COVER SHEET

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SEC Registration Number

PETR0ENERGY RESOURCES CORPORATION

(Company's Full Name)

7TH FLOOR JMT BUILDING
ADB AVENUE ORTIGAS CENTER
PASIG CITY

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

LOUIE MARK R. LIMCOLIOC
(Contact Person)

8637-2917
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

PERC 20IS

0 7 **2 9**
Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

PETROENERGY RESOURCES CORPORATION
7th Floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

8637-2917
Telephone Number

31 December 2021
Fiscal Year Ended

Notice of Regular Annual Stockholders' Meeting

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SEC Form 20-IS
Information Statement
Pursuant to Section 20
of the Securities Regulation Code
Form Type

PetrOEnergy
PETROENERGY RESOURCES CORPORATION

NOTICE OF REGULAR ANNUAL STOCKHOLDERS' MEETING

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Regular Meeting of the Stockholders of PetroEnergy Resources Corporation (the "Company"), will be held **on July 28, 2022 at 4:00 p.m.**, to be called, conducted and presided virtually or via online/remote communications by the presiding officer at the Company's principal office address, 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City, with the following agenda:

1. Certification of Service of Notice;
2. Determination of Quorum/Call to Order;
3. Approval of Minutes of the last Regular Stockholders' Meeting held on July 29, 2021;
4. Approval of Management Report and the 2021 Audited Financial Statements contained in the 2021 Annual Report;
5. Confirmation and Ratification of all acts, contracts and investments made and entered into by Management and/or the Board of Directors during the period July 29, 2021 to July 28, 2022;
6. Election of Members of the Board of Directors for 2022-2023:
    a. Approval of the retention and reelection of Mr. Eliseo B. Santiago and Mr. Cesar A. Buenaventura as Independent Directors.
7. Appointment of External Auditors;
8. Other matters; and
9. Adjournment.

Stockholders as of Record Date **June 15, 2022** will be entitled to notice of, and to vote at, the Annual Meeting.

To conform with the Government's regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Regular Annual Meeting virtually or via online/remote communication, and allow the stockholders to cast their votes by proxy, or by remote communication, or *in absentia*.

To participate in the Annual Meeting, stockholders must register from **9:00 a.m. of July 15, 2022** until **5:00 p.m. of July 25, 2022** through the following link: http://petroenergy.com.ph/investor_relations and follow the steps provided therein. The procedures for participation via remote communication and in absentia may be found in the said link and in **Annex "A"** of the Information Statement.

Stockholders who wish to appoint proxies may submit proxy forms until **5:00 p.m. of July 25, 2022** to the Office of the Corporate Secretary at 7th Floor, JMT Building, ADB Ave., Ortigas Center, Pasig City or by email to asm@petroenergy.com.ph. Validation of proxies will be held on **July 25, 2022. A sample proxy form (attached as Annex "B") will be enclosed in the Information Statement for your convenience.**

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ATTY. SAMUEL V. TORRES
Corporate Secretary

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA
2022 ANNUAL STOCKHOLDERS' MEETING
(THE "ANNUAL STOCKHOLDERS' MEETING")

1. Call to Order

The Chairman of the Board of Directors (or the Chairman of the Meeting, as the case maybe) (the "Chairman") will call the meeting to order.

2. Determination of Quorum/Report on Attendance

The Corporate Secretary (or the Secretary of the Meeting, as the case may be) (the "Secretary") will certify that the written Notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspaper where the notice was published. He will also certify that a quorum exists, and the Stockholders representing at least a majority (or 2/3 in certain cases required by the Revised Corporation Code) of the outstanding capital stock, present in person or by proxy, constitute a quorum for the transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, stockholders may participate and vote through remote communication or in absentia. Stockholders may register by submitting the requirements via email at asm@petroenergy.com.ph and vote in absentia on the matters for resolution at the meeting. Stockholders who will vote in absentia, as well as those who will participate by remote communication, shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** Procedures and Requirements for Voting and Participation in the 2022 Regular Annual Stockholders' Meeting for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the 2022 ASM.

3. Approval of the Minutes of the last Stockholders' Meeting held on July 29, 2021

The Minutes of the Meeting held on July 29, 2021 (attached as **Annex "C"**), showing the agenda items discussed and the resolutions passed thereat, as well as the Meeting's record of attendance, are posted and can be viewed at the PetroEnergy Resources Corporation website: www.petroenergy.com.ph.

4. Approval of Management Report and the 2021 Audited Financial Statements

The Report summarizes the milestones and key achievements of PetroEnergy Resources Corporation ("PERC" or the "Company") and provides a clear picture of how PERC achieved its goals and strategic objectives for the year 2021. The highlights of PERC's audited financial statements are explained in the President and Chief Executive Officer's Report and in the Definitive Information Statement. Copies of the 2021 Audited Financial Statements, which were previously approved by the Board of Directors, were also submitted to the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue.

5. Confirmation and Ratification of all acts, contracts and investments made and entered into by Management and the Board of Directors during the period July 29, 2021 to July 28, 2022.

The actions for approval are those taken by the Board and/or its Committees and/or the Management since the Annual Stockholders' Meeting on July 29, 2021 until July 28, 2022, including the approval of the internal procedures for participation in meetings and voting through remote communication or in absentia. Agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the SEC and the Philippine Stock Exchange will likewise be presented for approval. The acts of the officers were those taken to implement the resolutions of the Board and/or its Committees or made in the general conduct of business.

6. Election of Seven (7) members of the Board of Directors (including Independent Directors) for 2022-2023

At its meeting held on June 15, 2022, the Corporate Governance Committee, as the standing committee of the Board of Directors constituted for the purpose of reviewing and evaluating the qualifications of persons nominated to become members of the Board of Directors (including the Independent Directors), and pursuant to the provisions of the Code of Corporate Governance for Publicly-Listed Companies, as the same are adopted in the Company's 2017 Manual on Corporate Governance, reviewed the candidates for directorship to ensure that they have all the qualifications and none of the disqualifications for nomination and election as members of the Board of Directors.

