COVER SHEET

4	0	0	5	8

SEC Registration Number

COMPANY NAME

ORIENTAL PETROLEUM AND
MINERALS CORPORATION AND
SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
orientalpetroleum@opmc.com.ph	8633-7631	09682296260

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,533 As at June 30, 2023	5/31 But may be reset to a later date by the Board of Directors	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Riana Caratay-Infante	Riana.Caratay@urc.com.ph	8633-7631	–

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

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 **June 30, 2023**

2. Commission identification number **40058**

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

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

5. **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**
   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 II - - **OTHER INFORMATION**

SIGNATURE

PART I – FINANCIAL INFORMATION

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

The unaudited consolidated financial statements are filed as part of this Form 17-Q

a. Audited Consolidated Balance Sheet as at December 31, 2022, and Unaudited Consolidated Balance Sheet as at June 30, 2023
b. Unaudited Consolidated Statements of Income for the Three Months Ended June 30, 2022 and 2023
c. Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended June 30, 2022 and 2023
d. Unaudited Consolidated Statements of Changes in Equity for the Three Months Ended June 30, 2022 and 2023
e. Unaudited Consolidated Statements of Cash Flows for the Three Months Ended June 30, 2022 and 2023
f. Notes to the Unaudited Consolidated Financial Statements

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 2nd Quarter of 2023 as compared with the most recent annual audited financial statements ending December 31, 2022.

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 have 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 - June 2023) that have not been reflected in the interim reports;
- There have 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 ending December 31, 2022; and
- 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

Business Overview

Oriental Petroleum and Minerals Corporation (OPMC) is a Philippine corporation incorporated on December 22, 1969 with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC's operational activities depend principally on its Service Contracts with the government.

The Company, together with other oil exploration companies (collectively referred to as "a or the Contractor"), entered into a Service Contract (SC) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of certain contract areas situated in offshore Palawan where oil discoveries were made.

The Company's petroleum revenues and production and related expenses are derived from SC 14 Contract Area. SC 14 is composed of Block - C (Galoc & West Linapacan). West Linapacan is the non-producing area; West Linapacan is currently under evaluation for re-activation after it was shut-in in 1995 due to water intrusion.

Sale of Crude Oil Data for the period ended June 30, 2023 and 2022

Area	Volume (in bbls.)		Average Selling Price (in US$/bbl.)	
	2023	2022	**2023**	2022
Galoc	**301,339**	291,216	**79.57**	97.13

Production from Galoc were sold and delivered to various customers. Sale is effected through physical transfer/delivery of crude oil from offshore production site from storage and processing ship to oil tanker of the buyer.

Financial and Operational Highlights
in thousand dollars
(except exchange rates and number of employees)

As of and for the period ended June 30 (Unaudited)

	2023	2022	Change
Income Statement data			
Revenues from petroleum operations	**1,893.87**	2,234.32	(15%)
Petroleum production costs	**1,178.99**	1,221.67	(3%)
Depletion, depreciation & amortization	**216.90**	387.67	(44%)
General and Administrative Expenses	**466.71**	334.64	39%
Foreign exchange gain (loss)	**456.91**	(2,782.06)	(116%)
Interest and dividend income	**1,802.13**	1,623.69	11%

As of and for the period ended June 30 (Unaudited)

	2023	2022	Change
Balance Sheet data			
Cash and cash equivalents	**16,643.28**	14,815.51	12%
Receivables	**529.13**	1,498.80	(65%)
Crude oil inventories	**542.87**	408.33	33%
Equity instruments at fair value through other comprehensive income	**27,431.61**	28,659.54	(4%)
Debt instruments at amortized cost	**31,936.16**	31,225.35	2%
Property and equipment	**11,529.12**	11,820.17	(2%)
Other noncurrent assets	**1,652.26**	1,594.87	4%
Accounts and other payables	**313.85**	284.64	10%
Other data			
Average peso dollar exchange rate	**55.25**	52.11	6%
Number of employees	**17**	17	−

The Company organized three (3) wholly-owned subsidiaries. Brief descriptions of the subsidiaries are as follows:

a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)

OMWI 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 definite future plans for OMWI's operations.

b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)

LOGPOCOR 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 transfer of 12.6 working interest in Blocks A, B, and C of SC14 in exchange for all of LOGPOCOR's capital stocks. Since July 1993, OPMC recognizes revenue from petroleum operation proportionate to the 12.6 working interest, 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 costs.

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

June 30, 2023 vs. June 30, 2022

Revenue from petroleum operations in the first six months of 2023, which amounted to US$1.89 million, decreased by 15% from US$2.23 million in the same period last year. This was driven by the decrease in average crude oil prices to US$79.57 per barrel as of June 2023 from US$97.13 per barrel as of June 2022. The oil prices dropped as the U.S. dollar strengthened and the possible interest rate hike by the U.S. Federal Reserve, which could cause a recession and reduce future oil demand.

Petroleum production costs at the end of the six-month period, which totaled to US$1.18 million, slightly decreased by US$0.04 million in 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. As of June 30, 2023 and 2022, the cost of petroleum inventories charged against or (recognized as) expense amounted to (US$0.37 million) and US$0.10 million, respectively.

Depletion, depreciation and amortization totaled US$0.22 million from US$0.39 million in the same period last year. The estimated remaining proved and probable oil reserves totaled 1.43 million and 2.06 million barrels for Galoc oil field as of December 31, 2022 and 2021, respectively.

The Company has a foreign exchange exposure associated with fluctuations in the value of the Philippine Peso against the U.S. Dollar. The appreciation/ favorable movement of the peso from PhP56.12 to a dollar in December 2022 to PhP55.36 to a dollar in June 2023 resulted in a foreign exchange translation gains of around US$0.46 million mainly on the Company's peso-denominated debt instruments at amortized cost.

