Ed Marie N. Lucion

From: eafs@bir.gov.ph
Sent: Thursday, 29 April 2021 6:02 pm
To: Ladianne R. Cayaban
Cc: Ed Marie N. Lucion
Subject: Your BIR AFS eSubmission uploads were received

Hi PETROENERGY RESOURCES CORPORATION,

Valid files

- EAFS004471419AFSTY122020.pdf
- EAFS004471419RPTTY122020.pdf
- EAFS004471419ITRTY122020.pdf
- EAFS004471419TCRTY122020-01.pdf
- EAFS004471419OTHTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-EA5FC670B5JH9JCEM1ZNR24N07A8GHCFB**
Submission Date/Time: **Apr 29, 2021 06:02 PM**
Company TIN: **004-471-419**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

PetroEnergy
PETROENERGY RESOURCES CORPORATION

7F JMT Building, ADB Avenue, Ortigas Center,
Pasig City 1600, Metro Manila, Philippines
Tel: (+632) 8637-2917
Fax: (+632) 8634-6066
Visit: www.petroenergy.com.ph

A YGC Member
The Power of Synergy

April 23, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Securities and Exchange Commission
PICC, Roxas Boulevard, Pasay City

The management of PetroEnergy Resources Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Helen Y. Dee	Milagros V. Reyes	Carlota R. Viray
Chairman	President	AVP - Finance

SUBSCRIBED AND SWORN to me before this APR 23 2021 in Pasig City. Affiants exhibited to me their Tax Identification Numbers (TIN) indicated below each name.

NAMES	TIN
Helen Y. Dee	101-562-982
Milagros V. Reyes	100-732-775
Carlota R. Viray	100-732-809

Doc. No. 57;
Page No. 13;
Book No. IV;
Series of 2021.

ATTY. LOUIE MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan, Pateros
Until 31 December 2021
7F JMT Bldg. Ortigas Center, Pasig City
Roll No. 63341
PTR No. 5242984; 01/11/2021; Pasig City
IBP No. 143420; 01/11/2021; RSM
MCLE Compliance No. VI-0018291; 02/06/19

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PetroEnergy Resources Corporation
7th floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the parent company financial statements of PetroEnergy Resources Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by management of PetroEnergy Resources Corporation in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019, valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-063-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534225, January 4, 2021, Makati City

April 23, 2021

PETROENERGY RESOURCES CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱53,840,273**	₱179,674,514
Financial assets at fair value through profit or loss (Note 7)	**7,531,587**	8,240,096
Receivables (Note 8)	**31,123,853**	70,936,983
Crude oil inventory	**35,090,324**	11,163,550
Other current assets (Note 9)	**163,923,144**	163,413,053
Total Current Assets	**291,509,181**	433,428,196
Noncurrent Assets		
Property and equipment (Note 10)	**770,082,552**	790,540,171
Deferred oil exploration costs (Note 11)	**210,533,496**	192,958,190
Investments in subsidiaries (Note 12)	**2,090,358,153**	2,090,358,153
Investment properties (Note 13)	**1,611,533**	1,611,533
Net retirement asset (Note 19)	**5,649,041**	–
Deferred tax assets - net (Note 20)	**777,332**	9,601,071
Other noncurrent assets (Note 14)	**82,495,476**	90,245,860
Total Noncurrent Assets	**3,161,507,583**	3,175,314,978
TOTAL ASSETS	**₱3,453,016,764**	₱3,608,743,174
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	**₱51,991,137**	₱85,319,821
Loans payable (Note 16)	**228,500,000**	268,500,000
Total Current Liabilities	**280,491,137**	353,819,821
Noncurrent Liabilities		
Asset retirement obligation (Note 17)	**64,070,738**	55,571,203
Accrued retirement liability (Note 19)	–	1,092,268
Total Noncurrent Liabilities	**64,070,738**	56,663,471
Total Liabilities	**344,561,875**	410,483,292
Equity		
Capital stock (Note 18)	**568,711,842**	568,711,842
Additional paid-in capital (Note 18)	**2,156,679,049**	2,156,679,049
Retained earnings (Note 18)	**24,215,877**	117,510,959
Remeasurements of net accrued retirement liability – net of tax (Note 19)	**2,369,951**	(1,120,138)
Cumulative translation adjustment (Note 18)	**356,478,170**	356,478,170
Total Equity	**3,108,454,889**	3,198,259,882
TOTAL LIABILITIES AND EQUITY	**₱3,453,016,764**	₱3,608,743,174

See accompanying Notes to Parent Company Financial Statements

PETROENERGY RESOURCES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
OIL REVENUES	**₱292,573,199**	₱351,057,274	₱436,971,279
COST OF REVENUES			
Oil production (Note 21)	**211,527,791**	221,259,356	242,695,131
Depletion (Note 10)	**82,236,533**	55,845,199	81,096,112
Change in crude oil inventory	**(23,926,774)**	(2,371,818)	22,803,652
	269,837,550	274,732,737	346,594,895
GROSS INCOME	**22,735,649**	76,324,537	90,376,384
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**92,021,155**	98,385,212	113,173,060
OTHER INCOME (CHARGES)			
Interest expense (Note 16)	**(17,020,243)**	(20,357,057)	(28,128,302)
Miscellaneous income (Note 23)	**4,008,982**	4,010,628	5,511,544
Net foreign exchange gain (loss)	**(3,181,778)**	(4,675,292)	8,165,683
Interest income (Notes 6, 9 and 23)	**2,587,798**	10,421,467	16,629,687
Accretion expense (Note 17)	**(2,383,253)**	(2,941,514)	(3,096,931)
Fair value changes on financial assets at fair value through profit or loss (Note 7)	**(708,509)**	(242,610)	(575,624)
Dividend income (Notes 7 and 12)	**71,770**	72,061,586	83,050
Impairment reversal (Note 5)	–	–	54,317,979
	(16,625,233)	58,277,208	52,907,086
INCOME (LOSS) BEFORE INCOME TAX	**(85,910,739)**	36,216,533	30,110,410
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)	**7,384,343**	(839,974)	3,891,103
NET INCOME (LOSS)	**(93,295,082)**	37,056,507	26,219,307
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss in subsequent periods			
Movements in cumulative translation adjustment - net of tax	–	–	70,430,108
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains on net accrued retirement liability - net of tax (Note 19)	**3,490,089**	822,545	3,106,072
TOTAL OTHER COMPREHENSIVE INCOME	**3,490,089**	822,545	73,536,180
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱89,804,993)**	₱37,879,052	₱99,755,487
Basic/Diluted Earnings (Loss) Per Share (Note 25)	**(₱0.1640)**	₱0.0652	₱0.0461

See accompanying Notes to Parent Company Financial Statements.

PETROENERGY RESOURCES CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Appropriated Retained Earnings (Note 18)	Unappropriated Retained Earnings (Deficit) (Note 18)	Remeasurement of Net Accrued Retirement Liability (Note 19)	Cumulative Translation Adjustment (Note 18)	Total Equity
BALANCES AT DECEMBER 31, 2017	**₱410,736,330**	**₱1,556,372,104**	**₱138,589,220**	**(₱55,918,483)**	**(₱5,048,755)**	**₱286,048,062**	**₱2,330,778,478**
Net income	–	–	–	26,219,307	–	–	26,219,307
Remeasurement gain on net accrued retirement liability	–	–	–	–	3,106,072	–	3,106,072
Movement in cumulative translation adjustment	–	–	–	–	–	70,430,108	70,430,108
Total comprehensive income	–	–	–	26,219,307	3,106,072	70,430,108	99,755,487
Issuance of stocks	157,975,512	600,306,945	–	–	–	–	758,282,457
Reversal of appropriation	–	–	(138,589,220)	138,589,220	–	–	–
Dividends declaration	–	–	–	(28,435,592)	–	–	(28,435,592)
BALANCES AT DECEMBER 31, 2018	**568,711,842**	**2,156,679,049**	**–**	**80,454,452**	**(1,942,683)**	**356,478,170**	**3,160,380,830**
Net income	–	–	–	37,056,507	–	–	37,056,507
Remeasurement gain on net accrued retirement liability	–	–	–	–	822,545	–	822,545
Total comprehensive income	–	–	–	37,056,507	822,545	–	37,879,052
BALANCES AT DECEMBER 31, 2019	**568,711,842**	**2,156,679,049**	–	**117,510,959**	**(1,120,138)**	**356,478,170**	**3,198,259,882**
Net loss	–	–	–	(93,295,082)	–	–	(93,295,082)
Remeasurement gain on net accrued retirement liability	–	–	–	–	3,490,089	–	3,490,089
Total comprehensive loss	–	–	–	(93,295,082)	3,490,089	–	(89,804,993)
BALANCES AT DECEMBER 31, 2020	**₱568,711,842**	**₱2,156,679,049**	**₱–**	**₱24,215,877**	**₱2,369,951**	**₱356,478,170**	**₱3,108,454,889**

See accompanying Notes to Parent Company Financial Statements.