The seven (7) nominees will be submitted for election to the Board of Directors by the stockholders at the Annual Stockholders' Meeting. The profiles of the nominees are provided in the Definitive Information Statement for the Annual Stockholders' Meeting.

Each shareholder is entitled to one (1) vote per share multiplied by the number of Board seats to be filled, i.e. seven, and may cumulate his/her votes by giving as many votes as he/she wants to any candidate, provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she entitled to vote, the Corporate Secretary, in his discretion, shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that there would only be seven (7) nominees to fill seven (7) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who object to the said casting of votes, which objection is supported by majority of the stockholders present or represented in the meeting.

7. Appointment of the Company's External Auditors

The Company's Audit Committee assessed and evaluated the performance for the previous year of the Company's external auditors, SYCIP GORRES VELAYO & CO. (SGV). Based on the Audit Committee's endorsement, the Board of Directors will recommend the reappointment of SGV, a SEC-accredited auditing firm and among one of the top in the country, as the Company's external auditors for 2022.

A resolution for the appointment of the Company's external auditors for 2022 shall be presented to the stockholders for approval.

8. Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed.

9. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM-20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   _____ Preliminary Information Statement
   ____√ Definitive Information Statement

2. Name of Registrant as specified in its charter : PETROENERGY RESOURCES CORPORATION

3. Province, country or other jurisdiction of Incorporation or organization : Philippines

4. SEC Identification Code : AS094-008880

5. BIR Tax Identification Code : 004-471-419-000

6. Address of the principal office : 7th Floor, JMT Building
   ADB Avenue, Ortigas Center
   Pasig City 1605

7. Registrant's telephone number including area code : (02) 8637-2917

8. Date, time and place of meeting of security holders : July 28, 2022, 4:00 p.m. virtually or via online/remote communication.
   http://petroenergy.com.ph/investor_relations

9. Approximate date on which the Information Statement is first to be sent or given to security holders : June 29, 2022

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of SRC (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Stock Outstanding or Amount of Debt Outstanding
Common	568,711,842

11. Are any or all the Registrant's securities listed on a Stock Exchange?

    Yes __√__ No ______

    If so, disclose name of the Exchange: **Philippine Stock Exchange, Inc. – common shares**

PETROENERGY RESOURCES CORPORATION
INFORMATION STATEMENT

A. GENERAL INFORMATION

1. Date, Time and Place of Meeting of Security Holders

The Regular Annual Stockholders' Meeting of PetroEnergy Resources Corporation ("PERC" or the "Company") will be held on Tuesday, **July 28, 2022 at 4:00 p.m.**, to be called, conducted and presided virtually or via online/remote communication by the presiding officer at the Company's principal office address at 7^{th} Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City. http://petroenergy.com.ph/investor_relations.

Mailing Address – 7^{th} Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City 1600

The approximate date on which this Information Statement is first to be sent or given to security holders is on **June 29, 2022.**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

2. Dissenter's Right of Appraisal

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided under Title X, Section 80 of the Revised Corporation Code of the Philippines.

Although the following actions are not among the matters to be taken up during the **2022** Regular Annual Stockholders' Meeting, the stockholders are herein apprised of their appraisal rights pursuant to Title X of the Philippine Corporation Code. A stockholder shall have the right to dissent and demand payment of fair value of the share in case he voted against the following proposed corporate actions:

a. any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or extending or shortening the term of corporate existence;
b. sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
c. merger or consolidation; and
d. investment of corporate funds for any purpose other than the primary purpose of the Company.

As provided under Section 81 of the Revised Corporation Code, a dissenting stockholder who votes against a proposed corporate action may exercise the Right of Appraisal by making a written demand to the Company for the payment of the fair value of his/her shares held within thirty (30) days from the date on which the vote was taken: Provided, That failure to make the demand within such period shall be deemed a waiver of his/her Right of Appraisal. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder, upon surrender of the certificate or certificates of stock representing the his/her shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If, within sixty (60) days from the approval of the corporate action by the stockholders, the dissenting/withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, such stockholder shall forthwith transfer the shares to the corporation.

3. Interest of Certain Persons in Matters to be Acted Upon

The incumbent directors or officers of the Company, since the beginning of the last fiscal year, do not have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon. None of the incumbent directors informed the Company in writing that he/she intends to oppose any action to be taken during the annual meeting of the stockholders.

B. <u>CONTROL AND COMPENSATION INFORMATION</u>

4. Voting Securities and Principal Holders Thereof:

a) Number of Common Shares Outstanding as of May 31, 2022: **568,711,842**
Number of Vote each share is Entitled: **One (1) vote per share**

Of the total outstanding common capital stock as of May 31, 2022**, 567,184,516** shares (or **99.73%)** are owned by Filipino citizens, while 1,527,326 **shares (**or **0.27%)** are owned by Foreigners.

b) All stockholders as of **June 15, 2022** are entitled to notice and to vote at the Regular Annual Stockholders Meeting.

c) Manner of Voting

Section 7 of Article III of the By-Laws of the Company provides that the stockholders may vote at all meetings the number of shares registered in their respective names either in person or by proxy executed in writing. Section 6 of the same Article provides that no proxy shall be recognized unless presented to the Secretary for inspection and registration at least three (3) calendar days before the date of said meeting (for the 2022 Regular Annual Stockholders' Meeting, the proxy should be presented to the Corporate Secretary not later than 5:00 p.m. on July 25, 2022). The By-Laws of the Corporation does not require notarization of proxies.