Interest and dividend income slightly increased to US$1.80 million from US$1.62 million mainly due to higher interest rates on peso and dollar placements ranging from 3.40% p.a. to 6.25% p.a. as of June 2023 as against same period last year of 0.10% p.a. to 1.75% p.a. This also comprised of income from investment in equity instruments at fair value through other comprehensive income and debt instruments at amortized cost.

Financial Position

June 30, 2023 vs. December 31, 2022

As of June 30, 2023, consolidated assets amounted to US$90.29 million, which is higher by US$1.98 million compared to US$88.31 million as of December 31, 2022 mainly due to the following movements:

- Receivables of US$0.53 million was higher this reporting period compared to US$0.40 million at the end of 2022, which mainly represents the Company's share in the funds from crude oil sale held in trust by Galoc Production Company for the SC 14C Consortia.
- Equity instruments at fair value through other comprehensive income amounted to US$27.43 million from US$26.62 million attributable to the changes in the market value of investments and foreign currency rates.
- Debt instruments at amortized cost of US$31.94 million was higher compared to US$30.61 million mainly due to acquisition of additional investments in bonds and translation of these peso-denominated bonds using the closing rate at the period ended.

The above-mentioned increase in assets was partly offset by the decrease in the following accounts:

- Crude oil inventory of US$0.54 million as of June 2023 decreased from US$0.91 million as of December 2022. The decrease was due to lower crude oil volume in tank and storage (but has yet to be delivered to the customers) as of June 2023 vs barrels of crude oil inventory as of December 2022. Further, decrease was also driven by lower average crude oil prices of US$80 per barrel in June 2023 against US$87 per barrel in December 2022.
- Consolidated property and equipment amounted to US$11.53 million as of June 2023, lower as compared to last year's US$11.75 million due to depletion and depreciation charges.

Accounts and other payables of US$0.31 million was higher compared to US$0.18 million due to accrued expenses in Galoc operations.

Dividends payable ended at US$2.26 million, an increase from US$0.45 million mainly due to declaration of cash dividend.

The causes for material changes (increase/decrease of 5%) or more of June 30, 2023 figures as compared to December 31, 2022 figures of the following accounts are:

Accounts	June 30, 2023	December 31, 2022	Change	%	Remarks
Balance Sheet					
Receivables	$529,128	$391,900	$137,228	35%	This mainly represent the share in the funds from crude oil sale held in trust by the Operator for the SC 14C1 Consortia.
Crude oil inventory	542,869	911,818	(368,949)	(40%)	Decrease was due to lower crude oil volume in storage and lower average crude oil price of US$80 per barrel in June 2023 against US$87 per barrel in December 2022.
Accounts and other payables	313,849	175,191	138,658	79%	Increase was due to accrued expenses in SC 14C1 Galoc operations.
Dividends payable	2,259,089	448,595	1,810,494	404%	Increase was due to the declaration of cash dividend.

The causes for material changes (increase/decrease of 5%) of June 30, 2023 figures as compared to June 30, 2022 figures of the following accounts are:

Accounts	June 30, 2023	June 30, 2022	Change	%	Remarks
Income Statement					
Revenues from petroleum operations	**$1,893,874**	$2,234,322	($340,448)	(15%)	Decrease was driven by the decrease in average crude oil prices to US$79.57 per barrel as of June 2023 from US$97.13 per barrel as of June 2022.
Depletion, depreciation and amortization	**216,903**	387,668	(170,765)	(44%)	The estimated remaining proved and probable oil reserves totaled 1.43 million and 2.06 million barrels for Galoc oil field as of December 31, 2022 and 2021, respectively.
General and administrative expenses	**466,711**	334,642	132,069	39%	Increase was due to higher level of accrued expenses.
Interest and dividend income	**1,802,127**	1,623,688	178,439	11%	Increase was due to higher interest rates on peso and dollar placements ranging from 3.40% p.a. to 6.25% p.a. as of June 2023 vs 0.10% p.a. to 1.75% p.a. as of June 2022.
Foreign exchange gain (loss)	**456,908**	(2,782,062)	3,238,970	116%	The appreciation/ favorable movement of the peso from PhP56.12 to a dollar in December 2022 to PhP55.36 to a dollar in June 2023 resulted in FX translation gains mainly on peso-denominated debt instruments at amortized cost vs. FX translation loss due to PhP50.8 to a dollar in December 2021 to PhP55 to a dollar in June 2022.

Key Performance Indicators

	June 30, 2023	June 30, 2022
Revenue from Petroleum Operations	**$1,893,874**	$2,234,322
Petroleum Production Costs	**(1,178,986)**	(1,221,667)
Cost of petroleum inventories charged against / (recognized as) expense	**(368,949)**	96,236
Interest and Dividend Income	**1,802,127**	1,623,689
Core income (before FX gain/loss and taxes)	**1,464,452**	2,010,270
Foreign exchange gain (loss) - net	**456,908**	(2,782,062)
Net income	**$1,921,360**	($771,792)

	June 30, 2023	June 30, 2022
Current Ratio	**6.90**	7.20
Acid Test Ratio	**6.67**	7.01
Ratio of Debt-to-Equity	**Not applicable**	
Interest Rate Coverage	**Not applicable**	
Ratio of Asset-to-Equity	**1.06**	1.05
Return on Equity	**2%**	-
Return on Assets	**2%**	-
Net Working Capital Ratio	**0.17**	0.16

Figures are based on Unaudited Financial Statements

The manner in which the Group calculates the above indicators is as follows:

- *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.*
- *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 in banks and cash equivalents, receivables, 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 June 30, 2023 and 2022, all financial liabilities are expected to mature within one (1) 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 in banks and cash equivalents, receivables and equity instruments at FVOCI as of June 30, 2023 and 2022 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. As of June 30, 2023 and December 31, 2022, the Group only has trade receivables from the operator of SC 14C1 pertaining to sales of crude oil not yet distributed to consortium members. The Group does not expect a probability of default, given that the receivable is supported by a distribution agreement from the consortium operator.

