

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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o	w	e	r	,	A	D	B	A	v	e	n	u	e	,	O	r	t	i	g	a	s	C	e	n	t	e	r	,
P	a	s	i	g	C	i	t	y																				

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

<b>Ma. Riana C. Infante</b>
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(Contact Person)

<b>8633-7631</b>
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(Company Telephone Number)

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**Nine Months Ended September 30, 2022**

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- For the quarterly period ended **September 30, 2022**
- Commission identification number **40058**
- BIR Tax Identification No. **000-483-747**
- ORIENTAL PETROLEUM AND MINERALS CORPORATION**  
Exact name of issuer as specified in its charter
- Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
- Industry Classification Code: [                      ] (SEC Use Only)
- 34th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center Pasig City 1600**  
Address of issuer's principal office Postal Code
- (632) 8633-7631 locals 278 and 281**  
Issuer's telephone number, including area code
- Not applicable  
-----  
Former name, former address and formal fiscal year, if changed since last report
- Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding</u>
<b>Common Stock, P0.01 par value</b>	<b>200 Billion</b>

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

Yes [  ]                      No [        ]

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

**Philippine Stock Exchange                      Class A and B**

12. Indicate by check mark whether the registrant:

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

**Yes** [ **x** ]    **No** [   ]

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

**Yes** [ **x** ]    **No** [   ]

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## PART I – FINANCIAL INFORMATION

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

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

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

The Company followed the same accounting policies and methods of computation in the interim financial statements for the 3rd Quarter of 2022 as compared with the most recent annual audited financial statements ending December 31, 2021.

Attached are the interim financial statements for and as of September 30, 2022.

The Company' management discloses the following:

- Interim operations are not cyclical and or seasonal;
- There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, amount, size, or incidents;
- There were 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 - September 2022) 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 were no contingent liabilities or contingent assets since the last annual balance sheet date ended December 31, 2021.
- There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

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

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

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

	2022	2021	Change
<b>Income Statement data</b>			
Revenues from petroleum operations	<b>2,234.32</b>	2,268.17	(1%)
Petroleum production costs	<b>1,762.22</b>	1,676.35	5%
Cost of petroleum inventories charged against expense	<b>1,188.60</b>	351.88	238%
Foreign exchange loss	<b>5,013.19</b>	2,002.72	150%
Interest and dividend income	<b>2,427.91</b>	2,562.04	(5%)
<b>Balance Sheet data</b>			
Cash and cash equivalents	<b>14,681.12</b>	19,997.54	(27%)
Crude oil inventory	<b>1,500.70</b>	601.74	149%
Equity instruments at fair value through other comprehensive income	<b>25,904.95</b>	32,240.09	(20%)
Debt instruments at amortized cost	<b>29,163.98</b>	27,593.36	6%
Other noncurrent assets	<b>1,595.46</b>	662.84	141%
Accounts and other payables	<b>159.89</b>	210.88	(24%)
Pension liability	<b>21.27</b>	612.54	(97%)
Provision for plug and abandonment	<b>1,048.65</b>	-	100%
<b>Other data</b>			
Average peso dollar exchange rate	<b>53.55</b>	48.88	10%
Number of employees	<b>17</b>	17	-

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

**a) ORIENTAL MAHOGANY WOODWORKS, INC. (OMWI)**

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

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

## **b) LINAPACAN OIL GAS AND POWER CORPORATION (LOGPOCOR)**

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

## **c) ORIENTAL LAND CORPORATION (OLC)**

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

## **Results of Operations**

### **September 30, 2022 vs. September 30, 2021**

Revenues from petroleum operations at the end of September 30, 2022, which amounted to US\$2.23 million, slightly decreased by US\$0.03 million or 1% from US\$2.27 million same period last year due to lower volume of crude oil delivered but was in storage as of the reporting period.

PFRS 15, *Revenue from Contracts with Customers*, requires revenue from sale of petroleum products to be recognized at a point in time when control of the goods has been transferred from the Consortium Operator of the joint arrangement, on behalf of the Company, to the customer upon delivery. Thus, share in the ending crude oil inventory as of reporting period is not recognized as revenue but instead, charged against share in costs and operating expenses. Prior to adoption of PFRS 15, revenue was recognized at the time of production. As of September 30, 2022, the cost of petroleum inventories charged against expense amounted to US\$1.19 million, 238% higher than the same period last year. Average crude oil price surged to US\$97.13 per barrel for the period ended September 30, 2022 as compared to US\$65.78 per barrel for the same period last year. The increase in oil prices was brought by European Union's decision to partially ban Russian oil imports and rising inflation.

Petroleum production costs for the period ended September 30, 2022, which totaled to US\$1.76 million, increased by 5% million from the same period last year. These costs mainly include floating, production, storage and offloading (FPSO) charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.

Depletion, depreciation and amortization totaled to US\$0.55 million, slightly decreased by 1% from same period last year due to lower volume of crude oil production.

The Company has a FX exposure associated with fluctuations in the value of the Philippine Peso against the U.S. Dollar. The FX loss of US\$5.01 million in 2022 from FX loss of US\$2.01 million in 2021 was driven by the depreciation/ unfavorable movement of Philippine Peso against US Dollars in respect mainly to translated peso-denominated monetary assets and liabilities.

For the period ended September 30, 2022, interest and dividend income totaled to US\$2.43 million, a slight decrease of 5% from US\$2.56 million same period last year, due to appreciation of dollar. This comprised of interest received mainly from peso-denominated investment in equity instruments at fair value through other comprehensive income, debt instruments at amortized cost and money market placements.