In the same vein, Section 23 of the Revised Corporation Code of the Philippines and Section 7, Article III of the Corporation's By-Laws provide that each stockholder may vote in any of the following manner:

1) he/she may vote such number of shares for as many persons as there are Directors to be elected;

2) he/she may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by his/her shares;

3) he/she may distribute them, on the same principle, among as many candidates as he/she may see fit. In any of these instances, the total number of votes cast by the stockholders should not exceed the number of shares owned by him/her as shown in the books of the Corporation multiplied by the total number of Directors to be elected.

d) Security ownership of certain record and beneficial owners and management.

1) Security ownership of certain record and beneficial owners of more than 5% of Registrant securities as of May 31, 2022:

Title of Class	Name, Address of record Owner and relationships With the Issuer	Name of Beneficial Owner and relationship with the record owner	Citizenship	No. of Shares Held	%
Common	PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City	PCD Nominee* (Various stockholders-beneficially owned by the participants of the PCD)	Filipino and Non-Filipino	526,449,664	92.57%
Common	Others	(Various stockholders-no holders of 5%)	Filipino	42,262,178	7.43%
TOTAL				**568,711,842**	**100.00%**

*Under PCD account, the following companies owned more than 5%:

a. RCBC Securities, Inc. – 293,785,107 or 51.65% of the Company's outstanding capital stock. The current nominee of RCBC Securities, Inc. is Mr. Raul M. Leopando. (Under RCBC Securities, Inc. with 5% of the Registrant securities). The breakdown of the shareholdings are as follows:

a.	GPL Holdings, Inc.	–	55,218,121 shares or	9.71%
b.	House of Investments, Inc.	–	143,662,864 shares or	25.26%
c.	RCBC Capital, Inc.	–	60,978,808 shares or	10.72%
d.	Various Stockholders	–	33,925,314 shares or	5.96%

b. RCBC Trust and Investments Division – 64,725,717 shares or 11.38% of the Company's outstanding capital stock. RCBC Trust and Investments are trust accounts between RCBC and Beneficial Owners. The corporate acts of RCBC are carried out by its management through the guidance of its Board of Directors. Ms. Helen Y. Dee is the current Chairman of the Company.

c. Malayan Insurance Company, Inc. – 30,103,023 shares or 5.29% of the Company's outstanding capital stock. Mr. Paolo Y. Abaya is the President and Chief Executive Officer of the Company.

2) Security Ownership of Management (as of May 31, 2022):

The following are the number of shares owned and of record by the Directors, the Chief Executive Officer and each of the key officers of the Company and the percentage of shareholdings of each:

Title of Class	Name of Beneficial Owner Name and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Helen Y. Dee Chairman	Direct Indirect	10,662 5,006,574	Filipino	0.88%
Common	Milagros V. Reyes President/Director	Indirect	125,695	Filipino	0.02%
Common	Maria Mercedes M. M. Corrale Independent Director	Direct	1	Filipino	-
Common	Cesar A. Buenaventura Independent Director	Direct Indirect	1,300 272,844	Filipino	0.04%
Common	Lorenzo V. Tan Director	Direct	1	Filipino	-
Common	Yvonne S. Yuchengco Director/Treasurer	Indirect	435,956	Filipino	0.08%
Common	Eliseo B. Santiago Independent Director	Direct	1	Filipino	-
Common	Francisco G. Delfin, Jr. Vice President	Direct Indirect	55,000 27,500	Filipino	0.02%
Common	Samuel V. Torres Corporate Secretary		-	Filipino	-
Common	Louie Mark R. Limcolioc Asst. Corporate Secretary		-	Filipino	-
Common	Carlota R. Viray AVP for Finance	Direct Indirect	6,216 69,001	Filipino	0.01%
Common	Maria Victoria M. Olivar AVP for Technical			Filipino	-
Total			**6,010,751**		**1.06%**

As of May 31, 2022, the Company's directors and executive officers owned an aggregate of 6,010,751 shares equivalent to 1.06%.

3) Voting Trust Holders of 5% or more

The Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of a class of shares.

e) Changes in Control

There has been no change in the control of the Company since the beginning of last fiscal year. The Company has no existing voting trust or change in control agreements.

5. Directors and Executive Officers:

The members of the Board of Directors are elected at the general meeting of stockholders and shall hold office for a term of one (1) year or until their successors shall have been duly elected and qualified.

The Board Committee Members and other Officers of the Company, unless removed by the Board of Directors, shall serve as such until their successors are elected or appointed.

a. Directors and Executive Officers

The following are the names, ages, positions and periods of service of Directors and Executive Officers:

Name	Age	Position	Citizenship	Period of Service
Helen Y. Dee	78	Chairman (NED)	Filipino	2001 to present
Cesar A. Buenaventura	92	Director / Independent * (NED)	Filipino	1998 to present
Maria Mercedes M. Corrales	72	Director / Independent * (NED)	Filipino	2021 to present
Milagros V. Reyes	80	Director / President	Filipino	1998 to present
Yvonne S. Yuchengco	68	Director / Treasurer	Filipino	2004 to present
Lorenzo V. Tan	60	Director (NED)	Filipino	2019 to present
Eliseo B. Santiago	72	Director / Independent * (NED)	Filipino	2013 to present
Francisco G. Delfin, Jr.	60	Vice President	Filipino	2008 to present
Samuel V. Torres	57	Corporate Secretary	Filipino	2006 to present
Louie Mark R. Limcolioc	35	Asst. Corporate Secretary	Filipino	2021 to present

NED - Non-Executive Director

* Cumulative Term of Nine (9) Years for Independent Directors elected prior to 2012 is reckoned from 2012.

The following are the Chairperson and Members of the Corporate Governance Committee for 2022-2023.