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.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy and are considered to be with very low credit risk.

The Group's debt investments measured at amortized cost comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

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.

d) *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.

<u>Capital Management</u>

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.

<u>Fair Values</u>

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, account 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. Fair value and carrying value of debt instruments at amortized cost measured under Level 1 amounted to $31.94 million and $31.23 million as at June 30, 2023 and 2022, respectively.

Fair Value Hierarchy

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

As at June 30, 2023 and 2022, set out below is table of financial assets measured under Level 1. There has been no transfer from Level 1 to Level 2 or 3 categories in 2023, 2022 and 2021.

	June 30, 2023		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Equity instruments at FVOCI	**$27,431,610**	**$–**	**$–**

	June 30, 2022		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity instruments at FVOCI	$28,659,542	$–	$–

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 June 30, 2023 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	93,965,972,204	46.98
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 June 30, 2023, OPMC has approximately 11,533 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 June 30, 2023 are as follows:

Board of Directors

Directors	Name
Director, Chairman and Chief Executive Officer	James L. Go
Director, President and Chief Operating Officer	Robert G. Coyiuto, Jr.
Director	Lance Y. Gokongwei
Director	Brian M. Go
Director and Assistant Corporate Secretary	Perry L. Pe
Director	James G. Coyiuto
Director	Benedicto T. Coyiuto
Director	Josephine V. Barcelon
Director	Jose Victor Emmanuel A. De Dios
Independent Director	Jose M. Layug, Jr.
Independent Director	Emmanuel C. Alcantara

Executive Officers

Position	Name
SVP - Operations and Administration and Corporate Information Officer (CIO)	Apollo P. Madrid
Finance Adviser	Aldrich T. Javellana
Chief Financial Officer and Compliance Officer	Ma. Riana Infante
Treasurer	Teodora N. Santiago
Corporate Secretary	Vicente O. Caoile, Jr.

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 June 30 (UNAUDITED)		Year ended December 31
	2023	2022	2022 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	**$16,643,284**	$14,815,508	$16,371,022
Receivables	**529,128**	1,498,795	391,900
Crude oil inventory	**542,869**	408,330	911,818
Other current assets	**28,314**	28,207	28,730
Total Current Assets	**17,743,595**	16,750,840	17,703,470
Noncurrent Assets			
Equity instruments at fair value through other comprehensive income	**27,431,610**	28,659,542	26,616,788
Debt instruments at amortized cost	**31,936,166**	31,225,351	30,613,863
Property and equipment	**11,529,119**	11,820,167	11,746,022
Other noncurrent assets	**1,652,259**	1,594,865	1,630,174
Total Noncurrent Assets	**72,549,154**	73,299,925	70,606,847
	$90,292,749	$90,050,765	$88,310,317
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**$313,849**	$284,638	$175,191
Dividends payable	**2,259,089**	2,041,492	448,595
Total Current Liabilities	**2,572,938**	2,326,130	623,786
Noncurrent Liabilities			
Net Pension liability	**33,111**	22,778	32,878
Provision for plug and abandonment	**1,016,464**	1,048,645	1,016,464
Deferred tax liabilities - net	**1,110,392**	1,133,967	1,110,392
Total Noncurrent Liabilities	**2,159,967**	2,205,390	2,159,734
Total Liabilities	**4,732,905**	4,531,520	2,783,520
Equity			
Paid-up capital	**85,641,745**	85,641,745	85,641,745
Retained earnings	**3,700,643**	2,054,289	3,573,359
Reserve for changes in value of equity instruments at fair value through other comprehensive income	**(4,660,644)**	(3,013,642)	(4,567,769)
Remeasurement gains on pension liability - net	**168,232**	136,105	168,232
Cumulative translation adjustment	**709,868**	700,748	711,230
Total Equity	**85,559,844**	85,519,245	85,526,797
	$90,292,749	$90,050,765	$88,310,317

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

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

	Six Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
REVENUE FROM PETROLEUM OPERATIONS	**$1,893,874**	$2,234,322	**$1,019,310**	$1,272,021
COSTS OF PETROLEUM OPERATIONS				
Depletion, depreciation and amortization	**216,903**	387,668	**109,518**	221,291
Petroleum production costs	**1,178,986**	1,221,667	**587,602**	653,651
	1,395,889	1,609,335	**697,120**	874,942
GROSS PROFIT (LOSS)	**497,985**	624,987	**322,190**	397,079
OTHER OPERATING INCOME (EXPENSE)				
Cost of petroleum inventories charged against / (recognized as) expense	**(368,949)**	96,236	**(243,127)**	(89,877)
OPERATING PROFIT (LOSS)	**129,036**	721,223	**79,063**	307,202
GENERAL AND ADMINISTRATIVE EXPENSES	**466,711**	334,642	**268,182**	201,441
OTHER INCOME				
Interest income	**1,033,939**	772,451	**521,163**	363,446
Dividend income	**768,188**	851,238	**374,532**	381,445
	1,802,127	1,623,689	**895,695**	744,891
INCOME BEFORE INCOME TAX AND FOREIGN EXCHANGE GAIN	**1,464,452**	2,010,270	**706,576**	850,652
Foreign currency gain (loss) – net	**456,908**	(2,782,062)	**(598,138)**	(1,985,403)
INCOME BEFORE INCOME TAX	**1,921,360**	(771,792)	**108,438**	(1,134,751)
PROVISION FOR INCOME TAX	**–**	–	**–**	–
NET INCOME (LOSS)	**$1,921,360**	($771,792)	**$108,438**	($1,134,751)
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 (Loss) per share	**$0.000010**	($0.000004)	**$0.000001**	($0.000006)

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
NET INCOME (LOSS)	**$1,921,360**	($771,792)	**$108,438**	($1,134,751)
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	**(94,237)**	(3,282,147)	**(835,754)**	(2,577,707)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$1,827,123**	($4,053,939)	**($727,316)**	($3,712,458)