PETROENERGY RESOURCES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱85,910,739)**	₱36,216,533	₱30,110,410
Adjustments for:			
Depletion, depreciation and amortization (Notes 10 and 14)	**95,845,289**	68,072,511	86,711,385
Interest expense (Note 16)	**17,020,243**	20,357,057	28,128,302
Interest income (Notes 6, 9 and 23)	**(2,587,798)**	(10,421,467)	(16,629,687)
Accretion expense (Note 17)	**2,383,253**	2,941,514	3,096,931
Movement in accrued retirement liability (Note 19)	**(1,755,467)**	2,856,128	(4,769,635)
Net unrealized foreign exchange loss (gain)	**497,916**	2,327,820	(8,165,683)
Fair value changes on financial assets at fair value through profit or loss (Note 7)	**708,509**	242,610	575,624
Dividend income (Notes 7 and 12)	**(71,770)**	(72,061,586)	(83,050)
Impairment reversal (Notes 5 and 10)	**–**	–	(54,317,979)
Operating income before working capital changes	**26,129,436**	50,531,120	64,656,618
Decrease (increase) in:			
Receivables	**40,545,334**	(23,340,731)	(33,810,104)
Crude oil inventory	**(23,926,774)**	(2,371,818)	22,813,623
Other current assets	**33,552**	(10,075,428)	561,498
Increase (decrease) in:			
Accounts payable and accrued expenses	**(27,498,577)**	15,854,500	25,142,689
Cash generated from (used in) operations	**15,282,971**	30,597,643	79,364,324
Interest received	**2,809,846**	8,913,294	15,913,718
Income taxes paid	**(600,000)**	(919,084)	(2,787,205)
Net cash provided by operating activities	**17,492,817**	38,591,853	92,490,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property and equipment (Note 10)	**(45,914,931)**	(20,934,398)	(2,129,418)
Dividends received (Notes 7 and 12)	**71,770**	72,061,586	83,050
Decrease (increase) in:			
Other noncurrent assets	**1,954,101**	17,041,026	(24,827,690)
Due from related parties	**(954,252)**	1,281,794	38,961,511
Deferred oil exploration costs	**(39,915,658)**	(19,606,158)	(47,680,995)
Additional investments in subsidiaries (Notes 12 and 23)	**–**	(169,547,232)	(200,582,303)
Withdrawal from (contribution to) escrow fund (Notes 9 and 14)	**–**	160,000,000	(303,666,050)
Loans to subsidiary (Note 23)	**–**	(15,680,000)	–
Loan payments from subsidiary (Note 23)	**–**	15,680,000	–
Interest received from loans to subsidiary (Note 23)	**–**	2,060,178	–
Proceeds from disposal of property and equipment (Note 10)	**–**	30,341	–
Net cash provided by (used in) investing activities	**(84,758,970)**	42,387,137	(539,841,895)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans (Note 16)	**(₱418,500,000)**	(₱468,500,000)	(₱760,000,000)
Proceeds from loans (Note 16)	**378,500,000**	458,500,000	269,000,000
Interest paid	**(18,070,172)**	(21,591,592)	(29,683,811)
Dividends paid	**–**	(9,500)	(28,435,592)
Proceeds from issuances of shares (Note 18)	**–**	–	758,282,457
Net cash provided by (used in) financing activities	**(58,070,172)**	(31,601,092)	209,163,054
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(497,916)**	(2,327,820)	11,797,336
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(125,834,241)**	47,050,078	(226,390,668)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**179,674,514**	132,624,436	359,015,104
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱53,840,273**	₱179,674,514	₱132,624,436

See accompanying Notes to Parent Company Financial Statements.

PETROENERGY RESOURCES CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

PetroEnergy Resources Corporation (PERC or PetroEnergy or the Parent Company), formerly Petrotech Consultants, Inc., was organized on September 29, 1994 to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines. PetroEnergy's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In 1997, PERC simultaneously adopted its present name and changed its primary purpose to oil exploration and development and mining activities. Subsequently in 1999, PERC assumed Petrofields' oil exploration contracts in the Philippines and the Production Sharing Contract covering the Etame discovery block in Gabon, West Africa.

On August 11, 2004, PERC's shares of stock were listed at the PSE by way of introduction.

In 2009, following the enactment of Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008", PERC amended its articles of incorporation to include among its purposes the business of generating power from renewable sources such as, but not limited to, biomass, hydro, solar, wind, geothermal, ocean and such other renewable sources of power.

The registered office and principal place of business is 7/F, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The accompanying parent company financial statements were approved and authorized for issue by the BOD on April 23, 2021.

2. Basis of Preparation

Basis of Preparation
The accompanying financial statements have been prepared under the historical cost basis, except for financial assets carried at fair value through profit or loss (FVTPL) which are measured at fair value and crude oil inventory which is valued at net realizable value (NRV).

The financial statements are presented in Philippine Peso (PHP or ₱), which is also the Parent Company's functional currency. All amounts are rounded to the nearest PHP unless otherwise stated.

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with PFRSs, which can be obtained from the Parent Company's registered office address mentioned in Note 1. The parent company financial statements must be read in conjunction with the consolidated financial statements.

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

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest*
- *Rate Amendments to PFRS 16, COVID-19-related Rent Concessions*

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

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

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

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

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

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

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

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

Pronouncements issued but not yet effective are listed below. The Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements.

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

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

The Parent Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Parent Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the dates of acquisition and that are subject to an insignificant risk of change in value.

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

Financial assets - Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flow that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Parent Company has no financial asset classified as financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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 Parent Company's financial assets at amortized cost include cash and cash equivalents, receivables and restricted cash.

Financial assets at FVTPL
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 parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of profit or loss.

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

The Parent Company's financial assets at FVTPL includes marketable equity securities and investment in golf club shares.

Impairment of financial assets
The Parent Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

The Parent Company may consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities - Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost (loans and borrowings) 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 Parent Company does not have financial liabilities at FVTPL.

Subsequent measurement
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 parent company statement of comprehensive income.

The Parent Company's loans and borrowings include accounts payable and accrued expenses, excluding statutory liabilities, and loans payable.

Derecognition of Financial Assets and Financial 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 derecognized when:

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liabilities

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 profit or loss.

Offsetting of Financial Instruments

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Crude Oil Inventory</u>
Crude oil inventory is stated at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market values of crude oil inventory at the time of production.

<u>Other Current Assets</u>
Prepayments are expenses paid in advance and recorded as asset before these are utilized. This account comprises prepaid expenses and prepaid taxes. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred and the prepaid taxes represent amount withheld by the Parent Company's customers. Prepaid taxes are deducted from income tax payable. Prepayments that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

<u>Property and Equipment</u>
Property and equipment are stated at cost less accumulated depletion, depreciation and any accumulated impairment losses. The initial cost of the property and equipment consists of its purchase price, including any import duties, taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use and abandonment costs.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Wells, platforms and other facilities are depleted using the unit-of-production method computed based on estimates of proved reserves. The depletion base includes the exploration and development cost of the producing oil fields.

Other property and equipment are depreciated and amortized using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Office condominium units	15
Office improvements	3
Transportation equipment	4
Office furniture and other equipment	2 - 3

The useful lives and depletion and depreciation method are reviewed periodically to ensure that the period and method of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

When the assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Parent Company statements of comprehensive income.

Deferred Oil Exploration Costs

The Parent Company follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are tentatively deferred pending determination of whether the area contains oil reserves in commercial quantities.

Deferred oil exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The exploration costs relating to the SC where oil in commercial quantities are discovered are subsequently reclassified to “Wells, platforms and other facilities” shown under “Property and equipment” account in the statements of financial position upon substantial completion of the development stage. On the other hand, all costs relating to an abandoned SC are written off in the year the area is permanently abandoned. SCs are considered permanently abandoned if the SCs have expired and/or there are no definite plans for further exploration and/or development.

Investment Properties

Investment properties consist of land held for capital appreciation. Land is stated at cost less any impairment in value.

The initial cost of the investment properties comprises of purchase price and any directly attributable costs of bringing the asset to its working condition.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment properties when and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Investments in Subsidiaries

The Parent Company's investments in subsidiaries are accounted for using the cost method less any impairment in value. Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only it has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset (e.g. property and equipment, investment properties, deferred oil exploration costs, and investments in subsidiaries) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 Parent Company 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 depreciation, had no impairment loss been recognized for the asset in prior years.

Capital Stock and Additional Paid-in Capital

The Parent Company records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Parent Company purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained Earnings

Retained earnings represent accumulated earnings and losses of the Parent Company less dividends declared and with consideration of any changes in accounting policies and adjustments applied retroactively. The retained earnings of the Parent Company are available for dividends only upon approval and declaration of the BOD. When the balance as of a reporting date is debit, the account is captioned as "Deficit".

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent the portion which has been restricted and therefore is not available for any dividend declaration.

Revenue Recognition

Revenue is recognized when the control of petroleum are transferred to the customer at an amount that reflects the consideration which the Parent Company expects to be entitled in exchange for those goods. The Parent Company has generally concluded that it is the principal in its revenue arrangements.

Oil revenues

Revenue from crude oil is recognized at a point in time when the control of the goods has transferred from the sellers (consortium) to the buyer at the delivery point. Revenue is measured at the fair value of the consideration received.

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

Interest income

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Management fee

Revenue from accounting, legal and other support services rendered to its subsidiaries are recognized when earned.

Costs and Expenses

Oil production

Oil production are costs incurred to produce and deliver crude oil inventory, including transportation, storage and loading, among others.

General and administrative expenses

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

Leases

Short-term leases and leases of low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of parking slots and vehicles (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 leases of low-value assets recognition exemption to leases of storage units that are considered of low value (i.e., below ₱250,000). 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 Tax

Current 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 amounts are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess MCIT and unexpired NOLCO can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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 as of the statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or 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.

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

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

Defined benefit costs comprise the following:
- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statements of comprehensive income. 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 statements of comprehensive 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 statements of comprehensive income in subsequent periods. All remeasurements recognized in OCI account "Remeasurement loss on net accrued retirement liability" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Asset Retirement Obligation (ARO)
The Parent Company is legally required to share in the abandonment costs associated with the oilfields. The Parent Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are depleted using the unit-of-production method computed based on estimates of proved reserves, or written off as a result of impairment of the related asset.

The Parent Company amortizes ARO liability using the EIR method and recognizes accretion expense over the service contract term in profit or loss.

The Parent Company regularly assesses the provision for ARO and adjusts the related liability.

Value-Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position as part of “Other noncurrent assets” to the extent of the recoverable amount.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded using the applicable exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the applicable exchange rate at the reporting date. Differences arising from translation of monetary assets and liabilities are taken to “Net unrealized foreign exchange gain (loss)”.

Earnings Per Share (EPS)
Basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the year after giving retroactive effect to any stock split or stock dividends declared and stock rights exercised during the current year, if any.

Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The Parent Company does not have potentially dilutive common stock.

Segment Reporting
The Parent Company has only one reportable segment that is engaged in the oil and mineral exploration, development and production. Financial information on business segments is presented in Note 26 to the financial statements.

Provisions and Contingencies
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Period

Post year-end events up to the date of the auditors' report that provide additional information about the Parent Company's situation at the reporting date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Parent Company financial statements in compliance with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments, estimates and assumptions are reflected in the Parent Company 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 Parent Company'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 Parent Company financial statements:

Determination of Functional Currency

The Parent Company determines the functional currency based on economic substance of underlying circumstances relevant to the Parent Company. The functional currency has been determined to be the PHP based on the economic substance of the Parent Company's business circumstances.

Capitalization of Deferred Oil Exploration Costs

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. If the accounting policy on capitalization of development costs are not met, such costs are expensed. As of December 31, 2020 and 2019, the carrying value of deferred oil explorations costs amounted to ₱210.53 million and ₱192.96 million, respectively (see Note 11).

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.