## **Financial Position**

### **September 30, 2022 versus December 31, 2021**

The Company's consolidated assets at the end of the period September 30, 2022, which amounted to US\$84.89 million, is lower by 10% or US\$9.91 million compared to US\$94.79 million as at December 31, 2021 due to the following movements:

- Cash and cash equivalents decreased to US\$14.68 million from US\$16.00 million from last year due to acquisition of additional bonds and contributions made to the retirement fund asset.
- Equity instruments at fair value through other comprehensive income amounted to US\$25.90 million, lower than last year's US\$31.94 million attributable to the redemption of investments in preferred shares, adjusted by changes in the market value of investments and foreign currency rates.
- Debt instruments at amortized cost totaled US\$29.16 million, lower than last year's US\$31.15 million due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.
- Consolidated property and equipment at the end of the third quarter of 2022 amounted to US\$11.73 million, lower as compared to last year's US\$12.18 million due to depletion and depreciation expenses.

### **September 30, 2022 vs. September 30, 2021**

The Company's consolidated assets at the end of the period September 30, 2022, which amounted to US\$84.89 million, is lower than same period last year of US\$93.61 million due to the following movements:

- Cash and cash equivalents decreased to US\$14.68 million from US\$20.00 million from last year due to acquisition of additional bonds and contributions made to the retirement fund asset.
- Equity instruments at fair value through other comprehensive income amounted to US\$25.90 million at the end of third quarter of 2022, lower than same period last year of US\$32.24 million due to redemption of securities, adjusted by changes in the market value of investments and foreign currency rates.



- Consolidated property and equipment at the end of the third quarter of 2022 amounted to US\$11.73 million. The decrease of about 3% was mainly due to depletion and depreciation expenses.
- The above-mentioned decrease in assets was partly offset by Debt instruments at amortized cost totaled US\$29.16 million at the end of third quarter of 2022, higher than same period last year of US\$27.59 million due to additional investments in bonds.
- Further, Crude oil inventory amounted to US\$1.50 million, an increase of around US\$0.90 million from same period last year due to higher crude oil price and higher crude oil volume already produced and in storage but has yet to be delivered to the customers.

### **September 30, 2021 vs. September 30, 2020**

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

- Equity instruments at fair value through other comprehensive income amounted to US\$32.24 million at the end of third quarter of 2021, lower than same period last year of US\$33.45 million due to redemption of securities, adjusted by changes in the market value of investments and foreign currency rates.
- Debt instruments at amortized cost totaled US\$27.59 million at the end of third quarter of 2021, lower than same period last year of US\$28.58 million due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.
- Consolidated property and equipment at the end of the third quarter of 2021 amounted to US\$12.09 million. The decrease of about 6% was mainly due to depletion and depreciation expenses.
- Crude oil inventory amounted to US\$0.60 million, a slight decrease of around 6% from same period last year. This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers.
- The above-mentioned decrease in assets was partly offset by the increase in cash and cash equivalents to US\$20.00 million. The increase of about 9% or US\$1.63 million from the same period last year was mainly due to redemption of investment in preferred shares, cash receipts from interest and dividend income and Galoc operations and redemption of matured short-term commercial paper with a local bank.

### **September 30, 2020 vs. September 30, 2019**

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

At the end of third quarter of 2020, cash and cash equivalents of US\$17.42 million and time deposits placement under short-term investments account of US\$0.95 million totaled to US\$18.37 million. There is a decrease as compared to US\$23.83 million (cash and cash equivalents of US\$22.83 million and time deposits placement under short-term investments account of US\$1.00 million) for the same period last year mainly due to acquisition of additional equity instruments at fair value through other comprehensive income.

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

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

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

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

The causes for material changes of September 30, 2022 figures as compared to December 31, 2021 figures of the following accounts are:

<b>Accounts</b>	<b>09/30/2022</b>	<b>12/31/2021</b>	<b>Change</b>	<b>%</b>	<b>Remarks</b>
<b>Balance Sheet</b>					
Cash and cash equivalents	<b>\$14,681,122</b>	\$16,001,110	(\$1,319,988)	(8%)	Decrease was mainly due to acquisition of additional bonds and contributions made to the retirement plan.
Receivables	<b>278,387</b>	1,646,909	(1,368,522)	(83%)	The decrease in this account was mainly due to collection of proceeds from crude oil liftings.
Crude oil inventory	<b>1,500,698</b>	312,094	1,188,604	381%	This represents the Company's share in the crude oil already produced and in storage but has yet to be delivered to the customers. The increase was mainly due to higher average crude oil prices of US\$102 per barrel for the reporting period ended.
Equity instruments at fair value through other comprehensive income	<b>25,904,949</b>	31,941,689	(6,036,740)	(19%)	Decrease was due to redemption of investments in preferred shares, adjusted by changes in the market value of investments and foreign currency rates.
Debt instruments at amortized cost	<b>29,163,978</b>	31,148,619	(1,984,641)	(6%)	Decrease was due to revaluation of peso denominated bonds at closing rate at the end of the reporting period offset by additional investments in bonds.
Property and equipment	<b>11,733,199</b>	12,175,233	(442,034)	(4%)	Decrease was due to depletion and depreciation expenses.
Pension liability	<b>21,275</b>	639,192	(617,917)	(97%)	Decrease was due to contributions made to the retirement fund asset.
Reserve for changes in value of equity instruments at fair value through other comprehensive income	<b>(5,266,790)</b>	268,505	(5,535,295)	(2,062%)	Decrease was due to market value of listed investments in preferred shares of the Company, adjusted by closing foreign exchange rate at the end of the reporting period.