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
AND SUBSIDIARIES

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

	Capital Stock	Subscription Receivable	Capital in Excess of Par Value	Retained Earnings (Deficit)	Reserve for Changes in Value of Equity Instruments at FVOCI	Remeasurement Gains on Pension Liability	Cumulative Translation Adjustment	Total
Balances as at January 1, 2023	**$82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 3,573,359**	**$ (4,567,769)**	**$ 168,232**	**$ 711,230**	**$85,526,797**
Comprehensive income								
Net income (loss) for the period	**–**	**–**	**–**	**1,921,360**	**–**	**–**	**–**	**1,921,360**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**(92,875)**	**–**	**(1,362)**	**(94,237)**
Total comprehensive income (loss)	**–**	**–**	**–**	**1,921,360**	**(92,875)**	**–**	**(1,362)**	**1,827,123**
Cash dividends	**–**	**–**	**–**	**(1,794,076)**	**–**	**–**	**–**	**(1,794,076)**
Balances as at June 30, 2023	**$82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 3,700,643**	**$ (4,660,644)**	**$ 168,232**	**$ 709,868**	**$85,559,844**
Balances as at January 1, 2022	$82,268,978	$ (277,710)	$ 3,650,477	$ 4,661,509	$ 268,505	$ 136,105	$ 700,748	$91,408,612
Comprehensive income								
Net income for the period	–	–	–	(771,792)	–	–	–	(771,792)
Other comprehensive income	–	–	–	–	(3,282,147)	–	–	(3,282,147)
Total comprehensive income	–	–	–	(771,792)	(3,282,147)	–	–	(4,053,939)
Cash dividends	–	–	–	(1,835,428)	–	–	–	(1,835,428)
Balances as at June 30, 2022	$82,268,978	$ (277,710)	$ 3,650,477	$ 2,054,289	$ (3,013,642)	$ 136,105	$ 700,748	$85,519,245
Balances as at April 1, 2023	**$82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 5,386,281**	**$ (3,826,253)**	**$ 168,232**	**$ 711,230**	**$88,081,235**
Comprehensive income								
Net income (loss) for the period	**–**	**–**	**–**	**108,438**	**–**	**–**	**–**	**108,438**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**(834,392)**	**–**	**(1,362)**	**(835,754)**
Total comprehensive income (loss)	**–**	**–**	**–**	**108,438**	**(834,392)**	**–**	**(1,362)**	**(727,316)**
Cash dividends	**–**	**–**	**–**	**(1,794,076)**	**–**	**–**	**–**	**(1,794,076)**
Balances as at June 30, 2023	**$82,268,978**	**$ (277,710)**	**$ 3,650,477**	**$ 3,700,643**	**$ (4,660,644)**	**$ 168,232**	**$ 709,868**	**$85,559,844**
Balances as at April 1, 2022	$82,268,978	$ (277,710)	$ 3,650,477	$ 5,024,468	$ (435,935)	$ 136,105	$ 700,748	$91,067,131
Comprehensive income								
Net income for the period	–	–	–	(1,134,751)	–	–	–	(1,134,751)
Other comprehensive income (loss)	–	–	–	–	(2,577,707)	–	–	(2,577,707)
Total comprehensive income (loss)	–	–	–	(1,134,751)	(2,577,707)	–	–	(3,712,458)
Cash dividends	–	–	–	(1,835,428)	–	–	–	(1,835,428)
Balances as at June 30, 2022	$82,268,978	$ (277,710)	$ 3,650,477	$ 2,054,289	$ (3,013,642)	$ 136,105	$ 700,748	$85,519,245

See accompanying Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITES				
Income before income tax	**$1,921,360**	($771,792)	**$108,438**	($1,134,751)
Adjustments for:				
Depletion, depreciation and amortization	**216,903**	387,668	**109,518**	221,291
Unrealized foreign exchange loss (gain)	**(457,409)**	2,782,062	**608,981**	1,985,752
Interest income	**(1,033,939)**	(772,451)	**(521,163)**	(363,446)
Dividend income	**(768,188)**	(851,238)	**(374,532)**	(381,445)
Operating income before working capital changes	**(121,273)**	774,249	**(68,758)**	327,401
Decrease (increase) in:				
Receivables	**1,147**	(17,484)	**3,765**	(299,472)
Crude oil inventory	**368,949**	(96,236)	**243,127**	89,877
Other current assets	**415**	(18,539)	**65**	(1,908)
Increase (decrease) in:				
Accounts and other payables	**150,890**	(14,593)	**149,892**	(3,395)
Contributions to retirement fund asset	**–**	(610,217)	–	–
Cash generated from (used in) operations	**400,128**	17,180	**328,091**	112,503
Income taxes paid	**(6,364)**	–	**(6,364)**	–
Net cash provided by (used in) operating activities	**393,764**	17,180	**321,727**	112,503
CASH FLOWS FROM INVESTING ACTIVITES				
Interest received	**1,036,643**	765,599	**521,432**	419,477
Dividends received	**627,160**	1,023,688	**227,386**	381,445
Acquisitions of:				
Debt instruments at amortized cost	**(913,342)**	(6,455,194)	**–**	(3,961,197)
Equity instruments at fair value through other comprehensive income	**(907,697)**		**–**	
Other noncurrent assets	**(22,085)**	(38,035)	**(12,656)**	(210)
Property and equipment	**–**	(32,602)	**–**	(32,602)
Proceeds from redemption/maturity of:				
Debt instruments at amortized cost	**–**	3,817,814	**–**	3,817,814
Net cash used in investing activities	**(179,321)**	(918,730)	**736,162**	624,727
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**57,819**	(284,052)	**(60,149)**	(230,626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**272,262**	(1,185,602)	**997,740**	506,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**16,371,022**	16,001,110	**15,645,544**	14,308,904
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$16,643,284**	$14,815,508	**$16,643,284**	$14,815,508

See attached Notes to Unaudited Consolidated Financial Statements.