Impairment of investments in subsidiaries

The Parent Company assesses at the end of each reporting period whether there is any indication that its investments in subsidiaries may be impaired. If any such indication exists, the Parent Company estimates the recoverable amount of the asset

The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

No indication of impairment was noted in 2020 and 2019. As of December 31, 2020 and 2019, the carrying value of investments in subsidiaries amounted to ₱2.09 billion. As of December 31, 2020 and 2019, allowance for impairment loss on investment in a dormant subsidiary amounted to ₱2.86 million (see Note 12).

Estimation of Proved and Probable Oil Reserves

The Parent Company assesses its estimate of proved and probable reserves on an annual basis. The estimate is based on the technical assumptions and is calculated in accordance with accepted volumetric methods, specifically the probabilistic method of estimation. Probabilistic method uses known geological, engineering and economic data to generate a range of estimates and their associated probabilities.

All proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. Estimated oil reserves are utilized in the impairment testing and the calculation of depletion expense using the unit of production method of the investments in Gabon, West Africa.

As of December 31, 2020 and 2019, the carrying value of "Wells, Platforms and other Facilities" under "Property and Equipment" amounted to ₱557.77 million and ₱577.41 million, respectively (see Note 10).

Impairment of Wells, Platforms and other Facilities and Deferred Oil Exploration Costs

The Parent Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost of disposal and its value in use.

The recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost of disposal and its value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from its disposal at the end of its useful life.

In determining the present value of estimated future cash flows expected to be generated from the continued use of an asset or CGU, the Parent Company is required to make estimates and assumptions that can materially affect the Parent Company's financial statements.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources,* are as follows:

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

There are no indicators of impairment that would trigger impairment review in 2020 and 2019 other than those mentioned below.

<u>Gabon, West Africa</u>
The Parent Company believes that the low crude oil prices in the market, political risks in Gabon, discount rates and changes in other assumptions such as change in production profile which is based on continued production until the term of the existing PSC are indicators that the assets might be impaired and thus, prompted the Parent Company to perform impairment testing of the assets. In 2018, the Gabonese Government allowed the sixth amendment to the Exploration Production Sharing Contract ("EPSC") that extends the exploitation period for the production licenses by ten (10) years, or from September 2018 until September 2028, extendible by five (5) years and by a final extension of 5 more years. The extension of the EPSC will allow the consortium to maximize the use of the existing facilities that are already in place to increase or maintain production until the field's extended life (see Note 10).

In assessing whether the above assets are impaired or if reversal of prior impairment loss is required, the carrying value of the assets are compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Parent Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment loss is value in use.

The Parent Company estimates value in use using a discounted cash flow model using a discount rate of 10.00% in 2020 and 2019.

In 2018, the Parent Company recognized an impairment loss (reversal of impairment loss) amounting to (₱75.97 million) and ₱21.65 million for "Wells, platforms and other facilities" and "Deferred oil exploration costs", respectively (nil in 2019 and 2020).

As of December 31, 2020 and 2019, the net carrying value of the assets forming part of the CGU in Gabon, West Africa are as follows:

	2020	2019
Wells, platforms and other facilities (Note 10)	**₱557,767,960**	₱577,405,460
Production license (Note 14)	**35,828,192**	40,451,185
Deferred oil exploration costs (Note 11)	**24,471,370**	8,015,333
	₱618,067,522	₱625,871,978

Estimation of asset retirement obligation
The Parent Company has a legal obligation to share in the abandonment costs associated with the oilfields. The Parent Company recognizes the present value of the obligation in its share in the abandonment costs and capitalizes the present value of this cost as part of the balance of the related property and equipment, which are depleted using the unit-of-production method computed based on estimates of proved reserves.

Cost estimates expressed at current price levels at the date of the estimate are discounted using a rate of 2.84% in 2020 and rate of 4.39% in 2019 to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense (see Note 17).

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in profit or loss as it occurs.

While the Parent Company has made its best estimate in establishing the asset retirement obligation, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Parent Company's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The Parent Company's asset retirement obligation amounted to ₱64.07 million and ₱55.57 million as of December 31, 2020 and 2019, respectively (see Note 17).

6. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	**₱39,046,824**	₱107,526,373
Cash equivalents	**14,793,449**	72,148,141
	₱53,840,273	₱179,674,514

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents earn interest at the prevailing short-term placement rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱0.718 million, ₱0.539 million and ₱0.969 million in 2020, 2019 and 2018, respectively.

7. Financial Assets at FVTPL

	2020	2019
Marketable equity securities	**₱6,761,587**	₱7,470,096
Investment in golf club shares	**770,000**	770,000
	₱7,531,587	₱8,240,096

Net loss on fair value changes on financial assets at FVTPL included in the parent company profit or loss amounted to ₱0.71 million, ₱0.24 million and ₱0.58 million in 2020, 2019 and 2018, respectively. Dividend income received from equity securities amounted to ₱71,770, ₱61,586 and ₱83,050 in 2020, 2019 and 2018, respectively.

8. Receivables

	2020	2019
Accounts receivable from:		
Consortium operator	**₱32,808,612**	₱73,339,544
Due from related parties (Note 23)	**954,252**	–
Others	**12,412**	26,814
Interest receivable	**31,029**	253,077
	33,806,305	73,619,435
Less allowance for doubtful accounts	**2,682,452**	2,682,452
	₱31,123,853	₱70,936,983

The Parent Company's receivables are mainly due from consortium operator and are due within one (1) year.

9. Other Current Assets

	2020	2019
Restricted cash	**₱154,118,649**	₱152,036,942
Prepaid taxes	**7,718,431**	7,174,788
Prepaid expenses	**1,362,186**	1,218,205
Refundable deposits	**324,721**	324,721
Advances to suppliers	**299,577**	2,557,248
Supplies	**99,580**	101,149
	₱163,923,144	₱ 163,413,053

Restricted cash pertains to the remaining unused portion of the Stock Rights Offering Proceeds held under an escrow account. In 2019, the Parent Company withdrew ₱160.00 million from the proceeds for the development and expansion plans of the Group's renewable energy projects and general corporate requirements (nil in 2020) [see Note 18].

Interest income earned on restricted cash amounted to ₱1.87 million, ₱7.82 million and ₱14.33 million in 2020, 2019 and 2018, respectively.

10. **Property and Equipment**

	2020				
	Wells, Platforms and Other Facilities	**Office Condominium Unit and Improvements**	**Transportation Equipment**	**Office Furniture and Other Equipment**	**Total**
Cost					
Balances at beginning of year	**₱2,166,119,173**	**₱40,991,861**	**₱20,074,920**	**₱20,723,916**	**₱2,247,909,870**
Additions	**19,175,902**	**583,008**	–	**6,409,346**	**26,168,256**
Transfers from deferred oil exploration costs (Note 11)	**34,267,669**	–	–	–	**34,267,669**
Change in ARO estimate (Note 17)	**9,155,462**	–	–	–	**9,155,462**
Balances at end of year	**2,228,718,206**	**41,574,869**	**20,074,920**	**27,133,262**	**2,317,501,257**
Accumulated depletion and depreciation					
Balances at beginning of year	**1,223,735,862**	**40,769,200**	**17,044,884**	**17,162,627**	**1,298,712,573**
Depletion	**82,236,533**	–	–	–	**82,236,533**
Depreciation (Note 22)	–	**70,501**	**2,895,776**	**4,846,196**	**7,812,473**
Balances at end of year	**1,305,972,395**	**40,839,701**	**19,940,660**	**22,008,823**	**1,388,761,579**
Accumulated impairment losses	**158,657,126**	–	–	–	**158,657,126**
Net book values	**₱764,088,685**	**₱735,168**	**₱134,260**	**₱5,124,439**	**₱770,082,552**

	2019				
	Wells, Platforms and Other Facilities	Office Condominium Unit and Improvements	Transportation Equipment	Office Furniture and Other Equipment	Total
Cost					
Balances at beginning of year	₱2,108,693,290	₱40,991,861	₱20,074,920	₱17,890,824	₱2,187,650,895
Additions	33,654,719	–	–	2,865,092	36,519,811
Disposal	–	–	–	(32,000)	(32,000)
Transfers from deferred oil exploration costs (Note 11)	11,901,978	–	–	–	11,901,978
Change in ARO estimate (Note 17)	11,869,186	–	–	–	11,869,186
Balances at end of year	2,166,119,173	40,991,861	20,074,920	20,723,916	2,247,909,870
Accumulated depletion and depreciation					
Balances at beginning of year	1,167,890,663	40,725,745	13,113,383	14,823,826	1,236,553,617
Depletion	55,845,199	–	–	–	55,845,199
Depreciation (Note 22)	–	43,455	3,931,501	2,340,460	6,315,416
Disposal	–	–	–	(1,659)	(1,659)
Balances at end of year	1,223,735,862	40,769,200	17,044,884	17,162,627	1,298,712,573
Accumulated impairment losses	158,657,126	–	–	–	158,657,126
Net book values	₱783,726,185	₱222,661	₱3,030,036	₱3,561,289	₱790,540,171

The Parent Company has remaining payables pertaining to additions to property and equipment amounting to ₱0.53 million and ₱17.24 million as of December 31, 2020 and 2019, respectively. These are considered as noncash investing activities in the statement of cash flows.

Transfers from deferred oil exploration costs and changes in ARO estimate are considered as noncash investing activities.

There are no property and equipment items that are pledged as security to liabilities as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the participating interest of the Parent Company in various service contracts areas are as follows:

Gabonese Oil Concessions	2.525%
West Linapacan - SC 14C2	4.137%

Foreign Operations

Gabon, West Africa

Background

The Parent Company holds approximately 2.53% participating interest in the EPSC covering the Etame block in Gabon, West Africa (the "Etame Marin Permit"). The EPSC is a contract with the Gabonese Government that gives the holder of the said EPSC exclusive rights and obligations to perform exploration, exploitation and production activities within the Etame Marin Permit area. The other parties and their respective participating interests in the EPSC are as follows: Addax Petroleum Etame, Inc. (33.90%); Sasol Petroleum West Africa Limited (30.00%); VAALCO Gabon (Etame), Inc. (33.58%) (the "Gabon Consortium"), all are leaders in their respective areas of operation. VAALCO is the Consortium's operator, and as such, has the exclusive charge of conducting the exploration and production activities in the Gabon contract area.