Chairperson – Ms. Maria Mercedes M. Corrales (Independent Director)
Members – Mr. Cesar A. Buenaventura (Lead Independent Director)
Mr. Eliseo B. Santiago (Independent Director)

Below are the incumbent directors who has been nominated to the Board of Directors of the Company for the ensuing year 2022-2023. The nominees have been approved for election by the Corporate Governance Committee at its meeting on June 15, 2022.

1. Ms. Helen Y. Dee – Regular Director
2. Ms. Milagros V. Reyes – Regular Director
3. Ms. Yvonne S. Yuchengco – Regular Director
4. Mr. Lorenzo V. Tan – Regular Director
5. Mr. Cesar A. Buenaventura – Lead Independent Director
6. Ms. Maria Mercedes M. Corrales – Independent Director
7. Mr. Eliseo B. Santiago – Independent Director

Nomination and Election of Independent Director:

All independent directors were nominated by Atty. Dan Dyonne Eminiano Q. Gonzales, who has no relations with the Nominees. (Please see attached **Annex "D"** for the Certification of Independent Directors.)

Justification for the retention and reelection of Mr. Eliseo B. Santiago as Independent Director

MR. ELISEO B. SANTIAGO's term as Independent Director is set to reach its limit in 2022 notwithstanding this, Atty. Dan Dyonne Eminiano Q. Gonzales nominated Mr. Santiago to be retained as Independent Director. Below are the noteworthy justifications that would merit his retention and reelection as Independent Director:

Mr. Santiago has demonstrated expertise in the oil and power industry and extensive knowledge of the Company. His multi-discipline experience across global, regional and local markets contributed to the Company's success in his tenure as Independent Director. During his career, he held responsibility for large businesses within the Shell Group, Citadel Pacific Ltd. and Clark Development Corporation. He successfully led business transformations through innovative strategies, strong focus on operational excellence and by developing people and teams.

Undoubtedly, the Company greatly benefits from Mr. Santiago's guidance as a well-respected member of the business community and through his expertise in the oil and power industry. It would be in the Company's best interest for Mr. Santiago to continue providing the same guidance and wisdom as the Company's Independent Director.

Justification for the retention and reelection of Mr. Cesar A. Buenaventura as Independent Director

Mr. Cesar A. Buenaventura's term as Independent Director is sought to be extended in 2022. Atty. Dan Dyonne Eminiano Q. Gonzales nominated Mr. Buenaventura to be retained as Independent Director considering the below noteworthy justifications that would merit his retention and reelection as Independent Director:

Mr. Buenaventura graduated from the University of the Philippines with a degree in BS Civil Engineering. As a Fullbright scholar, he received his Master's Degree in Civil Engineering from Lehigh University in Bethlehem, Pennsylvania. He started his profession in the construction business with David M. Consunji. Thereafter, in 1956, Mr. Buenaventura went on to commence a long-standing career at Pilipinas Shell, serving as the first Filipino Chairman & CEO of the Shell Group of Companies in the Philippines, from 1977 to 1990. He remains as a Director of said company to date. Among the many appointments and positions that Mr. Buenaventura has held and continues to hold, one of the most notable would be as a Member of the Monetary Board of the Central Bank of the Philippines, representing the private sector from 1981 to 1987. He was also a Founding Member of the Board of Trustees of the Makati Business Club, a Member of the Board of Regents of the University of the Philippines from 1987 to 1994 and of the Board of Trustees of the Asian Institute of Management from 1994 to 1997. Mr. Buenaventura has also been honored with numerous awards and accolades, including being made an Honorary Officer of the Order of the British Empire (OBE) by HM Queen Elizabeth II.

Assessment by the Corporate Governance Committee on the Qualifications of the Nominees for Directorship

The Corporate Governance Committee passed upon their qualifications and found no disqualifications, as provided for in the By-Laws, the 2017 Manual on Corporate Governance, the Board Charter, and in accordance with SRC Rule 38.

The Company has adopted SRC Rule 38, and compliance therewith has been made. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

The nominees for independent directors were advised of SEC Memorandum Circular No 5, Series of 2017 on the required submission of Certificate of Qualification of Independent Directors (the "Certificate of Qualification") that should include, among others, disclosure of any pending criminal or administrative investigation or proceedings, positions held in Government-Owned and Controlled Corporations and the required written permission or consent from the head of Department/Agency for those in government service. As disclosed by the nominees in their respective Certificate of Qualification, each nominee possesses all of the qualifications and none of the disqualifications.

The Independent Directors were likewise advised of the Company's 2017 Manual on Corporate Governance and the Securities and Exchange Commission (SEC) Memorandum Circular No. 19, Series of 2016 on the term limits for Independent Directors, both of which state that independent directors shall serve a maximum cumulative term of nine (9) years reckoned from 2012. Such term limit, however, may be extended upon meritorious justification/s and stockholders' approval.

Business Experiences during the Past five (5) Years and Educational Background.

<u>Directors</u>

MS. HELEN Y. DEE, 78, Filipino, Chairman (Non-Executive Director)

Publicly-Listed Companies: Ms. Dee has been a Director of the Company since 2001 and Chairman of the Board since 2011. She is also presently the Chairman of House of Investments, Inc., Rizal Commercial Banking Corporation, and EEI Corporation, and a Director of PLDT Inc.

Non-Listed: She is the Chairman of RCBC Excom Forex Brokers Corporation, Landev Corporation, Mapua Information Technology, Inc., Hi-Eisai Pharmaceuticals, Inc., Pan Malayan Realty Corporation, RCBC Savings Bank, Merchants Bank, La Funeraria Paz-Sucat, Malayan Insurance Company, Inc., Xamdu Motors, Inc., Manila Memorial Park Cemetery, Inc., PetroWind Energy, Inc. and Malayan High School of Science, Inc.