ORIENTAL PETROLEUM AND MINERALS CORPORATION
Aging of Accounts Receivable
As of June 30, 2023
(In US Dollars)

Type of Receivables	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	Beyond 360 days
Due from operator	$54,984					
Interest receivable	260,516					
Dividend receivable	213,628					
Grand Total	$529,128					

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).

<u>Service Contract (SC) 14</u>
On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972 (Presidential Decree 87 dated November 21, 1972), the Group, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Petroleum Board, now 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 Nido, Matinloc, West Linapacan and Galoc Field where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, C and D) covered by SC 14 are situated offshore Northwest of Palawan Island, Philippines. In 2020, Blocks A, B, B1 and D were already turned over to the DOE upon the oilfields reaching their economic limits and after plug and abandonment of the production well. Crude oil production in the West Linapacan Oilfield in Block C2 was shut-in in 1995 due to a significant decline in crude oil production caused by increasing water intrusion.

The Group continually conducts technical evaluation activities of the said area and submitted a work program and budget to DOE. Further, the Parent Company participates in the production of Galoc field. Total production from this field is modest but enough to cover operating and overhead expenses of SC 14C1.

The Galoc oilfield located in Block C was declared commercial on June 22, 2009 with effectivity on June 19, 2009.

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

SC 14C1 - Galoc
As at December 31, 2022 and 2021, the total cumulative production of the Galoc oilfield has reached 23.98 million and 23.42 million Barrels of Oil, respectively, since the start of production in October 2008. Production initially came from two (2) wells, Galoc-3, and Galoc-4 (Phase 1, 2008-2013) then followed by additional two wells Galoc-5 and Galoc-6 (Phase-2, 2014-Present). The Galoc-4 Well ceased production due to technical problems and has been shut-in since February 2019.

An attempt was made in late September to early October 2021 to restore production of the Galoc-4 Well by Nitrogen Gas (N2) lifting. However, the attempt was unsuccessful and the well failed to flow oil to the surface. Decision was then made to permanently shut-in the Galoc-4 Well.

As at June 30, 2023 and December 31, 2022, the Group holds participating interest of 7.78505% in Galoc.

Galoc Mid-Area
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. Galoc Production Company (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.

Change in Galoc Block Operatorship
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 and assigned their working interest to NPG Pty. Ltd.

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

In 2021, production activities continued at the Galoc Oilfield under a new contract Operator and under new ownership of the storage tanker. Under the new ownership and management, the storage tanker in 2021 has been renamed "Balanghai Intrepid".

An alliance was also formed with Three60 Energy to provide the operational and management (O&M) services of the FPSO storage tanker.

As at June 30, 2023 and 2022, provision for plug & abandonment costs recognized by the Group amounted to $1.02 million and $1.05 million, respectively, with respect to the decommissioning plan for SC 14C1 - Galoc Block.

<u>SC 14C2 - West Linapacan</u>
West Linapacan A Field lies at a water depth of 1,130 feet and was first drilled in 1991. It started production in May 1992 from 3 wells and 4 sidetrack wells. Total production amounted to 8.5 million barrels when the field was shut-in in January 1995 due to high water intrusion during production. The WLA Field produced for 43 months.

Pitkin Petroleum Plc. had a 58.29% interest in this SC pursuant to a farm-in agreement signed in May 2008.

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 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 March 2015, the farm-in agreement with RMA was terminated and Pitkin returned all of its participating interest to the original parties to the SC.

On January 7, 2020, the Company and other members of the Consortium of the Service Contract entered into a Sale and Purchase Agreement (SPA) and Farm-Out Agreement (FOA) with a third party proponent - Desert Rose Petroleum Ltd (DRPL) for the sale and assignment of the 30.288% interest of the Company in SC 14C2 Block.

Should DRPL be unable to submit to the DOE proof of financial capability for the re-development of West Linapacan A-Oilfield and a possible development of the adjacent West Linapacan-B structure by March 31, 2021, DRPL proposed to mutually terminate the SPA and FOA. DRPL further sought an extension of up to June 30, 2021 which was granted by the JV Partners.

However, DRPL failed to meet the extended deadline thus, SPA and FAO with DRPL were deemed rescinded / terminated on July 1, 2021. As of December, 31, 2021, SC-14C2 West Linapacan Block reverted back to the original joint venture partners with the Philodrill Corporation as Operator. As at June 30, 2023 and December 31, 2022, the Group holds participating interest of 30.288% in West Linapacan.

<u>SC 14A, B & B-1 - Nido, Matinloc & North Matinloc</u>

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 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.

<u>SC 6 and 6B Cadlao and Bonita Block</u>

SC 6B 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 initially expired last February 2009 and extended for another 15 years by DOE in 2009.

The DOE approved last 19 December 2022 the:

- The reassignment of interest to the SC-6B Joint Venture after the exit of Manta Oil Co. (MOCL) from SC-6B.
- The Deed of Assignment (DOA) of participating interest in SC-6B and transfer of Operatorship from Philodrill Corporation to Nido Petroleum Phil Ltd. This is in compliance with the related Farm In Agreement (FIA).
- The new participating interest of the Group after the withdrawal of MOCL and transfer of operatorship to Nido Petroleum decreased to 4.9092%, which was previously 16.364%.

Participating Interests

As of June 30, 2023 and 2022, the Parent Company and LOGPOCOR have the following participating interests in the various SCs (in percentage):

	June 30, 2023	June 30, 2022
SC 14 (Northwest Palawan)		
Block C (West Linapacan)	**30.288**	30.288
Block C (Galoc)	**7.785**	7.785
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, OMWI and 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.

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, 2022.

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 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 June 30, 2023 and 2022. The subsidiaries are all incorporated in the Philippines.