The Etame Marin Permit consists of an offshore exploration area of 307,360 hectares that extends from depths of 200 meters in the Atlantic shelf to near-shore Gabon. The Gabon Consortium was able to develop four (4) oil fields, namely, Etame, Avouma, Tchibala, and Ebouri oil fields. Aside from the EPSC, other licenses were required for the Gabon Consortium to conduct exploration, production and exploitation in these areas within the EPSC such as the Etame Exclusive Exploitation Authorization (G5-88), the Avouma Exclusive Exploitation Authorization (G5-95), and the Ebouri Exclusive Exploitation Authorization (G5-98) (collectively, the "Production Licenses"). Meanwhile, exploration activities outside of the Production License areas are authorized through the Etame Exploration License (G4-160).

In September 2018, the Gabonese Government allowed the Sixth Amendment to the EPSC that extends the exploitation period for the Production Licenses by ten (10) years, or from September 2018 until September 2028, extendible by five (5) years and by a final extension of five (5) more years. The extension further allows the Consortium to continue to develop the four (4) oilfields in the Etame Marin block offshore in the Republic of Gabon and explore the potential for resources in the surrounding area. The Amendment commits the Consortium to undertake new drillings and technical studies to be completed within two (2) years from the effectivity of the Amendment. Given past production from the block, it is anticipated that the committed drilling program for two (2) development wells and two (2) appraisal wells would further enhance the block's long-term commercial value.

As part of the commitment to the Sixth Amendment to extend the economic life of the field, the Consortium completed a three-well drilling program in the Etame and Southeast Etame fields, using the Topaz Driller jack-up rig. The first well in the drilling program, Etame-9H, was put on-line in November 27, 2019. Subsequent wells, Etame-11H and Southeast Etame-4H, were put on-line on January 04, 2020 and on March 22, 2020, respectively. Two (2) old wells, Etame-10H and Southeast Etame-2H, were also worked-over.

Upon completion of the three-well drilling and two-well workover program in February 2020, overall crude production rose from just ~11,000 barrels of oil per day (BOPD) in October 2019 to ~22,000 BOPD – last experienced in mid-2009 after the Ebouri Field was put on-line.

In July 2020, the Gabonese government imposed a production curtailment to the Etame Marin block to comply with OPEC-mandated supply cuts as a result of global supply-demand imbalance brought about by COVID-19-related business and operational restrictions starting March 2020. Overall crude production was reduced to ~14,000 - 16,000 BOPD up to March 2021.

In November 2020, the consortium completed a 1,000 sq.km 3D seismic survey over the Etame Marin block using the Polarcus Adira seismic vessel, which aims to explore other drilling targets within the existing fields, as well as other near-field structures which can be programmed in the succeeding drilling campaigns, which will start in late-2021 to 2022.

Given the extended EPSC period, the Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes until at least 2028 up to 2038 (final extension). This IFDP may include: 1) production from sour oil reserves, 2) outfield drilling opportunities, and 3) facility maintenance strategies.

In November 2020, the consortium completed a 1,000 sq.km 3D seismic survey over the Etame Marin block using the Polarcus Adira seismic vessel, which aims to explore other drilling targets within the existing fields, as well as other near-field structures which can be programmed in the succeeding drilling campaigns, which will start in late-2021 to 2022.

Update on Production
Production is routed to the *Petroleo Nautipa* the spread-moored Floating Production Storage and Offloading (FPSO) vessel from the Etame, Avouma-Southeast Etame-North Tchibala and Ebouri platforms, and from the wells tied to the subsea Etame manifold. The produced oils are processed and exported from the FPSO, which has a storage capacity of one million barrels of oil (MMBO).

Crude production comes from four (4) oil fields (Etame, Avouma, Ebouri and North Tchibala).

In 2020, total crude production reached 6.57 MMBO. The Consortium managed 11 liftings, resulting in a net crude export of 6.02 MMBO, with crude oil market prices ranging from US$17-US$66 per barrel.

In 2019, total crude production reached 4.70 MMBO. The Consortium managed 14 liftings, resulting in a net crude export of 4.63 MMBO, with crude oil market prices ranging from US$59-US$71 per barrel.

In 2018, total crude production reached 5.06 MMBO. The Consortium managed 14 liftings, resulting in a net crude export of 5.34 MMBO, with crude oil market prices ranging from US$55-US$80 per barrel.

Since the Gabon oilfield has been put on-line in 2002, a total of 119 MMBO had been extracted to date over the last 18 years.

Philippine Operations

SC 14-C2 – West Linapacan, Northwest Palawan
West Linapacan was discovered in the early 1990s. It produced oil from 1992 to 1996, peaking at 18,000 BOPD, before it was shut-in due to early water incursion. A 1,083 km 3D seismic survey was conducted and processed in 1997 to 1998, however, the farminees opted not to drill a well. The block was in suspension mode until 2006. In 2007 to 2015, two new farminees joined the SC 14-C2 Consortium and committed to conduct Geological and Geophysical (G&G) studies and to drill one (1) well. However, the farminees defaulted and eventually left the Consortium. Philodrill took over as

Operator and has been conducting its G&G studies to further strengthen the West Linapacan block to be revived for production.

In July 2018, CWT Consultancy Ltd. was engaged for a three-month scoping study to investigate the feasibility of a re-entry of the West Linapacan A-1 (WLA-1) to gather reservoir data that will support a subsequent drill-stem test (DST) and/or an extended well test (EWT). Concurrent with the scoping study on the potential WLA-1 re-entry, technical evaluation work focusing on the adjacent West Linapacan "B" (WLB) structure was undertaken, using the 2014 Pre-SDM reprocessed seismic volume acquired from DownUnder Geosolutions (DUG) in early 2017.

In 2019, Philodrill advanced the G&G works using recent reprocessed 3D seismic data acquired in 2017. These aimed to mature the field further to identify drilling prospects.

Further, the SC 14-C2 Consortium negotiated with a potential farmee for the drilling of these potential drilling targets in exchange for a majority share and Operatorship of SC 14-C2. As of December 31, 2019, the farm-in is subject to the approval of the Department of Energy (DOE).

While the Consortium awaited the farmee's completion of the farm-in documentation, Philodrill continued to do in-house G&G work over at the West Linapacan area at the interim. For compliance, a "Transition Work Program and Budget", covering November 2020 to March 2021 was submitted to the DOE in November 2020 and was approved.

SC 14-C2 has not yet expired and was granted with a 15-year extension of the SC as approved by the Department of Energy (DOE) from December 18, 2010 to December 18, 2025.

As of December 31, 2020 and 2019, PetroEnergy has investments in West Linapacan Oilfield (WLO) included in "Wells, platforms and other facilities" account under "Property, plant and equipment" and "Deferred oil exploration costs amounting to ₱206.32 million and ₱0.27 million (see Note 11), respectively.

PERC holds a 4.137% participating interest in SC 14-C2.

11. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs follow:

	2020	2019
Cost		
Balances at beginning of year	**₱513,400,918**	₱570,262,558
Additions	**51,842,975**	19,606,158
Transfers to wells and platforms (Note 10)	**(34,267,669)**	(11,901,978)
Transfers to intangible assets (Note 14)	–	(45,074,178)
Write-off / relinquishment	–	(19,491,642)
Balances at end of year	**530,976,224**	513,400,918
Accumulated impairment losses		
Balances at beginning of year	**320,442,728**	339,934,370
Write-off / relinquishment	–	(19,491,642)
Balances at end of year	**320,442,728**	320,442,728
	₱210,533,496	₱192,958,190

Details of deferred oil exploration costs as of December 31 follow:

	2020	2019
Cost		
Gabonese Oil Concessions (Note 10)	**₱342,755,717**	₱326,299,680
Octon Malajon Block - SC 6A	**157,745,711**	156,626,442
NW Palawan -SC 75	**28,041,968**	28,041,968
West Linapacan - SC 14C2 (Note 10)	**2,432,828**	2,432,828
	530,976,224	513,400,918
Accumulated impairment losses		
Gabonese Oil Concessions (Note 10)	**318,284,347**	318,284,347
West Linapacan - SC 14C2 (Note 10)	**2,158,381**	2,158,381
	320,442,728	320,442,728
	₱210,533,496	₱192,958,190

As of December 31, 2020, the Parent Company has remaining payables pertaining to additions to deferred oil exploration costs amounting to ₱11.93 million (nil in 2019). This is considered as noncash investing activities in the statement of cash flows.

Philippine Oil Operations - Development Phase

Under the SCs entered into with the DOE covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as "Contractors") are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.

However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent but did not in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves which govern their rights and obligations under these contracts.

The full recovery of these deferred costs is dependent upon the discovery of oil in commercial quantities from any of the petroleum concessions and the success of future development thereof.

As of December 31, 2020 and 2019, the participating interest of the Parent Company in various Petroleum SC areas are as follows:

	2020	2019
SC 6A – Octon-Malajon Block	16.667%	16.667%
SC 75 – Offshore Northwest Palawan	15.000%	15.000%

SC 6A - Octon-Malajon Block

This is one of the first exploration areas in offshore Palawan. It includes about 165,000 hectares of relatively shallow water areas where a string of wells has found non-commercial oil accumulations in varied reservoir horizons. DOE granted in June 2009 the final 15-year extension of the SC 6A service contract.

In 2016, The Philodrill Corporation (Operator of the SC 6A Block), conducted Geological and Geophysical (G&G) evaluation of the northern portion of the contract area through broadband reprocessing of the 3D seismic dataset acquired in 2013, seismic interpretation works on the newly processed data, and quantitative interpretation (QI) works on the Octon datasets. These were carried over to 2017. Contractor DownUnder Geosolutions (DUG) finished the preliminary processing works of the 2013 3D seismic dataset and is currently integrating the new data for the QI works.

In 2018, technical evaluation efforts continued in the north block, particularly the Malajon-Salvacion-Saddle Rock prospects, in which Seismic Attributes mapping yielded several turbiditic channel systems within the reservoir intervals.

In 2019, Philodrill completed seismic interpretation and mapping works for the northern portion of the Octon-Malajon block using recent and old SC 6A seismic data and subsurface data from the adjacent Galoc Field.

In 2020, Philodrill engaged Dubai-based consultants LMKR to conduct Quantitative Interpretation (QI) works to determine possible drilling opportunities in the northern portion of the block (Malajon field); the results of which were provided to the consortium in January 2021.

In parallel, Philodrill is also reviewing a third-party technical evaluation on the southern portion of the block for a potential farm-in opportunity. Service Contract 6A is set to run until 2024.