She is the Chairman/President of Hydee Management & Resources, Inc.; Financial Brokers Insurance Agency, Inc., RCBC Leasing and Finance Corporation and Mijo Holdings, Inc.; She is also Chairman and CEO of Tameena Resources, Inc. She is the President of Moira Management, Inc., YGC Corporate Services, Inc. and GPL Holdings, Inc. She is the Vice Chairman of Pan Malayan Management and Investment Corporation and West Spring Development Corporation and Vice President of A.T. Yuchengco, Inc. She is also a Member, Board of Trustees of Mapua Institute of Technology, Inc. a leading engineering school in the Philippines, Malayan Colleges Laguna, Inc and Philippine Business for Education, Inc. She also sits in the Board of the following companies, South Western Cement Corp., Great Life Financial Assurance Corp., MICO Equities, Honda Cars Philippines, Inc., Isuzu Philippines, Inc., A.Y. Holdings, Inc. Pan Malayan Express, Honda Cars Kalookan, Sun Life Grepa Financial, Inc., Philippine Integrated Advertising Agency, Inc., Y Realty, Inc., Luis Miguel Foods.

Educational Background: Bachelor of Science in Commerce Major in Administration from the Assumption College; Master in Business Administration Degree from the De La Salle University.

MR. CESAR A. BUENAVENTURA, 92, Filipino, Independent Director.

Publicly-Listed Companies: Mr. Buenaventura is a Non-Executive Director of DMCI Holdings, Inc. and Semirara Mining and Power Corporation. An Independent Director of Concepcion Industrial Corporation, International Container Terminal Services, Inc., iPeople, Inc. Manila Water Compay, Inc., and Pilipinas Shell Petroleum Corporation.

Non-Listed and Civic Affiliations: Mr. Buenaventura is also holding the following positions: Chairman at Buenaventura, Echauz and Partners, Inc., Mitsubishi Hitachi Power Systems (Phils.), Inc. He is a director of various companies such as: D.M. Consunji, Inc., The Country Club, and trustee of various foundations such as Pilipinas Shell Foundation, Inc. (Chairman), Bloomberry Cultural Foundation and ICTSI Foundation.

Educational Background and Other Information: Bachelor of Science in Civil Engineering from the University of the Philippines; Master's degree in Civil Engineering majoring in Structures from Lehigh University, Bethlehem, Pennsylvania as a Fulbright Scholar. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

MS. MILAGROS V. REYES, 80, Filipino, Director/President

Publicly-Listed Companies: Seafront Resources Corporation (President) and formerly, iPeople, Inc.

Non-Listed: She is the President/Director of PetroWind Energy Inc. and PetroSolar Corporation; President/Chairman of PetroGreen Energy Corporation; Chairman of Maibarara Geothermal, Inc.; and Director and Treasurer of Hermosa Ecozone Development Corporation. She previously served as President of Petrofields Corp. (now iPeople, Inc.); Senior Vice President of Basic Consolidated, Inc. (formerly Basic Petroleum and Minerals, Inc.); Vice President and Chief Operating Officer of Mapua Institute of Technology, Inc.; Director and Consultant of PNOC-EC.

Educational Background: Bachelor of Science in Geology and Physical Sciences (Double Degree) from the University of the Philippines. She pursued various technical trainings from the National Iranian Oil Co., University of Illinois, and Ajman Fields in U.

YVONNE S. YUCHENGCO, 68, Filipino, Director/Treasurer

Publicly-Listed Companies: House of Investments, Inc., Seafront Resources Corporation, iPeople, Inc. and National Reinsurance Corporation of the Philippines.

Non-Listed: She is the Chairperson/President/Director of Phil. Integrated Advertising Agency, Inc., Royal Commons, Inc., Y Realty Corporation, Y Tower II Office Condominium Corporation, Yuchengco Museum, Inc., Yuchengco Tower Office Cond. Corporation, Chairperson of XYZ Assets Corporation, Director/President of Alto Pacific Corporation, RCBC Land, Inc., Mico Equities, Inc. She is Director/Treasurer of Honda Cars Kaloocan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corporation, PetroEnergy Resources Corporation, Water Dragon, Inc., DirectorTreasurer/CFO of Pan Malayan Mgm't. & Inv't. Corp., Director/Vice Chairperson of Malayan Insurance Co., Inc., Director/Vice President/Treasurer of Pan Managers, Inc., Trustee/Chairperson of The Malayan Plaza Condominium Owners Association, Inc., Trustee of AY Foundation, Inc, Mapua Institute of Technology, Inc., Phil-Asia Assistance Foundation, Inc., She is a member of Advisory Committee of Rizal Banking Corporation, Director/Corporate Secretary of MPC Investment Corporation. She is also a member of the Board of Directors of the following companies: Annabelle Y. Holdings & Management Corporation, Asia-Pac Reinsurance Co., Ltd., A.T.Yuchengco, Inc. DS Realty, Inc., Enrique T. Yuchengco, Inc., GPL Holdings, Inc., House of Investment, Inc., HYDee Management and Resource Corp., iPeople, Inc., La Funeraria Paz, Inc.-Sucat, Luisita Industrial Park Corp., Malayan College Laguna, Inc., Malayan Colleges, Inc., Malayan High School of Science, Inc., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., Pan Malayan Express, Inc., Pan Malayan Realty Corporation, Shayamala Corp. and YGC Corporate Services, Inc, Yuchengco Center, Inc.

Educational Background: Bachelor of Arts in Interdisciplinary Studies from the Ateneo De Manila University

MR. LORENZO V. TAN, 60, Filipino, Non-Executive Director

Publicly-Listed Companies: He is currently an Independent Director of the Philippine Realty Holdings Corporation and Atok-Big Wedge Co., Inc. and a regular director of the House of Investments, Inc., EEI Corporation, and iPeople, Inc.

