

BALANCE SHEETS

	December 31	
	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	₱ 99,201,559	₱ 130,964,414
Marketable equity securities - net of allowance for decline in value of ₱1,369,806 in 2004 and ₱1,642,677 in 2003	1,226,679	953,808
Receivables (Note 4)	31,600,137	28,531,977
Crude oil inventory	24,787,539	14,239,759
Prepaid expenses and other current assets	329,792	242,034
Total Current Assets	157,145,706	174,931,992
Non-current Assets		
Investments and advances (Note 5)	1,416,063	1,265,553
Property and equipment - net (Notes 6 and 11)	390,269,552	345,632,278
Deferred oil exploration and development cost - net (Note 7)	175,581,516	196,317,577
Total Non-current Assets	567,267,131	543,215,408
Total Assets	₱ 724,412,837	₱ 718,147,400
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	₱ 18,786,107	₱ 11,055,222
Deferred tax liabilities (Note 10)	8,346,769	6,836,013
Income tax payable	4,700,022	934,726
Dividends payable (Note 13)	-	16,850,721
Total Current Liabilities	31,832,898	35,676,682
Stockholders' Equity (Note 9)		
Capital stock - ₱1 par value		
Authorized - 330,000,000 shares		
Issued - 84,253,606 shares	84,253,606	84,253,606
Additional paid in capital	567,024,132	567,024,132
Retained earnings	41,302,201	31,192,980
Total Stockholders' Equity	692,579,939	682,470,718
Total Liabilities and Stockholders' Equity	₱ 724,412,837	₱ 718,147,400

See accompanying Notes to Financial Statements.

STATEMENT OF INCOME

	Years Ended December 31		
	2004	2003	2002
REVENUES			
Oil revenue (Note 11)	₱ 203,060,011	₱ 169,790,643	₱ 47,387,706
COSTS AND EXPENSES			
Oil production operating expenses (Note 11)	93,449,498	64,642,115	20,050,607
Deferred exploration and development costs written-off (Note 7)	42,142,733	18,116,893	36,804,241
General and administrative expenses (Notes 8 and 12)	19,527,721	11,465,622	8,310,588
Depletion, depreciation and amortization (Note 6)	16,435,556	26,482,898	9,743,404
	171,555,508	120,707,528	74,908,840
INCOME (LOSS) FROM OPERATIONS	31,504,503	49,083,115	(27,521,134)
OTHER INCOME (EXPENSES) – Net			
Interest income	2,256,961	1,850,623	276,135
Foreign exchange gain (loss)	892,482	7,122,782	(405,056)
Reversal of allowance (provision) for decline in value of investments	423,381	6,322,033	(23,993,058)
Gain on sale of oil and gas interest (Note 11)	–	–	73,155,265
Others	3,304,866	2,424,640	1,240,183
	6,877,690	17,720,078	50,273,469
INCOME BEFORE INCOME TAX	38,382,193	66,803,193	22,752,335
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 10)			
Current	9,911,495	7,051,047	2,155,589
Deferred	1,510,756	11,708,445	(4,872,432)
	11,422,251	18,759,492	(2,716,843)
NET INCOME	₱ 26,959,942	₱ 48,043,701	₱ 25,469,178
Earnings Per Share (Note 14)	₱ 0.320	₱ 0.570	₱ 0.302

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Years Ended December 31		
	2004	2003	2002
CAPITAL STOCK - ₱1 par value (Note 9)			
Authorized - 330,000,000 shares in 2004 and 2003 and 1,000,000,000 shares in 2002			
Issued - 84,253,606 shares in 2004 and 2003 and 674,028,849 shares in 2002			
Balance at beginning of year	₱ 84,253,606	₱ 674,028,849	₱ 666,690,252
Reverse stock split (Note 9)	-	(589,775,243)	-
Issuance (Note 7)	-	-	7,338,597
Balance at end of year	84,253,606	84,253,606	674,028,849
ADDITIONAL PAID IN CAPITAL (Note 9)			
Reverse stock split	567,024,132	589,775,243	-
Offset against deficit	-	(22,751,111)	-
	567,024,132	567,024,132	-
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS			
Balance at beginning of year	-	-	7,338,597
Transfer to capital stock (Note 7)	-	-	(7,338,597)
Balance at end of year	-	-	-
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	31,192,980	(22,751,111)	(48,220,289)
Offset against additional paid in capital (Note 9)	-	22,751,111	-
Net income	26,959,942	48,043,701	25,469,178
Dividend (Note 13)	(16,850,721)	(16,850,721)	-
Balance at end of year	41,302,201	31,192,980	(22,751,111)
	₱ 692,579,939	₱ 682,470,718	₱ 651,277,738