SC 75 – Offshore Northwest Palawan

Service Contract 75 (SC 75) was signed on December 27, 2013 with partners PXP Energy Corporation (50%) and PNOC-Exploration Corporation (35%). The block covers the West Philippine Sea with an area of 616,000 hectares.

The work commitment for Sub-Phase (SP) 1, which ended on December 27, 2015, had been fulfilled with the completion of the following activities, 1) Acquisition of 2,235 line-km of 2D seismic data over SC 75 from March to April 2014 using the vessel M/V Voyager Explorer of SeaBird Exploration, and simultaneous acquisition of marine magnetic and gravity data, 2) Broadband processing of the 2D seismic data, which was completed in April 2015, 3) Processing and interpretation of gravity and magnetic data, which was completed in February 2015, and 4) Geological & Geophysical (G&G) studies, including 2D seismic interpretation, which was completed in July 2015.

On September 9, 2015, the DOE advised the Consortium of its decision to place SC 75 under Force Majeure (FM) effective from the end of Sub-Phase 1 on December 27, 2015.

On October 14, 2020, the Department of Energy (DOE) issued a formal notice to the SC 75 consortium, lifting the Force Majeure imposed since September 2015. Through this letter, the consortium was notified to resume its Work Program commitments under SC 75.

SC 51 - East Visayas

The block covers the East Visayan basin in two parcels aggregating 444,000 hectares.

Activities in SC 51 has been dormant since 2015 after a failed drilling program and farm-in opportunity from Otto Energy. After the exit of Otto Energy and the failed negotiations between the remaining Consortium members and the DOE, the DOE formally approved the relinquishment of SC 51 on July 1, 2019.

Prior to relinquishment, PERC owned 20.05% participating interest in SC 51. The other Consortium members were PHINMA Petroleum and Geothermal Inc. (PPGI) and Alcorn Petroleum and Minerals Corporation (APMC) with 33.35% and 46.60% participating interests, respectively.

Due to the relinquishment, the Parent Company has written off the ₱19.49 million deferred oil exploration cost, including the related allowance for impairment loss provided in 2018.

12. Investments in Subsidiaries

	2020	2019
Cost		
PetroGreen		
Beginning balance	**₱2,090,358,153**	₱1,920,810,921
Additions	**–**	169,547,232
	2,090,358,153	2,090,358,153
Navy Road Development Corporation (NRDC)	**2,861,646**	2,861,646
	2,093,219,799	2,093,219,799
Accumulated impairment losses	**(2,861,646)**	(2,861,646)
	₱2,090,358,153	₱2,090,358,153

In 2019, additional subscriptions were made by the Parent Company in PetroGreen amounting to ₱169.55 million representing 169,547,232 shares (nil in 2020). Of the ₱169.55 million additional subscriptions in 2019, ₱141.12 million came from loans converted into equity (see Note 23).

Dividend income received from subsidiaries amounted to ₱72.00 million in 2019 (nil in 2020). There were no changes in the percentage of ownership as of December 31, 2020 and 2019.

Information on the Parent Company's subsidiaries, which were all incorporated in the Philippines, are as follows:

Subsidiaries	**Nature of Business**	**Percentage of Ownership**
PetroGreen	Holding Company and undertakes renewable energy projects.	90%
NRDC	As of December 31, 2020 and 2019, NRDC has not commenced commercial operations and has not incurred any expenses. The management of the Parent Company intends to liquidate NRDC and has provided for full impairment losses on its investment in NRDC.	100%

13. Investment Properties

As of December 31, 2020 and 2019, this account consists of land and parking lot space (located in Tektite) with cost amounting to ₱1.61 million.

The fair value of the investment properties of the Parent Company is between ₱1 million to ₱1.70 million as of December 31, 2020 and 2019. The Parent Company determined the fair values of the Parent Company's investment properties on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2020 and 2019, the fair value of the investment properties is classified under the Level 2 category.

Except for insignificant amounts of real property taxes on the investment properties, no other expenses were incurred, and no income was earned in relation to the investment properties in 2020, 2019 and 2018.

14. **Other Noncurrent Assets**

	2020	2019
Restricted cash	**₱44,833,232**	₱47,360,677
Intangible assets, net	**36,527,947**	41,750,886
Others	**1,134,297**	1,134,297
	₱82,495,476	₱90,245,860

Restricted cash
The restricted cash pertains to the Parent Company's share in the escrow fund for the abandonment of the Etame Marine Permit amounting to ₱41.80 million (or $870,200) and ₱44.16 million (or $870,200) as of December 31, 2020 and 2019, respectively. The Parent Company has no additional contribution for its share in the abandonment of the Etame Marine Permit to the escrow fund in 2020 and 2019.

This also includes escrow to secure payment and discharge of the Parent Company's obligations and liabilities under the FPSO contract amounting to ₱3.03 million and ₱3.20 million as of December 31, 2020 and 2019, respectively. The amount for the share in escrow of the Parent Company's obligation for the FPSO was deducted from the Parent Company's share on lifting proceeds during the first lifting made by Etame in November 2002 and will be paid back to the Parent Company at the end of the contract in 2022.

Intangible assets
Intangible assets pertain to production license and software for accounting and for geological interpretation of Gabon Etame oil fields. In 2019, the Parent Company reclassified deferred oil exploration costs related to the "Production license" for the extension of the Exploration and Production Sharing Contract (EPSC) with the Gabonese Government to intangible assets (see Note 11).

	2020	2019
Cost		
Balance at the beginning of period	**₱52,761,134**	₱6,881,578
Additions	**573,344**	805,378
Reclassifications from deferred oil exploration costs (Note 11)	–	45,074,178
	53,334,478	52,761,134

(Forward)

	2020	2019
Accumulated Amortization		
Balance at the beginning of period	**₱11,010,248**	₱5,098,352
Amortization (Notes 21 and 22)	**5,796,283**	5,911,896
	16,806,531	11,010,248
	₱36,527,947	₱41,750,886

15. Accounts Payable and Accrued Expenses

	2020	2019
Accounts payable	**₱27,545,589**	₱60,129,150
Accrued expenses		
Profit share	**8,019,499**	7,087,209
Sick/vacation leaves	**4,564,836**	2,873,219
Professional fees	**2,605,723**	4,040,555
Accrued interest expense (Note 16)	**1,169,420**	2,219,349
Due to related parties (Note 23)	**1,141,270**	1,024,154
Others	**2,666,528**	1,292,266
Due to NRDC (Note 23)	**2,269,737**	2,269,737
Withholding tax and other tax payables	**1,946,407**	3,265,397
Provision for probable loss	**–**	1,051,178
Others	**62,128**	67,607
	₱51,991,137	₱85,319,821

Accounts payable include Dividends payable pertaining to unclaimed checks amounting to ₱10.66 million as of December 31, 2020 and 2019.

Other accrued expenses include utilities and security services, among others.

The Parent Company's accounts payable and accrued expenses are due within one year.

16. Loans Payable

The Parent Company's loans payable as of December 31 follow:

	2020	2019
Principal, balance at beginning of year	**₱268,500,000**	₱278,500,000
Add availments during the year	**378,500,000**	458,500,000
Less principal payments during the year	**(418,500,000)**	(468,500,000)
Principal, balance at end of year	**228,500,000**	268,500,000

The Parent Company entered into unsecured loan agreements specifically to finance its Etame Expansion Project and investments in Renewable Energy Projects.

Omnibus Credit Line Agreement (OCLA) with the Development Bank of the Philippines (DBP)
On April 27, 2015, the Parent Company entered into an OCLA with DBP which provides a credit facility in the principal amount not exceeding ₱420.00 million. On June 29, 2016 the credit facility was increased to ₱500.00 million. Loans payable to DBP are as follows:

As of December 31, 2020:
- ₱78.50 million with interest rate of 5.5% and maturity on May 17, 2021; and

As of December 31, 2019:
- ₱78.50 million with interest rate of 6.0% and maturity on May 19, 2020; and
- ₱190.00 million with interest rate of 6.0% and maturity on April 27, 2020.

Short-term Loan with Rizal Commercial Banking Corporation (RCBC)
In 2020, the Parent Company obtained a clean loan from RCBC amounting to ₱150.00 million with interest rate of 4.5% and maturing on November 15, 2021.

Interest expense related to these loans amounted to ₱17.02 million, ₱20.36 million and ₱28.13 million in 2020, 2019 and 2018, respectively. Accrued interest payable amounted to ₱1.17 million and ₱2.22 million as of December 31, 2020 and 2019, respectively (see Note 15).

17. **Asset Retirement Obligation**

The Parent Company has recognized its share in the abandonment costs associated with the Etame, Ebouri and Avouma oilfields located in Gabon, West Africa.

Movements in this account follow:

	2020	2019
Balances at beginning of year	**₱55,571,203**	₱42,410,991
Change in estimate (Note 10)	**9,155,462**	11,869,186
Accretion expense	**2,383,253**	2,941,514
Foreign exchange adjustment	**(3,039,180)**	(1,650,488)
Balances at end of year	**₱64,070,738**	₱55,571,203

Discount rate of 2.84% in 2020 and rate of 4.39% in 2019 were used in estimating the provision for the oilfields offshore Gabon, West Africa.

18. **Equity**

Under the existing laws of the Republic of the Philippines, at least 60% of the Parent Company's issued capital stock should be owned by citizens of the Philippines for the Parent Company to own and hold any mining, petroleum or renewable energy contract area. As of December 31, 2020, the total issued and subscribed capital stock of the Parent Company is 99.89% Filipino and 0.11% non-Filipino as compared to 99.88% Filipino and 0.12% non-Filipino as of December 31, 2019.