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activity**	**2023**	2022
LOGPOCOR	Oil exploration and development	**100%**	100%
OMWI	Furniture manufacturing and distribution	**100%**	100%
OLC	Real estate	**100%**	100%

As at June 30, 2023 and 2022, 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:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) Exposure, or rights, to variable returns from its involvement with the investee, and
c) 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; and
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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the statement of income. Any investment retained is recognized at fair value.

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 new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to Philippine Accounting Standards (PAS) 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the Group's consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred Effectivity

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

4. Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

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 statement 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 statement 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.

On consolidation, the assets and liabilities of subsidiaries with a different functional currency are translated into U.S. Dollar at the rate of exchange prevailing at the reporting date and their statements of income are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn 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
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group's initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

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

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

The Group's business model for managing financial assets 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 the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent Measurement
For purposes of subsequent measurement, the Group's financial assets are classified in the following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets at FVOCI with no recycling of cumulative gains and losses (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instrument)
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 the consolidated statement of income when the asset is derecognized, modified or impaired. Financial assets at amortized cost are subsequently measured using the (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and debt instruments at amortized cost.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidation statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As June 30, 2023 and 2022, the Group does not have debt instruments at FVOCI.

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

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

As of June 30, 2023 and 2022, the Group elected to classify irrevocably its quoted equity instruments under this category.

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

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 FVTPL category.

As of June 30, 2023 and 2022, the Group does not have financial assets at FVTPL.

<u>Impairment of financial assets</u>
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 Group 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
<u>Initial Recognition and Measurement</u>
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

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

Financial liabilities designated upon initial recognition at 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 FVTPL.

Financial liabilities at amortized cost (Loans and borrowings)
This is the category most relevant to the Group. After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income 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 consolidated statement of income.

The Group's financial liabilities under this category includes accounts and other payables.

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 or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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

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

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

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

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

A fair value measurement of a 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.

<u>Crude Oil Inventory</u>
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.

<u>Property and Equipment</u>
Transportation equipment, office furniture and equipment and leasehold improvement are carried at cost less accumulated depreciation 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. Wells, platforms and other facilities are carried at cost less accumulated depletion and any impairment in value.

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
Leasehold improvement	5

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.

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

Depletion and depreciation ceases when an item of property and equipment is fully depleted or depreciated or at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. The Group uses the unit-of-production method in depleting its wells, platforms and other facilities, hence the charge can be zero while there is no production.

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

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

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

<u>Other Noncurrent Assets</u>

Deferred Exploration Costs

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

Interest in Joint 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.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the Group's property and equipment and deferred exploration costs 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 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.

Subscriptions Receivable
Subscriptions receivable represents the amount for which the shares were 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.

Earnings Per Share (EPS)
EPS is determined by dividing net income by the weighted average number of shares outstanding for each year after retroactive adjustment for any stock dividends declared.

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 contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

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.

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 in the countries where the Group operates and generates taxable income.

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.

Accordingly, deferred tax relating to other comprehensive income and equity items are recognized directly in equity and other comprehensive income, respectively.

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.

Retirement Benefit Liability

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.

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 and only operating segment pertains to oil exploration and development. Business segments involved in furniture manufacturing and distribution and real estate have ceased operations.

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 up to the date of auditor's report 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 and Estimates

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 and estimates 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 arrangements 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:

  a. The legal form of the separate vehicle;
  b. The terms of the contractual arrangement; and
  c. Other facts and circumstances (when relevant).

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

As at June 30, 2023 and 2022, 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.

Estimates and Assumptions
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:

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 2023 and 2022. Total carrying value of receivables amounted to $0.53 million and $1.50 million as at June 30, 2023 and 2022, respectively.

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 recognized provision for plug and abandonment costs amounting to $1.02 million and $1.05 million as at June 30, 2023 and 2022, respectively, with respect to the decommissioning plan for SC 14C1 - Galoc Block.

There were no plug and abandonment costs incurred in 2023 and 2022 as SC 14C1, the sole operating block, is not yet due for plugging and abandonment.

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.

The estimated remaining proved and probable oil reserves totaled to 1.43 million and 2.06 million barrels for Galoc oil field as of December 31, 2022 and 2021, respectively.

Impairment of wells, platforms and other facilities of SC 14C1 and 14C2
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 four years and seven years for SC 14C1 and 14C2 respectively, 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 calculation of value-in-use for the Wells, Platforms and Other Facilities of SC 14C2 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 14.22% to 14.75% and 8.61% to 9.12% as at December 31, 2022 and 2021, respectively.

No impairment losses were recognized in 2023 and 2022 for SC 14C1 and 14C2.

Estimating Retirement Benefit 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.

Assessing Recoverability of Deferred Income 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the

succeeding periods. This projection is based on the Company's past results and future results of operations.

As at December 31, 2022 and 2021, the Group has recognized deferred income tax assets amounting to $0.76 million and $0.23 million, respectively. As at December 31, 2022 and 2021, the Group has also unrecognized deferred tax assets on deductible temporary differences amounting to nil and $0.77 million pertaining to NOLCO, along with the excess of MCIT over RCIT incurred in 2021. In 2021, the deferred tax assets on these items were not recognized since it is not probable that sufficient taxable income will be available against which these can be utilized.

Assessing Recoverability of Deferred Oil 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. Deferred oil exploration costs are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, Exploration for and Evaluation of Mineral Resources, are as follows:

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

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

- Estimated reserves - which are based on oil resources reports based on the information gathered from seismic and geological data, analyses and evaluation activities;
- Discount rate of 14.49% in 2022 and 8.65% in 2021 - which represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Group's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine pre-tax rate. The WACC takes into account both debt and equity. Adjustments to discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate; and
- Oil prices of $88 and $65 in 2022 and 2021, respectively - which are estimated with reference to external market forecasts of Brent and WTI crude prices.