The causes for material changes of September 30, 2022 figures as compared to September 30, 2021 figures of the following accounts are:

<b>Accounts</b>	<b>09/30/2022</b>	<b>09/30/2021</b>	<b>Change</b>	<b>%</b>	<b>Remarks</b>
<b>Income Statement</b>					
Revenues from petroleum operations	<b>2,234,322</b>	2,268,173	(33,851)	(2%)	There was a slight decrease in revenues due to lower volume of crude oil delivered for the reporting period ended.
Cost of petroleum inventories charged against operating expenses	<b>1,188,604</b>	351,875	836,729	238%	Increase was due to higher crude oil volume already produced and in storage but has yet to be delivered to customers and increase in average crude oil price of US\$97.13 per barrel in 2022 as compared to US\$63.48 per barrel for the same period last year.
Petroleum production costs	<b>1,762,226</b>	1,676,354	85,872	5%	These costs mainly include FPSO charges, field/platform operation costs, management and technical fees, helicopter services, insurance expenses, marketing fees, repairs and maintenance and other general and administrative expenses of the consortia.
Depletion, depreciation and amortization	<b>549,092</b>	557,226	(8,134)	(1%)	Slight decrease was due to decrease in volume of crude oil production.
Foreign exchange gain (loss)	<b>(5,013,187)</b>	(2,002,720)	3,010,467	150%	Driven by the depreciation/unfavorable movement of Philippine Peso against US Dollars in respect mainly to revaluation of peso-denominated monetary assets and liabilities.
Interest and dividend income	<b>2,427,911</b>	2,562,040	(134,129)	(5%)	Decrease was due to dollar appreciation. This comprised of interest received mainly from peso-denominated investments in equity instruments at FVOCI, debt instruments and money market placements.

## Key Performance Indicators

	September 30, 2022	September 30, 2021
Current Ratio	28.06	49.29
Acid Test Ratio	25.46	47.88
Ratio of Debt-to-Equity		Not applicable
Ratio of Asset-to-Equity	1.03	1.03
Interest Rate Coverage		Not applicable
Return on Assets	–	0.01
Return on Equity	–	0.01
Net Working Capital Ratio	0.19	0.22

*\*Figures are based on Unaudited Financial Statements*

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

## Financial Risk Management Objectives and Policies

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

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

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

The Group's risk management policies are summarized below:

a) *Liquidity risk*

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

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

As of September 30, 2022 and 2021, all financial liabilities are expected to mature within one year. All commitments up to a year are either due within the time frame or are payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk consist of cash in banks and cash equivalents, short-term investments, receivables and equity

instruments at FVOCI as of September 30, 2022 and 2021 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 September 30, 2022 and December 31, 2021, 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. 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.

In 2022 and 2021, the Group's cash in banks and cash equivalents and short-term investments are considered high-grade while the remaining financial assets are considered standard grade.

The Group uses the following criteria to rate credit quality:

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

c) *Foreign currency risk*

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

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

e) *Equity price risk*

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

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

### Capital Management

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

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

The Group considers its capital stock, net of any subscription receivable, capital in excess of par value and retained earnings which amounted to \$86.52 million and \$89.17 million as of September 30, 2022 and 2021, respectively, as its capital employed. No changes were made in the objectives, policies or processes during the years ended September 30, 2022 and 2021.

### Fair Values

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

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

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

The fair value of the debt instruments at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as of the reporting date. Fair value and carrying value of debt instruments at amortized cost amounted to \$29.16 million and \$27.59 million as at September 30, 2022 and 2021, respectively.

### Fair Value Hierarchy

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at September 30, 2022 and 2021, the fair value of equity instruments at FVOCI under Level 1 hierarchy amounted to \$25.90 million and \$32.24 million, respectively.

As of September 30, 2022 and 2021, OPMC's Capital stock consists of the following:

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

2. Common Stock – Class “B” with par value of ₱0.01 per share, 80 billion shares issued and outstanding out of the 80 billion authorized shares

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

The Company’s management discloses the following information:

- There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company’s liquidity.
- There are no material commitments for capital expenditures.
- There are no known trends or uncertainties, that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- There are no significant elements of income or loss that did not arise from continuing operations.
- There are no seasonal aspects that had a material effect on the financial condition or results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**Other matters:**

The owners of more than 5% of the Company’s securities as of September 30, 2022 were as follows:

Class	Stockholders	Amount of ownership	% to Total
Common	PCD Nominee Corporation	93,952,234,456	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 September 30, 2022, OPMC has approximately 11,550 stockholders both for Class “A” and “B” shares.



## Board of Directors and Executive Officers

The Company's Board of Directors and executive officers as of September 30, 2022 are as follows:

### *Board of Directors*

Chairman	James L. Go
Director	Robert Coyiuto, Jr.
Director	Lance Y. Gokongwei
Director	Perry L. Pe
Director	Benedicto T. Coyiuto
Director	James G. Coyiuto
Director	Brian M. Go
Director	Josephine V. Barcelon
Director	Jose Victor Emmanuel A. De Dios
Independent Director	Jose M. Layug, Jr.
Independent Director	Emmanuel C. Alcantara