As of December 31, 2020 and 2019, paid-up capital consists of:

Capital stock - ₱1 par value	
Authorized - 700,000,000 shares	
Issued and outstanding	₱568,711,842
Additional paid-in capital	2,156,679,049
	₱2,725,390,891

The Parent Company's track record of capital stock follows:

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of year-end
Listing by way of introduction - August 11, 2004	84,253,606	₱3/share	August 4, 2004	
Add (deduct):				
25% stock dividend	21,063,402	₱1/share	September 6, 2005	
30% stock dividend	31,595,102	₱1/share	September 8, 2006	
1:1 stock rights offering	136,912,110	₱5/share	May 26, 2010	
December 31, 2010	273,824,220			2,149
Deduct: Movement	–			(26)
December 31, 2011	273,824,220			2,123
Deduct: Movement	–			(10)
December 31, 2012	273,824,220			2,113
Deduct: Movement	–			(41)
December 31, 2013	273,824,220			2,072
Deduct: Movement				(29)
December 31, 2014	273,824,220			2,043
Add (Deduct):				
2:1 stock rights offering	136,912,110	₱4.38/share	June 3, 2015	(15)
December 31, 2015	410,736,330			2,028
Deduct: Movement	–			(1)
December 31, 2016	410,736,330			2,027
Deduct: Movement	–			(15)
December 31, 2017	410,736,330			2,012
Add (Deduct):				
1.2:6 stock rights offering	157,975,512	₱4.8/share	January 8, 2018	(8)
December 31,2018	568,711,842			2004
Deduct: Movement	–			(5)
December 31,2019	568,711,842			1,999
Deduct: Movement	–			(1)
December 31,2020	568,711,842			1,998

On July 26, 2017, at the BOD meeting, the Parent Company was authorized to raise approximately one billion pesos (₱1,000,000,000) in capital, by offering and issuing to all eligible stockholders as of record date, the rights to subscribe up to all of the existing unissued common shares of the Parent Company ("Stock Rights Offer").

On September 29, 2017, the Parent Company filed its application for the listing and trading of rights shares with the PSE. On December 13, 2017, the PSE approved the application to list the Rights Shares.

The rights offer entitled eligible stockholders as of record date of January 12, 2018 to subscribe to one rights share for every 2.6 shares held at an offer price of ₱4.80 per share.

The rights offer was undertaken in January 22 to 26, 2018. Following the close of the offer period, the Parent Company successfully completed the stock rights offer for 157,975,512 common shares with gross proceeds of ₱758.28 million and was subsequently listed on the PSE on February 2, 2018.

The proceeds from the stock rights offer were used for the development and expansion plans of the Group's renewable energy projects and general corporate requirements.

Appropriated Retained Earnings
On January 15, 2008, the BOD approved the appropriation of ₱20.00 million for the development of the Ebouri oilfield in Gabon, West Africa in addition to the ₱30.00 million originally appropriated amount.

On July 24, 2008, the BOD approved additional appropriation of retained earnings amounting to ₱44.14 million for the development of the Ebouri oil field in Gabon, West Africa.

On February 19, 2013, the BOD approved additional appropriated retained earnings amounting to ₱44.45 million to cover for the Group's share in the cost of the committed wells in the Etame oilfield in Gabon, West Africa.

On July 12, 2018, the BOD approved the reversal of the appropriation amounting to ₱138.59 million to unappropriated retained earnings since the above appropriations have been served.

Dividends
On July 26, 2018, the Parent Company declared cash dividends amounting to ₱28,435,592 or ₱0.05 per share to stockholders of record as of August 24, 2018 and was paid on September 20, 2018.

Cumulative Translation Adjustment
In 2018, because of the change in business circumstances of the Parent Company, management changed its functional currency from United States Dollar (USD) to PHP effective January 31, 2018. All resulting exchange differences in the remeasurement of USD balances to PHP balances were recognized as 'Cumulative Translation Adjustment'.

Capital Management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Parent Company 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.

As of December 31, 2020 and 2019, the Parent Company's sources of capital are as follows:

	2020	2019
Capital stock	**₱568,711,842**	₱568,711,842
Additional paid-in capital	**2,156,679,049**	2,156,679,049
Re-measurement loss on defined benefit obligation	**2,369,951**	(1,120,138)
Retained earnings	**24,215,877**	117,526,375
Cumulative translation adjustment	**356,478,170**	356,478,170
	₱3,108,454,889	₱3,198,275,298

The table below demonstrates the debt-to-equity ratios of the Parent Company as of December 31:

	2020	2019
Total liabilities	**₱344,561,875**	₱410,483,292
Total equity	**3,108,454,889**	3,198,259,882
Debt-to-equity ratio	**0.11:1**	0.13:1

Based on the Parent Company's assessment, the capital management objectives were met in 2020 and 2019.

The Company has no externally imposed capital requirements as of December 31, 2020 and 2019.

19. **Retirement Benefits**

The Parent Company has a funded noncontributory defined benefit retirement plan (the Plan) for all of its employees. The Plan provides for normal and early retirement, as well as, death and disability benefits. The latest retirement valuation was issued in 2020.

The retirement fund is administered by Rizal Commercial Banking Corporation (RCBC), appointed as trustee. The fund has no investments in the Parent Company's equity as of December 31, 2020 and 2019.

Pension benefits cost consists of:

	2020	2019
Current service cost	**₱3,097,462**	₱2,899,463
Net interest expense (income)	**51,992**	(43,335)
Pension benefits cost	**₱3,149,454**	₱2,856,128

The accrued retirement liability (asset) recognized in the parent company statements of financial position as of December 31 are as follows:

	2020	2019
Present value of accrued retirement liability	**₱28,305,207**	₱29,223,697
Fair value of plan assets	**(33,954,248)**	(28,131,429)
Accrued retirement liability (asset)	**(₱5,649,041)**	₱1,092,268

The movements in the accrued retirement liability (asset) recognized in the Parent Company statements of financial position are as follows:

	2020	2019
Beginning balance	**1,092,268**	(₱588,796)
Pension benefits cost	**3,149,454**	2,856,128
Re-measurement gains on defined benefit plan	**(4,985,842)**	(1,175,064)
Contributions	**(4,904,921)**	–
Ending balance	**(₱5,649,041)**	₱1,092,268

The details of the re-measurement gains (losses) recognized in other comprehensive income are as follows:

	2020	2019
Actuarial gains arising from changes in:		
Financial assumptions	**₱715,249**	₱480,631
Experience adjustments	**4,691,751**	527,118
Return on plan assets (excluding amount included in net interest)	**(421,158)**	167,315
	₱4,985,842	₱1,175,064

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
Beginning balance	**₱29,223,697**	₱25,458,255
Current service cost	**3,097,462**	2,899,463
Interest cost	**1,391,048**	1,873,728
Actuarial gain	**(5,407,000)**	(1,007,749)
Ending balance	**₱28,305,207**	₱29,223,697

Changes in the fair value of plan assets as of December 31 are as follows:

	2020	2019
Beginning balance	**₱28,131,429**	₱26,047,051
Contributions	**4,904,921**	–
Interest income	**1,339,056**	1,917,063
Actuarial gain (loss)	**(421,158)**	167,315
Ending balance	**₱33,954,248**	₱28,131,429

The actual return on plan assets amounted to ₱917,898 and ₱2,084,378 in 2020 and 2019, respectively.

The components of net plan assets are as follows:

	2020	2019
Investments in quoted government securities	**₱33,879,451**	₱27,982,418
Interest receivable	**160,796**	215,430
Trust fee payable	**(85,999)**	(66,419)
	₱33,954,248	₱28,131,429

The principal actuarial assumptions used in determining retirement benefits benefit obligation as of December 31 follows:

	2020	2019
Salary rate increase	**5.00%**	7.00%
Discount rate	**3.29%**	4.76%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the accrued retirement liability as of December 31, assuming all other assumptions were held constant:

	Increase (decrease)	
Assumptions:	**2020**	2019
Discount rate:		
+0.5%	**(₱782,546)**	(₱970,230)
-0.5%	**858,806**	1,063,116
Salary increase rate:		
+1%	**1,687,640**	2,082,580
-1%	**(₱1,434,440)**	(₱1,776,120)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than one year	**₱20,346,837**	₱9,646,154
More than one year to five years	–	11,268,064
More than five years to 10 years	**6,123,902**	7,508,255
More than 10 years to 15 years	**10,632,253**	26,093,437
More than 15 years to 20 years	**2,771,980**	4,158,087
More than 20 years	**40,073,143**	69,494,033

The Parent Company does not expect to contribute to the fund in 2021.

20. **Income Tax**

The provision for (benefit from) income tax for the years ended December 31 consists of:

	2020	2019	2018
Current	**₱56,357**	₱1,771,613	₱2,401,173
Deferred	**7,327,986**	(2,611,587)	1,489,930
	₱7,384,343	(₱839,974)	₱3,891,103

Provision for current income tax in 2020, 2019 and 2018 pertains to MCIT.

As of December 31, 2020 and 2019, the Parent Company did not recognize deferred tax assets on NOLCO and MCIT as the Parent Company believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefits can be realized prior to their expiration.

Details of the NOLCO and MCIT follow:

	Year Incurred	Beginning	Additions	Expired	Ending	Expiry Year
MCIT	2020	₱–	₱56,357	₱–	₱56,357	2023
	2019	1,771,613	–	–	1,771,613	2022
	2018	2,401,173	–	–	2,401,173	2021
	2017	296,706	–	(296,706)	–	2020
		4,669,492	₱56,357	(₱296,706)	₱4,229,143	

	Year Incurred	Beginning	Additions	Expired	Ending	Expiry Year
NOLCO	2020	₱–	₱108,752,259	₱–	₱108,752,259	2025
	2019	20,936,187		–	20,936,187	2022
	2018	9,710,544	–	–	9,710,544	2021
	2017	96,477,343	–	(96,477,343)	–	2020
		₱127,124,074	₱108,752,259	(₱96,477,343)	₱139,398,990	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The components of the Parent Company's net deferred tax assets follow:

	2020	2019
Deferred tax assets recognized in net income:		
Asset retirement obligation	**₱19,221,222**	₱16,671,361
Unrealized foreign exchange loss	**1,061,129**	1,193,492
Accrued retirement liability	**–**	327,680
	20,282,351	18,192,533
Deferred tax liabilities recognized in net income:		
Production revenue	**(10,527,098)**	(3,349,064)
Asset retirement cost	**(7,283,209)**	(5,242,398)
Net retirement asset	**(1,694,712)**	–
	(19,505,019)	(8,591,462)
	₱777,332	₱9,601,071

The reconciliation of the statutory tax rate to the effective income tax rate shown in the parent company statements of comprehensive income follows:

	2020	2019	2018
Statutory tax rate	**(30.00%)**	30.00%	30.00%
Add (deduct) reconciling items:			
Non-taxable income	**(0.03)**	(59.69)	(31.52)
Movement in unrecognized deferred tax assets	**38.04**	22.23	22.56
Non-deductible expenses	**1.44**	7.22	6.63
Interest income subjected to final tax	**(0.90)**	(6.93)	(15.24)
Unrealized loss (gain) on FVTPL	**0.25**	0.20	0.57
Others	**(0.20)**	4.65	(0.08)
Effective income tax rate	**8.60%**	(2.32%)	12.92%