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

6. **Cash and Cash Equivalents**

This account consists of:

	2023	2022
Petty cash fund	**$181**	$182
Cash in banks	**1,849,258**	1,520,475
Short-term deposits	**14,793,845**	13,294,851
	$16,643,284	$14,815,508

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents 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 ranging from 3.40% to 5.75% and 0.10% to 1.00% per annum in 2023 and 2022, respectively.

There are no cash restrictions on the Group's cash balance as at June 30, 2023 and 2022.

7. **Receivables**

This account consists of:

	2023	2022
Due from Operator	**$54,984**	$1,263,981
Interest receivable	**260,516**	234,814
Dividend receivable	**213,628**	–
	$529,128	$1,498,795

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 June 30, 2023 and 2022.

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**

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 are as follows:

	2023	2022
At January 1	**($4,567,769)**	$268,505
Unrealized gain (loss) during the year	**(92,875)**	(3,282,147)
At June 30	**($4,660,644)**	($3,013,642)

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

	2023	2022
At January 1	**$26,616,788**	$31,941,689
Movement in reserve for fluctuation in value of equity instruments at FVOCI	**(92,875)**	(3,282,147)
Additions	**907,697**	–
At June 30	**$27,431,610**	$28,659,542

Debt Instruments at Amortized Cost

In 2023, the Group acquired retail treasury bonds amounting to $0.91 million (PhP50.00 million), with interest rate at 6.125% per annum and will mature on August 22, 2028.

In 2022, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $6.46 million (PhP386.51 million). The various bonds pay interest at rates ranging from 4.625% to 6.805% per annum and will mature starting February 17, 2027 to July 4, 2029.

In 2021, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $6.74 million (PhP336.65 million). The various bonds pay interest at rates ranging from 3.60% to 8.50% per annum and will mature starting May 4, 2025 to December 2, 2028.

In 2020, the Group acquired various fixed rate bonds from corporate bond issuers amounting to $ million (PhP56.69 million). The various bonds pay interest at rates ranging from 3.63% to 3.82% per annum and will mature starting May 4, 2025 to May 28, 2026.

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.

The carrying values of investments in bonds, classified as debt instruments at amortized cost are as follows:

	2023	2022
Balances at beginning of year	**$30,613,863**	$31,148,619
Additions	**913,342**	6,455,194
Redemption	**–**	(3,817,814)
Unrealized foreign exchange gain (loss)	**408,961**	(2,560,648)
Balances at end of year	**$31,936,166**	$31,225,351

9. **Property and Equipment**

The roll-forward analysis of this account follows:

	2023			
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Improvement, Furniture and Equipment**	**Total**
Cost				
At January 1	**$89,557,624**	**$271,037**	**$142,955**	**$89,971,616**
Additions	**–**	**–**	**–**	**–**
At June 30	**89,557,624**	**271,037**	**142,955**	**89,971,616**
Accumulated Depletion, Depreciation and Amortization				
At January 1	**77,961,191**	**238,807**	**25,596**	**78,225,594**
Depletion, depreciation and amortization	**199,878**	**5,070**	**11,955**	**216,903**
At June 30	**78,161,069**	**243,877**	**37,551**	**78,442,497**
Net Book Value at June 30	**$11,396,555**	**$27,160**	**$105,404**	**$11,529,119**

	2022				
	Wells, Platforms and Other Facilities	**Transportation Equipment**	**Office Furniture and Equipment**	**Construction in Progress**	**Total**
Cost					
At January 1	$89,557,624	$253,145	$34,823	$−	$89,845,592
Additions	−	−	1,365	31,237	32,602
At June 30	89,557,624	253,145	36,188	31,237	89,878,194
Accumulated Depletion, Depreciation and Amortization					
At January 1	77,422,413	231,649	16,297	$−	77,670,359
Depletion, depreciation and amortization	382,863	3,579	1,226	−	387,668
At June 30	77,805,276	235,228	17,523	−	78,058,027
Net Book Value at June 30	$11,752,348	$17,917	$18,665	$31,237	$11,820,167

In 2022 and 2021, the Group performed impairment test for the Wells, Platforms and Other Facilities of SC 14C2 since it continues to be a non-producing block and its license to operate is nearing expiration.

Impairment test of SC 14C2 – West Linapacan
The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C2 as at December 31, 2022 and 2021 has been determined based on a value-in-use calculation using cash flow projections from work program and budget approved by senior management covering a seven-year period and five-year period as at those years. The work program and budget for the immediately succeeding year as at December 31, 2022 and 2021 were duly approved by the DOE. The pre-tax discount rates applied to the cash flow projections were 14.22% and 8.65% as of December 31, 2022 and 2021, respectively. As a result of this

analysis, the management has not recognized any impairment for the Wells, Platforms and Other Facilities of SC 14C2 as at December 31, 2022 and 2021.

10. **Other Noncurrent Assets**

	2023	2022
Deferred exploration costs	**$754,875**	$751,615
Decommissioning fund	**897,384**	843,250
	$1,652,259	$1,594,865

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 and 6B Cadlao and Bonita Block

SC 6B 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.

In 2018, 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. (MOCL / Manta Oil) 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 by Manta Oil 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 by Manta Oil 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 2021, MOCL was unable to submit to the DOE a new Plan of Development (POD) for the shut-in Cadlao Oilfield as well as proof of financial capability.

On December 2, 2021 Manta Oil issued a “Mutual Release of Claims” followed on December 6, 2021 by a “Notice of Withdrawal” re-assigning and transferring back to the Farmors / Joint Venture Partners their original participating interests in Bonita / Cadlao Block.

With restoration of the original participating interests to the SC-6B Consortium, the Philodrill Corporation resumed the role as the Operator of the contract area.

In a Partners’ Meeting held on December 13, 2021, Nido Petroleum Pty Ltd, one of the JV Partners, indicated their proposal to increase its participating in SC-6B, propose a SC-6B Work Program & Budget (WP&B) for the calendar year 2022, plan for an appraisal drilling of well(s) including the conduct of an Extended Well Test (EWT) in the Cadlao Field.