### *Executive Officers*

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

*\*Member of the Board of Directors*

## PART II – OTHER INFORMATION

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

### SIGNATURES

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

~~ORIENTAL PETROLEUM AND MINERALS CORPORATION~~

  
ROBERT COAUTO, JR.  
President and Chief Operating Officer

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

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

	Six Months Ended September 30 (UNAUDITED)		Year ended December 31
	2022	2021	2021 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$14,681,122	\$19,997,544	\$16,001,110
Current portion of investment in debt securities	–	–	3,939,024
Receivables	278,387	414,704	1,646,909
Crude oil inventory	1,500,698	601,742	312,094
Other current assets	28,031	9,446	9,669
Total Current Assets	16,488,238	21,023,436	21,908,806
<b>Noncurrent Assets</b>			
Equity instruments at fair value through other comprehensive income	25,904,949	32,240,091	31,941,689
Debt instruments at amortized cost	29,163,978	27,593,359	27,209,595
Property and equipment	11,733,199	12,088,408	12,175,233
Other noncurrent assets	1,595,460	662,844	1,556,831
Total Noncurrent Assets	68,397,586	72,584,702	72,883,348
	\$84,885,824	\$93,608,138	\$94,792,154
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables	\$159,893	\$210,881	\$206,869
Dividends payable	427,615	215,602	354,868
Total Current Liabilities	587,508	426,483	561,737
<b>Noncurrent Liabilities</b>			
Net pension liability	21,275	612,540	639,192
Provision for plug and abandonment	1,048,645	–	1,048,645
Deferred tax liabilities - net	1,133,967	1,456,519	1,133,968
Total Noncurrent Liabilities	2,203,887	2,069,059	2,821,805
Total Liabilities	2,791,395	2,495,542	3,383,542
<b>Equity</b>			
Paid-up capital	85,641,745	85,641,745	85,641,745
Retained earnings	882,621	3,530,625	4,661,509
Reserve for changes in value of equity instruments at fair value through other comprehensive income	(5,266,790)	1,147,108	268,505
Remeasurement gains on pension liability - net	136,105	98,644	136,105
Cumulative translation adjustment	700,748	694,474	700,748
Total Equity	82,094,429	91,112,596	91,408,612
	\$84,885,824	\$93,608,138	\$94,792,154

See attached Notes to Unaudited Consolidated Financial Statements.

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

	Six Months Ended		Three Months Ended	
	September 30 2022	September 30 2021	September 30 2022	September 30 2021
<b>REVENUE FROM PETROLEUM OPERATIONS</b>	<b>\$2,234,322</b>	\$2,268,173	<b>\$-</b>	\$1,154,910
<b>COSTS OF PETROLEUM OPERATIONS</b>				
Depletion, depreciation and amortization	549,092	557,226	161,424	121,364
Petroleum production costs	1,762,226	1,676,354	540,559	720,600
	<b>2,311,318</b>	2,233,580	<b>701,983</b>	841,964
<b>GROSS PROFIT (LOSS)</b>	<b>(76,996)</b>	34,593	<b>(701,983)</b>	312,946
<b>OTHER OPERATING INCOME (EXPENSE)</b>				
Cost of petroleum inventories charged against/ (recognized as) expense	1,188,604	351,875	1,092,368	(286,353)
<b>OPERATING PROFIT (LOSS)</b>	<b>1,111,608</b>	386,468	<b>390,385</b>	26,593
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>469,794</b>	416,702	<b>135,152</b>	137,632
<b>OTHER INCOME</b>				
Interest income	1,148,075	1,066,610	375,624	334,458
Dividend income	1,279,836	1,495,430	428,598	539,915
	<b>2,427,911</b>	2,562,040	<b>804,222</b>	874,373
<b>OTHER CHARGES</b>				
Foreign currency gain (loss) – net	(5,013,187)	(2,002,720)	(2,231,125)	(1,608,737)
<b>INCOME BEFORE INCOME TAX</b>	<b>(1,943,462)</b>	529,086	<b>(1,171,670)</b>	(845,403)
<b>PROVISION FOR INCOME TAX</b>	<b>-</b>	-	<b>-</b>	-
<b>NET INCOME</b>	<b>(\$1,943,462)</b>	\$529,086	<b>(\$1,171,670)</b>	(\$845,403)
<b>Weighted Average Number of Common Stock Outstanding</b>	<b>200,000,000,000</b>	200,000,000,000	<b>200,000,000,000</b>	200,000,000,000
<b>Net Income per share</b>	<b>-</b>	\$0.000003	<b>-</b>	(\$0.000004)

See attached Notes to Unaudited Consolidated Financial Statements.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

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

	Nine Months Ended		Three Months Ended	
	September 30 2022	September 30 2021	September 30 2022	September 30 2021
<b>NET INCOME (LOSS)</b>	<b>(\$1,943,462)</b>	\$529,086	<b>(\$1,171,670)</b>	(\$845,404)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Item not to be reclassified to profit or loss in subsequent periods -</i>				
Movement in reserve for fluctuation in value of equity instruments at fair value through other comprehensive income	<b>(5,535,295)</b>	(1,259,214)	<b>(2,253,148)</b>	(1,588,511)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(\$7,478,757)</b>	(\$730,128)	<b>(\$3,424,818)</b>	\$1,147,108

See accompanying Notes to Unaudited Consolidated Financial Statements.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(In U.S. Dollars)**