21. Oil Production

	2020	2019	2018
Production, transportation and other related expenses	**₱154,375,753**	₱162,893,096	₱194,336,353
Storage and loading expenses	**48,958,540**	48,659,191	42,986,631
Amortization (Note 14)	**4,622,993**	4,622,993	–
Supplies and facilities	**245,499**	317,481	310,395
Others	**3,325,006**	4,766,595	5,061,752
	₱211,527,791	₱221,259,356	₱242,695,131

22. General and Administrative Expenses

	2020	2019	2018
Salaries and wages (Notes 19 and 23)	**₱42,748,875**	₱44,479,329	₱45,806,031
Professional and other fees	**12,302,378**	10,185,516	29,100,496
Depreciation and amortization (Notes 10 and 14)	**8,985,763**	7,604,319	5,615,273
Taxes and licenses	**5,391,198**	6,218,157	4,290,220
Communication	**3,478,133**	2,340,079	1,676,350
Entertainment, amusement and recreation (EAR)	**2,955,779**	4,599,442	3,631,123
Transportation and travel	**2,428,113**	3,967,153	5,631,185
Donation and contribution	**2,255,521**	2,276,110	1,512,730
Gasoline, oil and lubricants	**1,510,344**	1,607,124	1,542,247
Advertisement	**1,260,921**	805,701	381,699
Security and janitorial services	**1,160,651**	1,281,896	842,719
Repairs and maintenance	**945,662**	1,039,887	837,732
Insurance	**848,489**	909,692	798,519
Condominium dues	**788,276**	771,714	771,528
SRO and listing fees	**752,731**	1,761,378	3,825,136
Office supplies	**717,425**	656,254	928,342
Utilities	**711,665**	1,112,638	1,248,548
Rent expense	**646,918**	474,127	653,914
Stock transfer fees	**496,174**	476,939	588,834
Dues and subscriptions	**312,275**	504,863	306,877
Business meetings	**280,148**	948,602	884,221
Training and seminar	**64,410**	951,564	539,814
Provision for probable loss	**–**	701,178	350,000
Others	**979,306**	2,711,550	1,409,523
	₱92,021,155	₱98,385,212	₱113,173,060

23. Related Party Transactions

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control or significant influences. Related parties may be individuals or corporate entities.

Details of related party transactions are as follows:

	Amount of Transactions		Outstanding Balance		Terms and
Related Party/Nature	**2020**	2019	**2020**	2019	**Conditions**
Subsidiaries					
PetroGreen Energy Corporation					
Loans receivable	**₱–**	₱156,800,000	**₱–**	₱–	Note a
Interest income	**–**	2,060,178	**–**	–	Note a
Advances	**2,942,427**	4,164,208	**32,078**	–	Note b
Time-writing fee	**4,503,273**	1,530,939	**(228,463)**	(726,081)	Note c
Accounts payable	**334,002**	360,800	**(25,296)**	(152,473)	Note d
			(221,681)	(878,554)	

(Forward)

Related Party/Nature	Amount of Transactions 2020	2019	Outstanding Balance 2020	2019	Terms and Conditions
Maibarara Geothermal, Inc.					
Advances	**₱4,707,709**	₱4,480,390	**₱732,221**	₱–	Note b
PetroSolar Corporation					
Management fee	**2,000,000**	2,000,000	–	–	Note e
Advances	**2,587,845**	2,422,804	**66,798**	–	Note b
			66,798	–	
NRDC					
Accounts payable (Note 15)	–	–	**(2,269,737)**	(2,269,737)	Note f
Associate					
PetroWind Energy, Inc.					
Management fee	**2,000,000**	2,000,000	–	–	Note e
Advances	**4,098,397**	3,716,822	**123,155**	–	Note b
			123,155	–	
Investor					
House of Investments, Inc.					
Internal audit services	**1,178,710**	739,200	**(887,511)**	(145,600)	Note g
			(₱2,456,755)	(₱3,293,891)	

a. In 2019, the Parent Company loaned ₱156.80 million with interest rate of 5.5% to PetroGreen. In July 2019, PetroGreen requested for the Parent Company's approval to convert ₱141.12 million, equivalent to 90% of the loan, into equity for subscription of unissued authorized capital stock (see Note 12). The Parent Company approved PetroGreen's request.

b. Advances pertain to the reimbursable operating expenses incurred by the Parent Company in behalf of PetroGreen, MGI, PetroSolar and PetroWind. The related parties paid for the documentary stamp taxes (DST) of these reimbursements. These are non-interest bearing and payable when due and demandable.

c. Time-writing fees are charged by PetroGreen for accounting, legal management and other support services rendered to the Parent Company. These are noninterest bearing and is due on demand within one year or less.

d. Accounts payable to PetroGreen pertain to the reimbursable operating expenses incurred by PetroGreen in behalf of the Parent Company. The Parent Company paid for the DST of these reimbursements. These are non-interest bearing and payable when due and demandable.

e. Annual management fees are collected from PetroSolar and PetroWind representing technical, legal, accounting and other management activities rendered.

f. Accounts payable to NRDC pertain to the noninterest bearing outstanding amount owed by the Parent Company to NRDC as of December 31, 2020 and 2019 (Note 15).

g. PetroEnergy has an Internal Audit Engagement arrangement with House of Investments (HI). The internal audit services amounted to ₱873,600 and ₱739,200 in 2020 and 2019, respectively. In 2020, HI rendered additional internal audit service amounting to ₱305,110. These are non-interest bearing and are due and demandable.

h. On November 4, 2013, PetroWind executed an OLSA with the Development Bank of the Philippines for a loan facility of up to ₱2.8 billion which was later increased to ₱3.0 billion. The Parent Company signed the OLSA as a guarantor.

Compensation of Key Management Personnel of the Parent Company

The Parent Company has a profit-sharing plan for directors, officers, managers and employees as indicated in its by-laws. The amount, the manner and occasion of distribution is at the discretion of the BOD, provided that profit share shall not exceed 5% of the audited income before income tax and profit share.

The remuneration of the Parent Company's directors and other members of key management are as follows:

	2020	2019	2018
Salaries and wages and other short-term benefits	**₱20,962,298**	₱23,883,304	₱23,142,849
Directors' fees	**5,674,198**	5,417,248	5,804,539
Retirement expense	**2,242,667**	2,033,795	2,537,817
	₱28,879,163	₱31,334,347	₱31,485,205

24. Financial Instruments

The Parent Company's principal financial instruments include cash and cash equivalents, trading and investment securities (financial assets at FVTPL) and receivables. The main purpose of these financial instruments is to fund the Parent Company's working capital requirements.

Categories and Fair Values of Financial Instruments

The carrying amount of the Parent Company's financial assets and financial liabilities approximate their fair values except for loans payable. As of December 31, 2020 and 2019, the Parent Company does not have any outstanding long-term loans payable.

The methods and assumptions used by the Parent Company in estimating the fair value of financial instruments are:

Financial instruments	**Considerations**
Cash and cash equivalents, receivables, restricted cash and due from subsidiaries	Due to the short-term nature of the instruments, carrying amounts approximate fair values as of the reporting date.
Equity securities	Fair values are based on published quoted prices.
Golf club shares	Fair values are based on quoted market prices at reporting date.
Accounts payable and accrued expenses; short-term loans	Due to the short-term nature of the instrument, carrying amounts approximate fair values.

Financial Risk Management Objectives and Policies

The Parent Company manages and maintains its own portfolio of financial instruments in order to fund its own operations and capital expenditures. Inherent in using these financial instruments are the following financial risks on liquidity, market and credit.

a. *Liquidity Risk*

Liquidity risk is the risk that the Parent Company is unable to meet its financial obligations when due. The Parent Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. To cover its short-term and long-term funding requirements, the Parent Company intends to use internally generated funds as well as to obtain loan from financial institutions.

	2020				
	On demand	**Less than 6 months**	**6 months but less than 12 months**	**More than 12 months**	**Total**
Financial Assets:					
Financial assets at FVTPL	**₱7,531,587**	**₱–**	**₱–**	**₱–**	**₱7,531,587**
Financial assets at amortized cost:					
Cash and cash equivalents	**53,840,273**	**–**	**–**	**–**	**53,840,273**
Receivables	**31,123,853**	**–**	**–**	**–**	**31,123,853**
Due from related parties	**954,252**	**–**	**–**	**–**	**954,252**
Refundable deposits	**–**	**–**	**324,721**	**–**	**324,721**
Restricted cash	**154,118,649**	**–**	**–**	**44,833,232**	**198,951,881**
	247,568,614	**–**	**324,721**	**44,833,232**	**292,726,567**
Financial Liabilities:					
Financial liabilities at amortized cost:					
Accounts payable and accrued expenses*	**49,982,602**	**–**	**–**	**–**	**49,982,602**
Loans payable	**–**	**78,500,000**	**150,000,000**	**–**	**228,500,000**
	49,982,602	**78,500,000**	**150,000,000**	**–**	**278,482,602**
Net financial assets (liabilities)	**₱197,586,012**	**(₱78,500,000)**	**(₱149,675,279)**	**₱44,833,232**	**₱14,243,965**

**Excluding statutory payables*

	2019				
	On demand	Less than 6 months	6 months but less than 12 months	More than 12 months	Total
Financial Assets:					
Financial assets at FVTPL	₱8,240,096	₱–	₱–	₱–	₱8,240,096
Financial assets at amortized cost:					
Cash and cash equivalents	179,674,514	–	–	–	179,674,514
Receivables	70,936,983	–	–	–	70,936,983
Refundable deposits	–	–	324,721	–	324,721
Restricted cash	152,036,942	–	–	47,360,677	199,397,619
	410,888,535	–	324,721	47,360,677	458,573,933
Financial Liabilities:					
Financial liabilities at amortized cost:					
Accounts payable and accrued expenses*	81,986,817	–	–	–	81,986,817
Loans payable	–	268,500,000	–	–	268,500,000
	81,986,817	268,500,000	–	–	350,486,817
Net financial assets (liabilities)	₱328,901,718	(₱268,500,000)	₱324,721	₱47,360,677	₱108,087,116

**Excluding statutory payables*

b. *Market Risk*

Market risk is the risk of loss on future earnings, on fair values or on future cash flows that may result from changes in market prices. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates, interest rates and other market changes.

Foreign Exchange Risk

Foreign currency risk is the risk that the value of the Parent Company's financial instruments denominated other than the Parent Company's functional currency diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from cash and cash equivalents, receivables, restricted cash and accounts payable and accrued expenses.