Non-Listed: He serves as the Vice Chairman of the Pan Malayan Management & Investment Corporation and the TOYM Foundation; a director of the Malayan Insurance Company, Inc., and Sunlife Grepa Financial, Inc; and member of the Board of Advisors of the FICO Group of Companies (Bangkok, Thailand).

Previous Experiences: He previously served as President and CEO of the Rizal Commercial Banking Corporation, Sunlife of Canada (Phil), Inc., the Philippine National Bank, United Coconut Planters Bank; as Director of SMART Communications, Inc., Digital Telecommunications (DIGITEL), and Voyager Innovation, Inc, and CITIBANK NA Singapore; as Group Managing Director of Guoco Holdings (Philippines) Inc.; as President of the Bankers Association of the Philippines and Chairman of the Asian Bankers Association. He was an awardee of the 1999 The Outstanding Young Men (TOYM) in the field of Banking.

Educational Background: He took his Master of Management Degree from J.L. Kellogg Graduate School of Management, Northwestern University Evanston, Illinois, USA, with concentration in Finance and Management Information Systems. He graduated with a degree of Bachelor of Science in Commerce, Major in Accounting from the De La Salle University, Manila, Philippines. He is a Certified Public Accountant in Pennsylvania, USA and in the Philippines.

MS. MARIA MERCEDES M. CORRALES, 72, Filipino, Independent Director

Ms. Corrales presently sits as Member in the Board of Trustees of Mapua since 2013, and likewise held directorships and executive positions in both local and foreign companies in the past.

Ms. Corrales started her illustrious career with Levi Strauss & Co. (“Levi’s”) where she first served as Distribution Manager, Marketing Services Manager, Merchandising Manager and Marketing Director from 1974 until 1985. Thereafter, she was appointed to several executive posts in Levi’s, more particularly: Far East Regional Marketing and Licensing Director for Levi’s Far East (1986 -1990); Managing Director for Levi’s Singapore, Malaysia and Indonesia (1991-1994); General Manager for Levi’s Philippines I and II (1994-1997); Member of the Board of Trustees for Levi Strauss Foundation (SFO, USA) (19970-200); General Manager and Executive Director for Levi’s South America (1997-2000); President and Representative Director for Levi’s Japan KK (2001-2005); and Regional Vice President for Levi’s North Asia covering Greater China, South Korea, and Japan (2001-2005).

After Ms. Corrales’ stint with Levi’s, she worked with Starbucks Corporation from 2006 until 2010 wherein she served the positions of Corporate Sr. Vice President (Seattle), President for Asia Pacific Division (Japan, South Korea, SEA, ANZ), and Representative Director and Chief Executive Officer/Chief Operating Officer for Starbucks Coffee Japan KK. She also held independent non-executive directorships and committee memberships in Fraser and Neave Limited, Singapore and its Beverage Committee (2011-2013); Sarah Lee/D.E. Masters Blenders, Netherlands and its Remuneration and Audit Committees (2011-2013); Huhtamaki Oyji, Finland and its Human Resource Committee (2012-2016); and RCBC Savings Bank, Manila and its Executive and Governance Committees (2016-2019).

Educational Background: Ms. Corrales is a product of Mapua Institute of Technology (“Mapua”) with a degree in BSBA Management in 1972. She also pursued studies abroad and finished Masters in Business Administration postgraduate diploma at Fuqua School of Business, Duke University, North Carolina, U.S.A. in 2000

MR. ELISEO B. SANTIAGO, 72, Filipino, Independent Director

Non-Listed: Mr. Santiago sits in the Board and is a member of the Executive Committee of Isla Petroleum and Gas Corporation. He is also an Independent Director of Supply Oilfield Services, Inc. He was formerly Chairman of the Board of the Clark Development Corporation; formerly, Chief Executive of the Shell Eastern Caribbean Group of Companies covering Supply & Trading, Sales & Marketing and Chemicals businesses of the Shell Group in 15 island countries based in Barbados; Managing Director of Pilipinas Shell Petroleum Corporation; Senior Adviser to the Regional Managing Director for Asia Pacific, based in London; Country Chairman of the Shell companies in Thailand and concurrently the Vice President for Retail for the ASEAN countries and Hong Kong, based in Bangkok; Country Chairman of the Shell companies in the Philippines in addition to his regional Retail Sales and Operations for the East, based in Manila.

Educational Background: Mr. Santiago is a graduate of Bachelor of Science degree in Mechanical Engineering from the Mapua Institute of Technology in 1971 and received his professional license as a Mechanical Engineer in the same year.

Executive Officers:

MILAGROS V. REYES, 80:	**President and CEO (1998 to present)**
Other Business Experience:	
President/ Director	Seafront Resources Corporation, PetroWind Energy Inc. PetroSolar Corporation
President/Chairman	PetroGreen Energy Corporation
Chairman/Director	Maibarara Geothermal, Inc.
Director/Treasurer	Hermosa Ecozone Development Corporation
Former Senior Vice President	Basic Petroleum and Minerals Corporation
Former Director	PNOC-EC, iPeople, Inc.
Educational Background:	Ms. Reyes graduated from the University of the Philippines with a Bachelor of Science degree in Geology and Physical Sciences Double Degree. She pursued Specialization and Training in National Iranian Oil Co., in Teheran, University of Illinois and in Ajman Fields in U.A.E.
FRANCISCO G. DELFIN, JR., 60:	**Vice President (2008 to present)**
Other Business Experience:	
President / Director	Maibarara Geothermal, Inc.
Vice President & COO / Director	PetroGreen Energy Corporation
Vice President / Director	PetroSolar Corporation
Vice President	PetroWind Energy, Inc.
Former Undersecretary	Department of Energy
Former Assistant Secretary	Department of Energy
Former Professor, Public Administration & Governance	University of the Philippines, Diliman Campus
Geophysics Supervisor	PNOC-EDC
Educational Background:	Mr. Francisco G. Delfin, Jr. is a graduate of Bachelor of Science in Geology from the University of the Philippines (6th place in the 1982 Geologist Licensure Examination). He received his Master's Degree in Geology from the University of South Florida, Tampa, and his Ph.D. in Public Administration from the University of Southern California.
SAMUEL V. TORRES, 57	**Corporate Secretary (2006 to present)**
Other Business Experience:	
General Counsel/Corporate Secretary	AY Foundation, Inc., Alto Pacific Company, Inc. (Formerly: The Pacific Fund, Inc.), Bankers Assurance Corp., FBIA Insurance Agency, Inc., Bluehounds Security & Invt. Agency, Enrique T. Yuchengco, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc. GPL Cebu Tower Office Cond. Corp., GPL