	Paid up capital			Retained Earnings	Other comprehensive income (loss)				Total
	Capital Stock	Subscription Receivable	Capital in Excess of Par Value		Reserve for Changes in Value of Equity Instruments at FVOCI	Remeasurement Gains on Pension Liability	Cumulative Translation Adjustment		
<b>Balances as at January 1, 2022</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 4,661,509</b>	<b>\$ 268,505</b>	<b>\$ 700,748</b>	<b>\$ 136,105</b>	<b>\$ 91,408,612</b>	
Comprehensive income									
Net income for the period	–	–	–	(1,943,462)	–	–	–	(1,943,462)	
Other comprehensive income	–	–	–	–	(5,535,295)	–	–	(5,535,295)	
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,943,462)</b>	<b>(5,535,295)</b>	<b>–</b>	<b>–</b>	<b>(7,478,757)</b>	
Cash dividends	–	–	–	(1,835,426)	–	–	–	(1,835,426)	
<b>Balances as at September 30, 2022</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 882,621</b>	<b>\$ (5,266,790)</b>	<b>\$ 700,748</b>	<b>\$ 136,105</b>	<b>\$ 82,094,429</b>	
Balances as at January 1, 2021	\$ 82,268,978	\$ (277,710)	\$ 3,650,477	\$ 5,058,983	\$ 2,406,322	\$ 98,644	\$ 694,474	\$ 93,900,168	
Comprehensive income									
Net income for the period	–	–	–	529,086	–	–	–	529,086	
Other comprehensive income	–	–	–	–	(1,259,214)	–	–	(1,259,214)	
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>529,086</b>	<b>(1,259,214)</b>	<b>–</b>	<b>–</b>	<b>(730,128)</b>	
Collection of subscription receivable	–	–	–	–	–	–	–	–	
Cash dividends	–	–	–	(2,057,444)	–	–	–	(2,057,444)	
<b>Balances as at September 30, 2021</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 3,530,625</b>	<b>\$ 1,147,108</b>	<b>\$ 98,644</b>	<b>\$ 694,474</b>	<b>\$ 91,112,596</b>	
<b>Balances as at July 1, 2022</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 2,054,291</b>	<b>\$ (3,013,642)</b>	<b>\$ 136,105</b>	<b>\$ 700,748</b>	<b>\$ 85,519,247</b>	
Comprehensive income									
Net income for the period	–	–	–	(1,171,670)	–	–	–	(1,171,670)	
Other comprehensive income	–	–	–	–	(2,253,148)	–	–	(2,253,148)	
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,171,670)</b>	<b>(2,253,148)</b>	<b>–</b>	<b>–</b>	<b>(3,424,818)</b>	
<b>Balances as at September 30, 2022</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 882,621</b>	<b>\$ (5,266,790)</b>	<b>\$ 136,105</b>	<b>\$ 700,748</b>	<b>\$ 82,094,429</b>	
Balances as at July 1, 2021	\$ 82,268,978	\$ (277,710)	\$ 3,650,477	\$ 4,376,028	\$ 2,735,619	\$ 98,644	\$ 694,474	\$ 93,546,510	
Comprehensive income									
Net income (loss) for the period	–	–	–	(845,403)	–	–	–	(845,403)	
Other comprehensive income	–	–	–	–	(1,588,511)	–	–	(1,588,511)	
<b>Total comprehensive income (loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(845,403)</b>	<b>(1,588,511)</b>	<b>–</b>	<b>–</b>	<b>(2,433,914)</b>	
<b>Balances as at September 30, 2022</b>	<b>\$ 82,268,978</b>	<b>\$ (277,710)</b>	<b>\$ 3,650,477</b>	<b>\$ 3,530,625</b>	<b>\$ 1,147,108</b>	<b>\$ 98,644</b>	<b>\$ 694,474</b>	<b>\$ 91,112,596</b>	

See accompanying Notes to Unaudited Consolidated Financial Statements.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In U.S. Dollars)**

	Nine Months Ended		Three Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	<b>(\$1,943,461)</b>	\$529,086	<b>(\$1,171,669)</b>	(\$845,404)
Adjustments for:				
Depletion, depreciation and amortization	<b>549,092</b>	557,226	<b>161,424</b>	121,364
Unrealized foreign exchange loss (gain)	<b>5,013,186</b>	1,964,931	<b>2,231,124</b>	1,570,915
Interest income	<b>(1,279,836)</b>	(1,066,610)	<b>(507,385)</b>	(334,458)
Dividend income	<b>(1,148,075)</b>	(1,495,430)	<b>(296,837)</b>	(539,915)
Operating income before working capital changes	<b>1,190,906</b>	489,203	<b>416,657</b>	(27,498)
Decrease (increase) in:				
Receivables	<b>1,193,627</b>	917,450	<b>1,211,111</b>	(60,594)
Crude oil inventory	<b>(1,188,604)</b>	(351,875)	<b>(1,092,368)</b>	286,353
Other current assets	<b>(18,362)</b>	562	<b>177</b>	190
Increase (decrease) in:				
Accounts and other payables	<b>31,780</b>	74,047	<b>40,337</b>	88,195
Contributions to retirement fund asset	<b>(610,217)</b>	–	<b>–</b>	–
Cash generated from (used in) operations	<b>599,130</b>	1,129,387	<b>575,914</b>	286,646
Income taxes paid	<b>(6,037)</b>	–	<b>–</b>	–
Net cash provided by (used in) operating activities	<b>593,093</b>	1,129,387	<b>575,914</b>	286,646
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<b>1,150,520</b>	1,316,803	<b>384,921</b>	575,735
Dividends received	<b>1,452,286</b>	1,477,324	<b>428,598</b>	339,529
Decrease in short-term investments	<b>–</b>	1,025,030	<b>–</b>	11,488
Proceeds from redemption/maturity of:				
Equity instruments at fair value through other comprehensive income	<b>1,779,866</b>	3,487,056	<b>1,779,866</b>	1,395,268
Debt instruments at amortized cost	<b>3,817,814</b>	2,058,884	<b>–</b>	–
Acquisitions of:				
Equity instruments at fair value through other comprehensive income	<b>(1,278,421)</b>	–	<b>(1,278,421)</b>	–
Debt instrument at amortized cost	<b>(6,455,193)</b>	(3,257,554)	<b>–</b>	(2,086,056)
Deferred exploration cost	<b>(38,628)</b>	–	<b>(594)</b>	–
Property and equipment	<b>(107,058)</b>	–	<b>(74,455)</b>	–
Net cash provided by (used in) investing activities	<b>321,186</b>	6,107,543	<b>1,239,915</b>	235,964
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash dividends paid	<b>(1,797,848)</b>	(2,057,444)	<b>(1,797,848)</b>	(2,057,444)
Net cash used in financing activities	<b>(1,797,848)</b>	(2,057,444)	<b>(1,797,848)</b>	(2,057,444)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
	<b>(436,419)</b>	(480,771)	<b>(152,367)</b>	(383,305)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,319,988)</b>	4,698,715	<b>(134,386)</b>	(1,918,139)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>16,001,110</b>	15,298,829	<b>14,815,508</b>	21,915,683
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$14,681,122</b>	\$19,997,544	<b>\$14,681,122</b>	\$19,997,544

See attached Notes to Unaudited Consolidated Financial Statements.

