay interests at a rate of 5.1683% per annum. The bonds will mature on May 18, 2024.

The carrying values of debt instruments at amortized cost are as follows:

	2021	2020
Balances at beginning of year	**$27,997,544**	$27,291,700
Additions	**3,257,554**	–
Redemption	**(2,058,884)**	–
Unrealized foreign exchange gain (loss)	**(1,602,855)**	1,283,354
Balances at end of year	**$27,593,359**	$28,575,054

9. **Property and Equipment**

The roll-forward analysis of this account follows:

	2021			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
At January 1	**$89,352,231**	**$253,145**	**$30,554**	**$89,635,930**
Additions	–	–	–	–
At June 30	**89,352,231**	**253,145**	**30,554**	**89,635,930**
Accumulated Depletion, Depreciation and Amortization				
At January 1	**76,754,292**	**221,437**	**14,567**	**76,990,296**
Depletion, depreciation and amortization	**548,174**	**7,868**	**1,184**	**557,226**
At June 30	**77,302,466**	**229,305**	**15,751**	**77,547,522**
Net book value at June 30	**$12,049,765**	**$23,840**	**$14,803**	**$12,088,408**

	2020			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
At January 1	$89,317,353	$253,145	$25,969	$89,596,467
Additions	34,878	–	4,434	39,312
At September 30	89,352,231	253,145	30,403	89,635,779
Accumulated Depletion, Depreciation and Amortization				
At January 1	76,046,156	210,947	13,487	76,270,590
Depletion, depreciation and amortization	504,900	7,868	700	513,468
At September 30	76,551,056	218,815	14,187	76,784,059
Net book value at Sep 30	$12,801,175	$34,330	$16,216	$12,851,721

In 2020 and 2019, the Group performed impairment test for the Wells, Platforms and Other Facilities of SC 14C1 due to the continued decline in the oil prices.

The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C1 as at

December 31, 2020 and 2019 has been determined based on a value in use calculation using cash flow projections from work program and budget approved by senior management covering an eight-year period and five-year period as at December 31, 2020 and 2019, respectively and the work and budget for 2021 and 2020 approved by the DOE as at December 31, 2020 and 2019, respectively. The pre-tax discount rate applied to cash flow projections is 9.10% and 8.35% at December 31, 2020 and 2019, respectively. As a result of this analysis, management has not recognized any impairment for the Wells, Platforms and Other Facilities of SC 14C1 as at December 31, 2020 and 2019.

The calculation of value in use for the Wells, Platforms and Other Facilities of SC 14C1 is most sensitive to the forecasted oil prices which are estimated with reference to external market forecasts of Brent crude prices; volume of resources and reserves which are based on resources and reserves report prepared by third parties; capital expenditure, production and operating costs which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and discount rate which were estimated based on the industry weighted average cost of capital (WACC), which includes the cost of equity and debt after considering the gearing ratio. The pre-tax discount rates applied to cash flow projections range from 9.10% to 10.00% and 8.35% to 9.35% as at December 31, 2020 and 2019, respectively.

Value in use is most sensitive to changes in discount rate and cash flows input. All things being equal change of the discount rate to a rate higher than 53.71% and 22.62% as at December 31, 2020 and 2019 or a decrease in the forecasted oil prices of 22% or 5% for the eight-year period and five-year period as at December 31, 2020 and 2019, respectively would result to impairment of the Wells, Platforms and Other Facilities of SC 14C1.

10. **Deferred Exploration Costs**

The full recovery of the 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 and gas in commercial quantities from the respective petroleum, concessions and the success of the future development thereof. Deferred exploration costs primarily relate to SC 6.

SC 6 Bonita

SC 6 Bonita Block is part of the retained area of the original SC 6 granted in 1973. The 10-year exploration period and the subsequent 25-year production period expired last February 2009.

In 2009, a 15-year extension period for the Bonita Block was requested from and subsequently granted by the DOE. The conditions for the grant of the 15-year extension period required the submission and implementation of a yearly work program and budget. It includes as well financial assistance to the DOE for training and scholarships in geological and engineering studies. The term of SC 6 will expire on February 28, 2024.

In 2010, a third party expressed interest to farm-in to and acquire interest share in SC 6B by carrying out additional geoscientific studies with option to drill. The farm-in agreement was approved by the DOE in February 2011. The agreement requires the farm-in party to carry out a geological and geophysical program to evaluate the petroleum potential of SC 6. After the study, the farm-in party have the option to acquire interest share in the block. The subsequent work program entails the drilling of a well and the production of hydrocarbons from such well.

In 2013, the farm-in agreement with a third party was not finalized and the participating interests of the joint venture partners reverted to the original interest participation distribution.

In 2014, the Bonita block is under a 2nd Extension Period of five (5) years (March 2014 to March 2019). A work program and budget for the intial two-year extension period (March 2014 to March 2016) has been submitted to and approved by the DOE. These include the processing and interpretation of satellite gravity data and three-dimensional seismic data.