	Holdings, Inc., Grepaland, Inc., Grepa Reality Holding Corporation, Hexagon Integrated Financial & Insurance Agency, Hi-Eisai Pharmaceutical, Inc., Honda Cars Kalookan, Inc, House of Investments, Inc., Hexagon Integrated Fin. Ins. Agency, Inc., Hexagon Lounge, Inc., iPeople, Inc., Investment Managers, Inc., Landev Corporation, La Funeraria Paz-Sucat, Inc., Malayan High School of Science, Inc., Malayan Insurance Co., Inc., Mico Equities, Inc., Malayan Colleges, Inc., Malayan Colleges Laguna, Inc., Malayan Securities Corporation, Mapua Information Technology Center, Inc., MJ888 Corporation, Mona Lisa Development Corporation, Pan Malayan Management & Investment Corporation, Pan Malayan Realty Corporation, Pan Malayan Express, Inc., Pan Pacific Computer Center, Inc., People eServe Corporation, Philippine Integrated Advertising Agency, Inc., Royal Commons, Inc., RCBC Forex Corporation, RCBC Realty Corporation, RCBC Land, RCBC Securities, Inc., RCBC Bankard Services Corporation, RCBC Securities, Inc., RP Land Development Corporation, Sun Life Grepa Financial, Inc., Yuchengco Museum, YGC Corporate Services, Inc., Y Realty Corporation, Y Tower II Office Condominium Corp., Yuchengco Tower Office Condominium Corp. and Xamdu Motors, Inc.
Educational Background:	Atty. Samuel V. Torres is a graduate of Bachelor of Science in Business Economics from University of the Philippines and Bachelor of Laws from Ateneo de Manila University.
LOUIE MARK R. LIMCOLIOC, 35	**Asst. Corporate Secretary (2021 to present)** **Compliance Officer (2021 to present)** **AVP for Legal and Corporate Affairs**
Other Business Experience: Corporate Secretary	 PetroGreen Energy Corporation PetroWind Energy Inc.
Educational Background:	Atty. Louie Mark R. Limcolioc graduated with a degree of Bachelor of Arts in Legal Management from the University of Santo Tomas. He obtained his Bachelor of Laws/Juris Doctor degree from San Beda College Alabang. He worked with Padilla Asuncion Law Office as Associate Lawyer before joining the Company in 2015.
MARIA VICTORIA M. OLIVAR	AVP for Operations
	Ms. Olivar is the Assistant Vice President for Operations of PetroEnergy Resources Corporation and Assistant Vice President of Maibarara Geothermal, Inc. She worked with PNOC Energy Development Corporation from 1996 to 2010 and with Comexco, Inc from 1993 to 1996.
Educational Background:	Ms. Olivar is a graduate of Bachelor of Science in Geology from University of the Philippines. She received her Master's Degree in Geology from the Geothermal Institute, University of Auckland, New Zealand. She received her Diploma on Geothermal Technology from the Geothermal Institute, University of Auckland, New Zealand.
VANESSA G. PERALTA	AVP for Corporate Communication and CIO (2021 to present) Corporate Communication Senior Manager (2017-2021) Corporate Communication Officer (2016 - 2017) Data Privacy Officer.
Educational Background:	Ms. Peralta is a graduate of Bachelor of Science in Development Communication from the University of the Philippines.

b. Legal Proceedings

The Company is not aware of any legal case, presently or during the last five (5) years, involving the present members of the Board of Directors or Executive Officers or their property before any court of law or administrative body in the Philippines or elsewhere. Moreover, the Company has no information that the above named persons have been convicted by final judgment of any offense punishable under the laws of the Philippines or of any other country.

c. Significant Employees

The Corporation has no employee who is not an executive officer that is expected to make a significant contribution to the business. The Corporation values its human resources. It strives to develop and maintain a safe, healthy, challenging, rewarding, participative, and fair working environment for all employees, and intends to utilize their full talents and expertise through effective selection, mentoring and development. The Company likewise seeks to offer career opportunities to qualified employees, regardless of gender, belief, ethnic or regional origin, and physical condition. It expects each employee act as a team player and do his or her share in achieving the Corporation's set goals.

d. Family Relationships

Ms. Helen Y. Dee and Ms. Yvonne S. Yuchengco are siblings.

e. Certain Relationships and Related 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. A related party relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

As a good corporate practice, the Company discloses its related party transactions, if any, in its Audited Financial Statements (AFS). In this regard, please refer to the 2020 Consolidated AFS, Note 25, for the significant transactions with related parties.

f. Disagreement with the Company

No Director has resigned from the Board of Directors since the date of the last meeting of shareholders due to disagreement with the Company on any matter relating to its operations, policies and practices.