**ORIENTAL PETROLEUM AND MINERALS CORPORATION AND SUBSIDIRIES**  
**Aging of Accounts Receivable**  
**As of September 30, 2022 (In U.S. Dollar)**

	Total	30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 360 days	Beyond 360 days
Due from Operator	\$52,870	\$52,870	–	–	–	–	–
Interest receivable	225,517	225,517	–	–	–	–	–
<b>Grand Total</b>	<b>\$278,387</b>	<b>\$278,387</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



**ORIENTAL PETROLEUM AND MINERALS CORPORATION  
AND SUBSIDIARIES**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information and Status of Operations**

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

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

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

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

**Service Contract (SC) 14**

On December 15, 1975, pursuant to Section 7 of the Oil Exploration and Development Act of 1972 (Presidential Decree 87 dated November 21, 1972), the Parent Company, together with other participants (collectively referred to as the Consortium), entered into a service contract with the Philippine Government through the Department of Energy (DOE) for the exploration, exploitation and development of the contract area in northwest offshore Palawan, Philippines, which was amended from time to time. This contract area includes the Nido Block, Matinloc Block, North Matinloc Block, West Linapacan Block and Galoc Block where significant hydrocarbon deposits were discovered.

The contract areas (i.e., Blocks A, B, B1, C1, C2 and D) covered by SC 14 are situated offshore Northwest of Palawan Island. 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 conduct technical evaluation activities of the said area and submitted a work program and budget to DOE. Further, the Parent Company participated 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 operations on June 22, 2009 with effectivity on June 19, 2009.

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

### SC 14C1 - Galoc

As at December 31, 2021, the total cumulative production of the Galoc oilfield has reached 23,418,657 Barrels of Oil 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 (N<sub>2</sub>) 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 September 30, 2022 and December 31, 2021, 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 for the period February 2021 - January 2023.

SC 14C2 - West Linapacan

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.

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

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 September 30, 2022 and December 31, 2021, the Group holds participating interest of 30.288% in West Linapacan.

SC 14A, B & B-1 - Nido, Matinloc & North Matinloc

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

The permanent plug and abandonment of the Libro-1 and Tara South-1 wells was completed in early June 2018. The two wells had been shut since 1989 and 1990, respectively. The plug and abandonment took 41.5 days to complete.

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

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

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

In 2021, 2020 and 2019, the Group recognized plug and abandonment and stripping costs amounting to nil, \$0.13 million and \$1.36 million, respectively with respect to Nido A1 & A2 wells.

Participating Interests

As at September 30, 2022 and 2021, the Parent Company and LOGPOCOR have the following participating interests in the various SCs:

	<i>(In percentage)</i>
SC 14 (Northwest Palawan)	
Block C (West Linapacan)	<b>30.288</b>
Block C (Galoc)	<b>7.785</b>
SC 6 (Bonita)	<b>16.364</b>

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.

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## 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 and crude oil inventory which is valued at net realizable value (NRV).

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as of December 31, 2021.

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

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

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

### Statement of Compliance

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

### Basis of Consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2022 and 2021. The subsidiaries are all incorporated in the Philippines.

<b>Subsidiaries</b>	<b>Principal Activity</b>	<b>Effective Percentage of Ownership</b>	
		<b>2022</b>	<b>2021</b>
LOGPOCOR	Oil exploration and development	<b>100%</b>	100%
OMWI	Furniture manufacturing and distribution	<b>100%</b>	100%
OLC	Real estate	<b>100%</b>	100%

As at September 30, 2022 and 2021, 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:

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

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

- a.) The contractual arrangement with the other vote holders of the investee
- b.) Rights arising from other contractual arrangements
- c.) The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

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

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### 3. Changes in Accounting Policies and Disclosures

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2021. 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.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

#### Standards and Interpretation Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *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 Philippines Financial Reporting Standards, 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*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

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

#### *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*



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#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Short-term investments

Short-term investments are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year.

##### Financial Instruments

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

##### *Financial Assets*

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

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

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

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

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

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

*Financial assets at amortized cost*

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

*Financial assets at fair value through other comprehensive income (FVOCI)*

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

As of September 30, 2022 and 2021, the Group does not have debt instruments at FVOCI.

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

As of September 30, 2022 and 2021, the Group elected to classify irrevocably its quoted equity instruments under this category.

### *Financial assets at fair value through profit or loss (FVPL)*

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

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

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

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

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

As of September 30, 2022 and 2021, the Group does not have financial assets at FVPL.

### Impairment of financial assets

The Group recognizes an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For cash and cash equivalents, short-term and long-term investments and debt instruments at amortized costs, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. To estimate the ECL for cash and cash equivalents, short-term and long-term investments and debt instruments, the Company uses the ratings published by a reputable rating agency (i.e., Moody's, Fitch, Capital Intelligence, and Standard and Poor's).

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

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

#### *Financial Liabilities*

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

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

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

#### *Financial liabilities at fair value through profit or loss*

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

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

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

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

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

### *Loans and borrowings*

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

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

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

### Derecognition of Financial Assets and Liabilities

#### *Financial assets*

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

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

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

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

#### *Financial Liability*

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

### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently

enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### Fair Value Measurement

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

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

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

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

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

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

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

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

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

### Crude Oil Inventory

Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory for the reporting month adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.). The share in the ending crude

oil inventory is not recognized as revenue and charged against share in costs and other operating expenses.

#### Long-term Investments

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

#### Property and Equipment

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

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

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

In situations where it can be clearly demonstrated that to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

	Years
Transportation equipment	6
Office furniture and equipment	5-10

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

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

#### Interest in Jointly Arrangements

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

significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

#### *Joint Operations*

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

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

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

#### Deferred Exploration Costs

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

#### Impairment of Nonfinancial Assets

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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



## Equity

### *Capital stock*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. When the Group issues shares in excess of par, the excess is recognized in the "Capital in excess of par value" account; any incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from it. If additional paid in capital is not sufficient, the excess is charged against retained earnings.