The joint venture continued to carry out reprocessing of three-dimensional seismic data through a geophysical company based in Kuala Lumpur, Malaysia. The reprocessed data will then be interpreted in-house to identify leads or prospects that could be possible targets for drilling.

In 2016, additional cost incurred for the yearly work program amounting to $610 by the Group.

In 2017, a European third party expressed interest to farm-in to the Bonita Block. A draft of the Farm-In Agreement was reviewed by the joint venture partners and was submitted to the DOE for their review and approval. The same third party was required in 2018 to submit a work program and budget as well as updated financial statements.

In 2018, the DOE approved the inclusion of the Cadlao Production License Area as part of Service Contract-6B.

One of the joint venturers, Phinma Energy Corporation (formerly, Trans-Asia Oil & Energy Corporation), relinquished its participating interest of 14.063% and assigned this to the remaining partners. The relinquishment and assignment of interest was approved by the DOE.

An in-house evaluation completed by the Operator, Philodrill, in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a “stand-alone” basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B. Subsequently, a seismic reprocessing program over East Cadlao and Cadlao Field will now be undertaken.

On October 17, 2019, Philodrill, as the current operator of the SC 6B, received DOE’s approval for the transfer of 70% participating interest of the members of the consortium in SC 6B to Manta Oil Company Ltd. related to the letter dated October 30, 2018 submitted by Philodrill to the DOE documenting the request for the approval of the Deed of Assignment and transfer of participating interest.

As a result, the Parent Company’s interest in SC 6B decreased to 4.909%. A plan of development for the Cadlao Field and East Cadlao Prospect will be submitted to the DOE around June 2020. It will include the drilling of 1-2 deviated production wells.

In 2020, the work program and budget for the calendar year 2021 was submitted and approved by the DOE. The preparation and submission of a new Plan of Development (POD) was delayed due to the COVID-19 pandemic which caused travel restrictions and lockdowns.

The POD should have been submitted by the 1st Quarter of 2021 for DOE evaluation. A request was made to the DOE for an extension for the submission of the new Cadlao POD. The extension request was granted up to December 2021.

In 2020, the Group performed impairment test for the deferred exploration costs since the service contract is near its expiration date.

The recoverable amount of the deferred exploration cost as at December 31, 2020 has been determined based on a value in use calculation using cash flow projections approved by senior management covering a six-year period. The pre-tax discount rate applied to cash flow projections is 9.10%. As a result of this analysis, management has not recognized any impairment for the deferred exploration costs.

The calculation of value in use for the deferred exploration costs is most sensitive to the forecasted oil prices which are estimated with reference to external market forecasts of Brent crude prices; volume of resources and reserves which are based on resources and reserves report prepared by the operations team; capital expenditure, production and operating costs which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and discount rate which were estimated based on the industry weighted average cost of capital (WACC), which includes the cost of equity and debt after considering the gearing ratio. The pre-tax discount rates applied to cash flow projections range from 9.10% to 10.00% as at December 31, 2020.

Value in use is most sensitive to the volume of resources and reserves. All things being equal, change of the volume of resources and reserves to barrels lower than 41.90% would result to impairment of the deferred exploration costs.

11. Accounts and Other Payables and Provision for Plug and Abandonment

This account consists of:

	2021	2020
Accounts payable and accrued expenses	**$183,285**	$146,909
Subscriptions payable	**27,596**	27,381
	$210,881	$174,290

Accounts payable and accrued expenses mainly consist of unpaid legal service fees. These are noninterest-bearing and are normally settled in thirty (30) to sixty (60)-day terms.

Dividends payable include amounts payable to the Group's shareholders.

Provision for Plug and Abandonment

In 2020, the two remaining Nido wells were successfully plugged and abandoned. The Group recognized plug and abandonment costs amounting to $0.13 million. As of September 30, 2021, there was no outstanding balance of the provision for the plug and abandonment.

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during the plugging operations. The plug and abandonment of these wells will be completed in 2020. In 2019, the Group recognized plug and abandonment and stripping costs amounting to $1.36 million. As of September 30, 2021 and 2020, there has no outstanding balance of the provision for the plug and abandonment.

12. **Paid up Capital**

As of September 30, 2021 and 2020, this account consists of:

	2021	2020
Class A - $0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	**$49,361,387**	$49,361,387
Class B - $0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	**32,907,591**	32,907,591
Subscriptions receivable	**(277,710)**	(277,711)
Capital in excess of par value	**3,650,477**	3,650,477
	$85,641,745	$85,641,744

All shares of stock of the Group enjoy the same rights and privileges, except that Class A shares shall be issued solely to Filipino citizens, whereas Class B shares can be issued either to Filipino citizens or foreign nationals. There were no issuances of additional common shares in 2021 and 2020.

Cash Dividends
On June 29, 2021, the Parent Company's BOD approved the declaration of cash dividends of cash dividends of $0.00001 per share totaling to $2.06 million (PhP100.00 million) to the stockholders of record of common stocks as of July 28, 2021 coming from the Parent Company's unrestricted retained earnings as of December 31, 2020.