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 38,382,193	P 66,803,193	P 22,752,335
Adjustments for:			
Depletion, depreciation and amortization	16,435,556	26,482,898	9,743,404
Deferred exploration and development costs written-off	42,142,733	18,116,893	36,804,241
Unrealized foreign exchange gain	(892,482)	(7,122,782)	(220,126)
Provision (reversal of allowance) for decline in value of investments	(423,381)	(6,322,033)	23,993,058
Interest income	(2,256,961)	(1,850,623)	(276,135)
Gain on sale of oil and gas interest	-	-	(73,155,265)
Operating income before working capital changes	93,387,658	96,107,546	19,641,512
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(3,068,160)	32,381,968	(45,161,687)
Crude oil inventory	(10,547,780)	(8,318,504)	(5,921,255)
Prepaid expenses and other current assets	(87,758)	(18,205)	(114,367)
Increase (decrease) in accounts payable and accrued expenses	7,730,885	(1,899,466)	6,606,659
Cash generated from (used in) operations	87,414,845	118,253,339	(24,949,138)
Interest income received	2,256,961	1,850,623	276,135
Income taxes paid	(6,146,199)	(8,217,897)	(54,013)
Net cash provided by (used in) operating activities	83,525,607	111,886,065	(24,727,016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(873,692)	(177,340)	(591,497)
Decrease (increase) in:			
Deferred oil exploration and development costs	(81,605,810)	(6,505,019)	(18,326,196)
Investments and advances	-	6,736,048	262,500
Marketable securities	-	(83,215)	-
Proceeds from sale of oil and gas interest	-	-	60,825,350
Net cash provided by (used in) investing activities	(82,479,502)	(29,526)	42,170,157
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(33,701,442)	-	-
Receipts from (payables to) related parties	-	(6,119,500)	88,555
Cash provided by (used in) financing activities	(33,701,442)	(6,119,500)	88,555

STATEMENTS OF CASH FLOWS : *Continued from previous page*

	Years Ended December 31		
	2004	2003	2002
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	892,482	7,122,782	220,126
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,762,855)	112,859,821	17,751,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	130,964,414	18,104,593	352,771
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱ 99,201,559	₱ 130,964,414	₱ 18,104,593

**SUPPLEMENTAL DISCLOSURES ON
NON-CASH TRANSACTIONS**

Noncash operating activities			
Unpaid balance on the sale of oil and gas interest	-	-	₱ 40,691,284
Noncash investing activities			
Reclassification from deferred exploration cost to property and equipment	₱ 60,199,138	-	83,093,867
Reclassification from property and equipment to deferred exploration cost	-	₱ 3,742,969	-

See accompanying Notes to Financial Statements

**The Board
of Directors**

DELFIN L. LAZARO - *Chairman*

CESAR A. BUENAVENTURA

RIZALINO S. NAVARRO

HELEN Y. DEE

MILAGROS V. REYES

YVONNE S. YUCHENGCO

SUZANNE Y. SANTOS

Officers

MILAGROS V. REYES - *President*

ADOLFO G. GARCIA - *Asst. Vice President*

PORFIRIO S. DE GUZMAN - *Treasurer*

GUIA MARGARITA SANTOS-CUA - *Corporate Secretary*

CORPORATE INFORMATION

SGV and COMPANY

6760 Ayala Avenue
Makati City

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RIZAL COMMERCIAL BANKING CORPORATION

Ortigas Center Branch,
St. Francis Square
Mandaluyong City

Bankers

UNITED COCONUT PLANTERS BANK

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Emerald Avenue, Ortigas Center
Pasig City

RIZAL COMMERCIAL BANKING CORPORATION

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Transfer Agent

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