### *Subscription Receivable*

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

### *Retained Earnings*

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

### Other Comprehensive Income (OCI)

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

### Revenue Recognition

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

### *Revenue from Petroleum Operation*

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

The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11.

### *Interest Income*

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

### *Dividend Income*

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

### Costs and Expenses

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

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

#### *Petroleum Production Cost*

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

#### *General and administrative expenses*

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

### Leases

#### *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.

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

#### *Deferred Income Tax*

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

### Pension Expense

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

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

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

#### Foreign Currency-Denominated Transactions and Translations

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

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

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

#### Operating Segments

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

#### Earnings Per Share

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

#### Provisions

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

#### Contingencies

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

### Events After the Reporting Date

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

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## 5. Significant Accounting Judgments, Estimates and Assumptions

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

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

### Judgments

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

#### *Determination and Classification of a Joint Arrangement*

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

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

- The structure of the joint arrangement – whether structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group considers the rights and obligations arising from:
  - The legal form of the separate vehicle;
  - The terms of the contractual arrangement; and
  - Other facts and circumstances (when relevant).

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

As at September 30, 2022 and 2021, 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 2022 and 2021.

#### *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 \$1.05 million and nil as at September 30, 2022 and 2021, respectively, with respect to the decommissioning plan for SC 14C1 – Galoc Block.

### *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 2.06 million and 3.60 million barrels for Galoc oil field as of December 31, 2021 and 2020, respectively.

### *Impairment of wells, platforms and other facilities of SC 14C1*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The calculation of value-in-use for the Wells, Platforms and Other Facilities of SC 14C1 and 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 8.61% to 9.12% and 9.10% to 10.00% as at December 31, 2021 and 2020, respectively.

No impairment losses were recognized in 2022 and 2021 for SC 14C1 and 14C2.

### *Pension Expense*

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with



extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Salary increase rate is based on expected future inflation rates for the specific country and other relevant factors and employee turnover rate is based on Group's experience on employees resigning prior to their retirement.

*Recognition of Deferred Tax Assets*

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

As at December 31, 2021, the Parent Company has unrecognized deferred tax assets on deductible temporary differences amounting to \$0.77 million pertaining to Net Operating Loss Carry Over (NOLCO) incurred during 2020 and 2019, along with the excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax incurred (RCIT) 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.

**6. Cash and Cash Equivalents**

This account consists of:

	<b>2022</b>	2021
Petty cash fund	<b>\$170</b>	\$196
Cash in banks	<b>1,182,876</b>	2,274,1265
Short-term deposits	<b>13,498,076</b>	17,723,223
	<b>\$14,688,122</b>	\$19,997,544

Cash in banks earns interest at the respective 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 which ranges from 0.10% p.a. to 4.38% p.a. in 2022 and 0.10% p.a. to 1.00% p.a. in 2021.

There are no cash restrictions on the Group's cash balance as at September 30, 2022 and 2021.

**7. Receivables**

This account consists of:

	<b>2022</b>	2021
Due from Operator	<b>\$52,870</b>	\$186,058
Interest receivable	<b>225,517</b>	228,541
	<b>\$278,387</b>	\$414,704

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

Due from operators are noninterest-bearing and are generally on 1 to 30-day terms. There are no past due nor impaired receivables as at September 30, 2022 and 2021.

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

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

## 8. Investments

### Short-term investments

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

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

### Equity Instruments at FVOCI

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

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

	<b>2022</b>	2021
Balance at January 1	<b>\$268,505</b>	\$2,406,322
Unrealized gain (loss) during the year	<b>(5,535,295)</b>	(1,259,214)
Balance at September 30	<b>(\$5,266,790)</b>	\$1,147,108

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

	<b>2022</b>	2021
Balance at January 1	<b>\$31,941,689</b>	\$36,986,361
Additions	<b>1,278,421</b>	-
Redemption	<b>(1,779,866)</b>	(3,487,056)
Reserve for fluctuation in value of equity instruments at FVOCI investments	<b>(5,535,295)</b>	(1,259,214)
Balance at September 30	<b>\$25,904,949</b>	\$32,240,091

### Debt Instruments at Amortized Cost

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 \$3.26 million (PhP161.24 million). The various bonds pay interest at rates ranging from 3.60% to 4.10% per annum and will mature starting May 4, 2025 to August 9, 2028.

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

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

	2022	2021
Balances at beginning of year	\$31,148,619	\$27,997,544
Additions	6,455,193	3,257,554
Redemption	(3,817,814)	(2,058,884)
Unrealized foreign exchange gain (loss)	(4,622,020)	(1,602,855)
Balances at end of year	\$29,163,978	\$27,593,359

## 9. Property and Equipment

The roll-forward analysis of this account follows:

	2022				
	Wells, Platforms and Other Facilities	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvement	Total
<b>Cost</b>					
At January 1	\$89,557,624	\$253,145	\$34,823	\$-	\$89,845,592
Additions	-	-	2,405	104,653	107,058
At September 30	89,557,624	253,145	37,228	104,653	89,952,650
<b>Accumulated Depletion, Depreciation and Amortization</b>					
At January 1	77,422,413	231,649	16,297	\$-	77,670,359
Depletion, depreciation and amortization	540,079	5,369	1,900	1,744	549,092
At September 30	77,962,492	237,018	18,197	1,744	78,219,451
<b>Net Book Value at September 30</b>	<b>\$11,595,132</b>	<b>\$16,127</b>	<b>\$19,031</b>	<b>\$102,08</b>	<b>\$11,733,199</b>

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

For the year 2021 and 2020, the Group performed impairment test for the Wells, Platforms and Other Facilities of SC 14C1 due to the natural decline in oil reserves and exposure to volatile oil prices. An impairment test of SC 14C2 was also performed by the Group in 2021 and 2020 since its license to operate is nearing expiration.