On June 25, 2020, the Parent Company's BOD approved the declaration of cash dividends amounting to $2.00 million (PhP100.00 million) to the stockholders of record of common stocks as of July 24, 2020 coming from the Parent Company's unrestricted retained earnings.

On June 27, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to $1.94 million (PhP100.00 million) to the stockholders of record of common stocks as of July 26, 2019 coming from the Parent Company's unrestricted retained earnings.

13. **Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Affiliates are related entities of the companies by virtue of common ownership and representation to management where significant influence is apparent.

As of September 30, 2021 and 2020, the Parent Company had Cash and Cash equivalents maintained at various banks including an affiliated bank, a subsidiary of a stockholder. The Company likewise leases an office space from an affiliate that is renewable annually. The Group applied the 'short-term lease' and lease of 'low-value assets' recognition exemption for these leases.

In addition, as of September 30, 2021 and 2020, the Company purchases additional equity instruments at fair value through other comprehensive income through various brokers including an affiliate stock brokerage company, an affiliate by virtue of common ownership to management. The Company likewise purchases insurance services from an affiliate by virtue of common ownership to management.

Terms and conditions of transactions with related parties
Outstanding balances at the end of the period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts due from related parties in 2021 and 2020. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

14. **Other Matters**

COVID-19 Pandemic
On March 13, 2020, the Office of the President of the Philippines issued a memorandum imposing stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020 to contain the spread of COVID-19. Subsequently, Presidential Proclamation No. 929 was issued on March 16, 2020, declaring a State of Calamity throughout the country for a period of six (6) months and at the same time, imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted. The ECQ was extended twice, initially up to April 30, 2020 and then until May 15, 2020 for “high risk” areas such as NCR, Regions 3 and 4 in Luzon and Region 7 in the Visayas until May 15, 2020.

On May 12, 2020, the Philippine government announced that it will ease quarantine measures in most areas of the country, but extended lockdowns in Metro Manila and select provinces until May 31, 2020, which the government termed as “modified” enhanced community quarantine (MECQ). The MECQ is the most stringent of a new three-tiered quarantine system wherein areas will be placed under general community quarantine (GCQ), while others will be placed under a lighter “modified” general community quarantine (MGCQ). In June 1, 2020, Metro Manila was placed under GCQ status. In August 2, Metro Manila and the provinces of Laguna, Cavite, Rizal and Bulacan were again placed under MECQ effective August 4 until August 18. These areas were transitioned back to GCQ after this period. In October 27, it was announced that NCR will remain under GCQ until November 30 while most of the country is already under the lighter MGCQ.

On September 15, 2020, Republic Act No. 11494 or the “Bayanihan to Recover As One Act” took effect, providing for Covid-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefore and for other purposes. Apart from authorizing the President to exercise powers necessary to undertake certain Covid-19 response and recovery interventions, Republic Act No. 11494 also affirmed the existence of a continuing national emergency, in view of unabated spread of the Covid-19 virus and the ensuing economic disruption therefrom.

On September 16, 2020, Presidential Proclamation No. 1021 was issued, extending the State of Calamity throughout the Philippines due to Covid-19 for a period of one-year effective September 13, 2020 to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.

On March 27, 2021, with rising new COVID-19 cases, the government placed the NCR and the neighboring provinces of Cavite, Laguna, Bulacan and Rizal (NCR Plus) under ECQ starting March 29 until April 11, 2021. Thereafter, the NCR Plus was placed under MECQ from April 12 until May 14. From May 15 until June 14, 2021 the NCR was transitioned to GCQ with heightened restrictions. This was further eased to GCQ with some restrictions from June 14 until July 15.

On September 3, 2021, the IATF approved the shift in the policy in classifying provinces, Highly Urbanized Cities (HUC), and d independent component cities (ICCs) for purposes of community quarantine, wherein the new classification framework focuses on the imposition of granular lockdown measures and having an alert-level system (alert level 1 to 4), with each alert level limiting restrictions only to identified high-risk activities. The National Capital Region was designated as the pilot area of implementation, effective September 16, 2021. Effective October 20, 2021, the pilot area of implementation of the alert level systems was expanded to selected provinces, HUCs and ICCs outside of NCR.

<u>SPA and farm-out agreement in respect of SC 14 Block C-2 West Linapacan</u>
On January 7, 2020, the Group and other members of the Consortium of the service contract entered into a SPA and farm-out agreement with a third party for the sale and assignment of the 28.21% interest of the Group in SC 14 Block.

As of September 30, 2021, the SPA and farm-out agreement has been terminated.

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding PhP5.00 million and with total assets not exceeding PhP100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.5%. This will have no impact on the provision for current income tax for the year ended December 31, 2020 and income tax payable as of December 31, 2020.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by $0.44 million. These reductions will be recognized in the 2021 consolidated financial statements.