The proposal will include a Farm in Agreement (FIA) to increase the Participating Interest of Nido Petroleum in SC-6B. The increase will be by way of the other partners assigning up to 70% of their original interest to Nido Petroleum. Finally, a Deed of Assignment (DOA) of interest will be drawn up and be submitted to the DOE for evaluation and approval. This will give time for Nido Petroleum to finalize the WP&B and the plans for appraisal drilling and EWT as well as show proof of financial capability.

A new Plan of Development (POD) will also be submitted by Nido Petroleum Pty Ltd. in 2022.

Under the proposed FIA the assigning partners will be carried free by Nido Petroleum in the proposed 2022 Work Program & Budget, cost of appraisal drilling and EWT as well as implementation of the new Plan of Development. The carry free is up to the declaration of field commerciality.

The DOE approved last 19 December 2022 the:

- The reassignment of interest to the SC-6B Joint Venture after the exit of Manta Oil Co. (MOCL) from SC-6B.
- The Deed of Assignment (DOA) of participating interest in SC-6B and transfer of Operatorship from Philodrill Corporation to Nido Petroleum Phil Ltd. This is in compliance with the related Farm In Agreement (FIA).
- The new participating interest of the Group after the withdrawal of MOCL and transfer of operatorship to Nido Petroleum decreased to 4.9092%, which was previously 16.364%.

In 2022 and 2021, 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 oil exploration cost as at December 31, 2022 and 2021 has been determined to be higher than its carrying value, 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 14.49% and 8.65% in 2022 and 2021, respectively. 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 consortium operator'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 rate applied to cashflow projections range from 14.22% to 14.75% on December 31, 2022, and 8.61% to 9.12% on December 31, 2021.

As at June 30, 2023 and 2022, the carrying value of deferred exploration costs amount to $0.66 million.

<u>Exploration Permit Applications for Nickel and Other Associated Metals in Zambales and Dinagat Islands</u>

The Group is currently securing Exploration Permits (EP) for nickel and other associated metals. OPMC has submitted applications to the Mines and Geosciences Bureau (MGB)-Regional Office No. III for five (5) areas in Zambales with a total area of approximately 13,816 hectares.

As of April 12, 2022, all five areas in Zambales were already designated by MGB Regional Office No. III as EXPAs No. 000231-III, EXPA No. 000232-III, EXPA No. 000233-III, EXPA No. 000240-III and EXPA No. 000241-III.

As at June 30, 2023 and 2022, the Company capitalized deferred min exploration costs amounting to $0.09 million.

<u>Decommissioning fund</u>

On July 27, 2021, the Group received a Decommissioning Plan from the operator of SC 14C1 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. As of June 30, 2023 and 2022, the decommissioning fund amounted to $0.90 million and $0.85 million, respectively.

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

The accounts and other payables account consists of:

	2023	2022
Accounts payable and accrued expenses	**$288,448**	$259,080
Dividends payable	**2,259,089**	2,041,492
Subscriptions payable	**25,401**	25,558
	$2,572,938	$2,326,130

Accounts payable 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 shareholders of the Parent Company.

<u>Provision for Plug and Abandonment</u>

Nido, Matinloc and North Matinloc
As of June 30, 2023 and 2022, there was no outstanding balance of the provision for the plug and abandonment.

Galoc
On July 27, 2021, the Group received a Decommissioning Plan from the operator of SC 14C1 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.

The Group has recognized provision for plug & abandonment amounting to $1.02 million and $1.05 million as of June 30, 2023 and 2022, respectively, which represents the present value of the Group's share in the decommissioning liability.

The discount rate used on the determination of present value are 5.87% and 3.77% as of December 31, 2022 and 2021. The decommissioning activities for Galoc is expected to commence in 2025, hence the provision is recognized under non- current liabilities. The Group recognized accretion expense amounting to $0.03 million in 2022 and nil in 2021 and 2020.

Under the decommissioning plan, each party to the consortium has a liability to fund a percentage of the decommissioning cost equal to the party's percentage interest. Accordingly, the Group funded the decommissioning fund asset of the Joint Operation as of December 31, 2022 and 2021 amounting to $0.88 million and $0.84 million.

12. **Capital Stock**

As of June 30, 2023 and 2022, this account consists of:

	2023	2022
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)**	(277,710)
Capital in excess of par value	**3,650,477**	3,650,477
	$85,641,745	$85,641,745

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 2023 and 2022.

Cash Dividends
On June 28, 2023, the Parent Company's BOD approved the declaration of cash dividends of cash dividends of $0.00001 (PhP0.0005) per share totaling to $1.79 million (PhP100.00 million) to the stockholders of record of common stocks as of July 27, 2023 coming from the Parent Company's unrestricted retained earnings as of December 31, 2022.

On June 23, 2022, the Parent Company's BOD approved the declaration of cash dividends of cash dividends of $0.00001 (PhP0.0005) per share totaling to $1.84 million (PhP100.00 million) to the stockholders of record of common stocks as of July 22, 2022 coming from the Parent Company's unrestricted retained earnings as of December 31, 2021.

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 of cash dividends of $0.00001 per share totaling 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 as of December 31, 2019.

On June 27, 2019, the Parent Company's BOD approved the declaration of cash dividends of cash dividends of $0.00001 per share totaling 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 as of December 31, 2018.

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.

The Group's material related party transactions (MRPT) pertaining to transactions made with the same related party, which are, individually or in aggregate over a twelve (12) – month period amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements shall be reviewed by the Group's audit committee before the transaction is executed and commenced. If not identified beforehand, the MRPT shall be immediately reviewed by the Audit Committee upon its identification

All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock. Aggregate RPT transactions within a twelve (12) – month period that meets or breaches the materiality threshold shall require the same Board approval.

As of June 30, 2023 and 2022, the Company had Cash in Banks 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.

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 2023 and 2022. 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.