*Impairment test of SC 14C1 - Galoc*

The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C1 as at December 31, 2021 and 2020 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 four-year period and five-year period as at those years. The work program and budget for the immediately succeeding year as at December 31, 2021 and 2020 were duly approved by the DOE. The pre-tax discount rates applied to the cash flow projections were 8.65% and 9.10% as of December 31, 2021 and 2020, respectively. As a result of this analysis, management has not recognized any impairment for the Wells, Platforms and Other Facilities of SC 14C1 as at December 31, 2021 and 2020.

*Impairment test of SC 14C2 – West Linapacan*

The recoverable amount of the Wells, Platforms and Other Facilities of SC 14C2 as at December 31, 2021 and 2020 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, 2021 and 2020 were duly approved by the DOE. The pre-tax discount rates applied to the cash flow projections were 8.65% and 10.1% as of December 31, 2021 and 2020, 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, 2021 and 2020.

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## 10. Other Noncurrent Assets

	2022	2021
Deferred exploration costs	<b>\$752,209</b>	\$713,580
Decommissioning fund	<b>843,251</b>	843,251
	<b>\$1,595,460</b>	\$1,556,831

### 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.

In 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, 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 8.65%. 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 8.61% to 9.12% on December 31, 2021, and 9.10% to 10% on December 31, 2020.

As at September 30, 2022 and 2021, the carrying value of deferred exploration costs amount to \$0.66 million.

Exploration Permit Applications for Nickel and Other Associated Metals in Zambales and Dinagat Islands

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 September 30, 2022 and 2021, the Company capitalized deferred min exploration costs amounting to \$0.09 million and nil, respectively.

Decommissioning fund

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. Consequently, the Group recognized its interest in the related decommissioning fund as of September 30, 2022 amounting to \$0.84 million.

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

This account consists of:

	<b>2022</b>	2021
Accounts payable and accrued expenses	<b>\$136,022</b>	\$183,285
Subscriptions payable	<b>23,871</b>	27,596
	<b>\$159,893</b>	\$210,881

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

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

Provision for Plug and Abandonment

*Nido, Matinloc and North Matinloc*

As of September 31, 2022 and 2021, 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 recognized a provision for plug & abandonment amounting to \$1.05 million as of December 31, 2021 which represents the present value of the Group's share in the decommissioning liability. The discount rate used on the determination of present value as of December 31, 2021 is 3.77%. The decommissioning activities for Galoc is expected to be commence in 2025, hence the provision is recognized under non-current liabilities.

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 recognized its share in the decommissioning fund asset of the Joint Operation as of December 31, 2021 amounting to \$0.84 million.

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## 12. Paid up Capital

As of September 30, 2022 and 2021, this account consists of:

	<b>2022</b>	2021
Class A - \$0.0004 (₱0.01) par value		
Authorized - 120 billion shares		
Issued and outstanding - 120 billion shares	<b>\$49,361,387</b>	\$49,361,387
Class B - \$0.0004 (₱0.01) par value		
Authorized - 80 billion shares		
Issued and outstanding - 80 billion shares	<b>32,907,591</b>	32,907,591
Subscriptions receivable	<b>(277,710)</b>	(277,710)
Capital in excess of par value	<b>3,650,477</b>	3,650,477
	<b>\$85,641,745</b>	\$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 2022 and 2021.

### *Cash Dividends*

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 amounting to \$2.00 million (PhP100.00 million) to the stockholders of record of common stocks as of July 24, 2020 coming from the Parent Company's unrestricted retained earnings.

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



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### 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 September 30, 2022 and 2021, the Parent Company had Cash and Cash equivalents maintained at various banks including an affiliated bank, a subsidiary of a stockholder. The Company likewise leases an office space from an affiliate that is renewable annually. The Group applied the 'short-term lease' and lease of 'low-value assets' recognition exemption for these leases.

In addition, as of September 30, 2022 and 2021, the Company purchases additional equity instruments at fair value through other comprehensive income through various brokers including an affiliate stock brokerage company, an affiliate by virtue of common ownership to management. The Company likewise purchases insurance services from an affiliate by virtue of common ownership to management.

#### *Terms and conditions of transactions with related parties*

Outstanding balances at the end of the period are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts due from related parties in 2022 and 2021. 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.

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#### 14. Other Income

This account consists of:

	<b>2022</b>	2021
Interest income	<b>1,148,075</b>	1,066,610
Dividend income	<b>1,279,836</b>	1,495,430
	<b>2,427,911</b>	2,562,040

The interest income is derived primarily by the Group from its investments in debt instruments, money market placements and short-term and long-term investments.

The dividend income is derived primarily by the Group from its investments in equity instruments

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#### 15. Events after Reporting Period

*The Company anticipates oil prices to remain elevated in 2022 owing to continued demand recovery from the COVID-19 pandemic and lingering uncertainties over war between Russia and Ukraine.*

The COVID-19 vaccine roll-out during the second-half of 2021 was a major factor that led to easing global travel restrictions and increased mobilization. This resulted to higher demand for oil and gas which translated to higher oil prices.

By last quarter of 2021, prices further climbed due to built-up tension between Russia and Ukraine. Oil prices soar to over \$110/bbl few days after Russia launched an unprovoked military invasion of Ukraine on February 24, 2022. Russian oil and gas imports were immediately banned by the US and EU plans to do the same sending fears of disruption and shortage in the global oil supply. Russia ranks 2nd behind Saudi Arabia as global top exporters of oil supplying 11.6% of global exports.

Management will await further development to fully determine the impact in the Company.