The following table sets forth the foreign currency-denominated financial instruments of the Parent Company as of December 31, 2020 and 2019:

	2020		2019	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	**$504,969**	**₱24,256,708**	$1,774,384	₱90,039,342
Receivables	**627,158**	**30,126,160**	1,392,423	70,657,113
Restricted cash	**933,325**	**44,833,232**	933,325	47,360,677
	2,065,452	**99,216,100**	4,100,132	208,057,132
Financial liabilities				
Accounts payable and accrued expenses	**$276,820**	**₱13,297,309**	$933,283	₱47,358,522
Net exposure	**$1,788,632**	**₱85,918,791**	$3,166,849	₱160,698,610

As of December 31, 2020 and 2019, the exchange rates used for conversion are ₱48.04 per $1 and ₱50.74 per $1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US dollar exchange rates. With all other variables held constant, the effect on the Parent Company's loss before is as follows:

2020	
Increase/(decrease) in foreign currency exchange rate	**Effect on loss before income tax**
+5%	**(₱4,585,135)**
-5%	**4,585,135**

2019	
Increase/(decrease) in foreign currency exchange rate	Effect on loss before income tax
+4%	(₱6,034,884)
-4%	6,034,884

There is no other impact on the Parent Company's equity other than those already affecting loss before income tax.

Interest Rate Risk

The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's loans payable.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's net income. The Parent Company used the forecasted one-year Treasury Bill rate in performing the analysis.
Loans payable

2020	
Increase/decrease in interest rate (in basis points)	**Impact on loss before tax**
+195%	**(₱4,447,650)**
-195%	**4,447,650**

2019	
Increase/decrease in interest rate (in basis points)	Impact on loss before tax
+54%	(₱1,449,900)
-54%	1,449,900

There is no other impact on the Parent Company's equity other than those already affecting net loss.

c. *Credit Risk*
Credit risk represents the loss that the Parent Company would incur if counterparties fail to perform under their contractual obligations. The Parent Company established controls and procedures on its credit policy to determine and monitor the credit worthiness of customers and counterparties. There are significant concentrations of credit risk within the Parent Company since most of its financial assets are with consortium operator, although credit risk is immaterial.

The Parent Company has a well-defined credit policy and established credit procedures. In addition, receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The table below summarizes the Parent Company's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2020	2019
Cash in banks and cash equivalents	**₱52,162,597**	₱179,604,514
Receivables	**31,123,853**	70,936,983
Financial assets at FVTPL	**7,531,587**	8,240,096
Refundable deposits	**324,721**	324,721
Restricted cash	**198,951,881**	199,397,619
	₱290,094,639	₱458,503,933

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

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). In its ECL models, the Group relies on a broad range of forward looking information as economic inputs.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

For cash and cash equivalents and quoted government securities, the Parent Company applies the low credit risk simplification where the Parent Company measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Parent Company also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Parent Company considers its cash and cash equivalents and quoted government securities as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to these debt instruments rounds to nil.

The Parent Company's receivables are aged current as of December 31, 2020 and 2019. No receivables are considered credit-impaired, except for a specific amount in the table.

The following tables show the aging of financial assets as of December 31, 2020 and 2019:

	2020			
	Current	**More than 90 days**	**Credit impaired**	**Total**
Cash and cash equivalents*	**₱52,162,597**	**₱–**	**₱–**	**₱52,162,597**
Accounts receivable:				
Consortium operator	**30,126,160**	–	**2,682,452**	**32,808,612**
Due from related parties	**954,252**	–	–	**954,252**
Interest receivable	**31,029**	–	–	**31,029**
Others	**12,412**	–	–	**12,412**
Financial assets at FVTPL	**7,531,587**	–	–	**7,531,587**
Refundable deposits	**324,721**	–	–	**324,721**
Restricted cash	**198,951,881**	–	–	**198,951,881**
	₱290,094,639	**₱–**	**₱2,682,452**	**₱292,777,091**

**Excluding cash on hand*

	2019			
	Current	More than 90 days	Credit impaired	Total
Cash and cash equivalents*	₱179,604,514	₱–	₱–	₱179,604,514
Accounts receivable:				
Consortium operator	70,657,092	–	₱2,682,452	73,339,544
Interest receivable	253,077	–	–	253,077
Others	26,814	–	–	26,814
Financial assets at FVTPL	8,240,096	–	–	8,240,096
Refundable deposits	324,721	–	–	324,721
Restricted cash	199,397,619	–	–	199,397,619
	₱458,503,933	₱–	₱2,682,452	₱461,186,385

**Excluding cash on hand*

25. Basic/Diluted Earnings (Loss) Per Share

The computation of the Parent Company's EPS follows:

	2020	2019	2018
Net income (loss)	**(₱93,295,082)**	₱37,056,507	₱26,219,307
Weighted average number of shares	**568,711,842**	568,711,842	568,711,842
Basic/diluted earnings (loss) per share	**(₱0.1640)**	₱0.0652	₱0.0461

Earnings per share are calculated using the net income attributable to equity holders of the Parent Company divided by the weighted average number of shares.

26. Segment Information

The Parent Company has only one reportable segment which is oil and mineral exploration, development and production.

Operating results of the Parent Company are regularly reviewed by the management, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the presentation and classification in the statements of comprehensive income.

The Parent Company's primary operations are located in Gabon, Africa. All revenues are generated from sale of oil products in Gabon, West Africa.

27. Other Matters

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020. For selected areas, including Metro Manila, this was subsequently extended to May 31, 2020. The ECQ was lifted and replaced by general community quarantine (GCQ) starting June 1, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Manpower for operations may be affected due to the state-imposed self-quarantine, partial lockdown, and curfew.

With the enforcing of national and localized community quarantines, the Company has issued guidelines to mitigate risks, ensure business continuity, and safeguard the health and safety of its employees. As an energy company with investments in petroleum and renewable energy, the Company is exposed to operational risks.

Manpower for operations may be affected due to state-imposed self-quarantine, partial lockdown, and curfew. To address this, the management has devised an alternative working arrangement of work-from-home and skeletal workforce scheme for its employees. Business support units were equipped with appropriate protocols and digital tools to be able to support the operations unit and ensure continuity of business operations. The management also ensured that the insurance coverage maintained for the Parent Company would adequately compensate for any business interruptions.

Due to travel restrictions, scheduled power plant maintenance by third-party foreign suppliers may also be affected. In preparation for this, the Parent Company has communicated with its Operations and Maintenance (O&M) providers to strengthen its remote support and provide contingencies. The Company has also ensured that the insurance coverage maintained for the Parent Company, its subsidiaries and affiliates, would adequately compensate for any business interruptions.

For the oil operations in Gabon, the Parent Company constantly communicated with the Operator and monitored the effect of the COVID-19 pandemic in the Gabon oil field. The Operator ensured that there is continued operations in the oil field, even with travel restrictions in the country.

In addition, there is also the risk relating to compliance with regulatory permits and submissions due to changes in work schedule in both the public and private sectors. As a response, the Company regularly monitors the advisories from relevant Government agencies, such as the DOE, to ensure that requirements are submitted on time.

The Parent Company considered the events surrounding the outbreak in its financial position and performance as of and for the year ended December 31, 2020. Even the impact for periods thereafter will be considered. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows subsequent to 2020. The Parent Company will continue to monitor the situation.

28. Subsequent Events

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

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

- The provisions of Revenue Regulations (RR) No. 5-2021 was issued by the BIR dated April 8, 2021. This will result in lower provision for current income tax for the year ended December 31, 2020 and higher prepaid taxes as of December 31, 2020, amounting to ₱42,268 and ₱7,732,520, respectively, or an increase (reduction) of (₱14,089) and ₱14,089, respectively. The amounts will be reflected in the Parent Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets - net as of December 31, 2020 by ₱129,555 and higher provision for deferred tax for the year then ended December 31, 2020 by ₱129,555. These will be recognized in the 2021 financial statements.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION
REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

The Board of Directors and Stockholders
PetroEnergy Resources Corporation
7th floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of PetroEnergy Resources Corporation as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated April 23, 2021, which contained an unqualified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 as at and for the year ended December 31, 2020 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is the responsibility of the management of PetroEnergy Resources Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019, valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-063-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534225, January 4, 2021, Makati City

April 23, 2021

PETROENERGY RESOURCES CORPORATION
SUPPLEMENTARY INFORMATION ON TAXES AND LICENSE FEES REQUIRED UNDER REVENUE REGULATIONS (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010 to amend certain provisions of RR 15-2002. The RR provides that starting 2010, the notes to financial statements shall include information on taxes and license fees paid or accrued during the taxable year.

The Parent Company reported and/or paid the following types of taxes in 2020:

Value added tax (VAT)

The Parent Company is a VAT registered entity. However, being an oil exploration Company of which bulk of the revenues are from its share in the sale of crude oil inventory/production in Gabon, Africa, the Parent Company is considered partly VAT-exempt entity.

Input taxes incurred in the pursuance of its oil operations are expensed outright.

In 2020, the Parent Company incurred 12% and zero-rated vatable sales for the management fees received from its BOI and PEZA registered subsidiaries and associate.

a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns

	Net Sales/Receipts	Output VAT
12% Vatable sales	₱2,571,429	₱308,571
Zero rated sales	1,214,286	–
	₱3,785,715	₱308,571

b. Input VAT

Current year's domestic purchases	₱3,406,407
Other adjustments	(3,406,407)
Balance at the end of year	₱–

Taxes and Licenses

DST on loans	₱2,199,947
Business taxes	1,740,614
Realty taxes	145,673
LTO	25,182
Community Tax Certificate	10,500
Barangay clearance	7,552
Annual registration	500
Others	296,373
	₱4,426,341

Withholding Taxes

Withholding taxes on compensation and benefits	₱7,460,024
Expanded withholding taxes	3,522,882
Fringe benefit tax	964,857
	₱11,947,763

Tax Assessments and Cases

On July 24, 2018, the Parent Company received a Formal Letter of Demand (FLD) from the BIR for alleged deficiency taxes for the taxable year ended December 31, 2013, pursuant to the BIR Letter of Authority No. 121-2014-0000144. The Parent Company filed an Administrative Protest Letter (Request for Reinvestigation) to the FLD. On January 31, 2020, the Parent Company received and settled the Final Decision on Disputed Assessment (FDDA) issued by the BIR on its letter dated January 16, 2020.