6. Compensation of Directors and Executive Officers

Summary of Annual Compensation Table

Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation	Total
Top 5 Highest paid key officers:						
Milagros V. Reyes	President					
Francisco G. Delfin	Vice President					
Carlota R. Viray	AVP - Finance					
Louie Mark R. Limcolioc	Asst, Corporate Secretary/Compliance Officer					
Maria Victoria M. Olivar	AVP - Operations					
Vanessa G. Peralta	AVP - Corp Communication and CIO					
Total salaries top 5 highest paid officers						
		2019	13,948,386	8,837,996	1,096,922	23,883,304
		2020	13,317,746	5,367,137	2,277,415	20,962,298
		2021	13,709,669	4,329,249	2,771,495	20,810,413
		2022 est	16,980,367	6,682,758	2,157,132	25,820,257
All Directors and Officers as a group		2019	13,948,386	8,837,996	5,804,539	28,590,921
		2020	13,317,746	5,367,137	7,951,613	26,636,496
		2021	13,709,669	4,329,249	7,595,699	25,634,617
		2022 est	16,980,367	6,682,758	8,424,424	32,087,549

The Company's fiscal year ends in the month of December of every year. Estimated compensation of all Directors and officer for the year 2022 is P32.087 million.

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly.

The Board of Directors receives a per diem of P5,000.00, per meeting attended. No warrants or options were granted to the Directors and Officers from 2001 to 2021.

Aside from those mentioned above, there are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, other than those stated in the above table during the Company's last completed fiscal year and the ensuing year for any service provided as an executive officer or member of the Board of Directors.

There is no director, executive officer, nominee for director, beneficial holder and family member involved in any business transaction of the Company.

7. External Auditors

a. Appointment of External Auditors

The Company's external auditor is SyCip Gorres Velayo & Co. (SGV & Co.), with office address at SGV Building, 6760 Ayala Avenue, Makati City, Philippines. SGV & Co. has been reappointed during the Company's recent Annual Stockholders' Meeting on July 29, 2021. The representatives of SGV & Co. have always been present at the Annual Stockholders' Meeting held during prior years and shall likewise be present during for this year's Stockholders' Meeting to respond to appropriate questions or make statements with reference to matters for which their services were engaged.

The Company is in compliance with SRC Rule 68 paragraph 3 (b)(1V) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five consecutive years and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for 2021, Ms. Ana Lea C. Bergado, has not been involved as engagement partner for more than five (5) years.

b. Audit and Other Related Fees

Audit and Other Related Fees

The Audit Committee approved SGV & Co.'s fees based on the services rendered and the amount paid from the previous year's audit fees.

c. Changes and Disagreements with Accountants on Accounting and Financial Disclosure.

The Company has not changed SGV & Co. as its auditor and has not had any disagreements on any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedure during the last three years or any subsequent interim periods.

8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange

There is no matter or corporate action to be taken up in the meeting with respect to issuance of securities.

10. Modification or Exchange of Securities

No modification of Outstanding Securities

11. Financial and Other Information

The Company's financial statements for the year ended December 31, 2021 and Management's Discussion and Analysis or Plan of Operations are contained in the Management Report portion of this Information Statement.

12. Mergers, Consolidation, Acquisition and Similar Matters

Not Applicable

13. Acquisition or Disposition of Property

Not Applicable

14. Restatement of Accounts

None

D. OTHER MATTERS

15. Actions with Respect to Reports

During the scheduled Regular Annual Stockholders' Meeting, the following shall be submitted to the stockholders for their approval:

a) The Minutes of the Annual Stockholders' Meeting held on July 29, 2021;

b) Approval of Management Report and the 2021 Audited Financial Statements contained in the 2021 Annual Report.

c) Confirmation and Ratification of all acts, contracts and investments made and entered into by Management and/or Board of Directors during the period of July 29, 2021 to July 28, 2022.

1) Constitution of various Committees and Appointment of Chairman and Members: (Organizational Meeting held on July 29, 2021), such as:

Audit Committee

Chairman	-	Cesar A. Buenaventura (Lead Independent Director)
Members	-	Maria Mercedes M. Corrales (Independent Director)
	-	Helen Y. Dee (Non-Executive Director)

Corporate Governance Committee

Chairman	-	Maria Mercedes M. Corrales (Independent Director)
Members	-	Cesar A. Buenaventura (Lead Independent Director)
	-	Eliseo B. Santiago (Independent Director)

Board Risk Oversight Committee

Chairman	-	Eliseo B. Santiago (Independent Director)
Members	-	Cesar A. Buenaventura (Lead Independent Director)
	-	Lorenzo V. Tan (Non-Executive Director)

2) Board Approvals

i) Regular BOD July 29, 2021
   a. SyCip Gorres Velayo & Co. (SGV & Co.) as External Auditor of the Company

ii) Special BOD December 28, 2021
   a. Equity Call

iii) Regular BOD November 25, 2021
   a. Approval of the transfer of Company Vehicles to the Corporation's Officers Pursuant to Company Policy
   b. Appointment of Chief Risk Officer
   c. Updating of Authorized Signatories for Banks and Contracts
   d. Authority to Avail a P300MM Loan from Various Funders (RCAP PNs) and Reappointment of RCAP to act as Company's Broker
   e. Authority to Grant Advances to PGEC for the Purchase of Lots in Bugallon, Pangasinan and Dagohoy, Bohol
   f. Authority to Avail a Group Life Insurance with Sun Life Grepa Insurance for All Employees

iv) Special BOD January 14, 2022
   a. Service Contract 6A (SC 6A) – Octon, Northwest Palawan
   b. Right of First Offer (ROFO) Notice to Etame Consortium Partners in Relation to PERC's Participating Interest in Etame Block

v) Special BOD March 15, 2022
   a. Reallocation of SRO Proceeds

vi) Regular BOD March 31, 2022
   a. Renewal of Directors' and Officers' Liability Insurance
   b. Transfer of Company Issued Vehicles to the Corporation's Officers
   c. Appointment of Atty. Louie Mark R. Limcolioc as Alternate Information Officer

vii) Special BOD April 21, 2022
   a. Approval of the 2021 Audited Financial Statements

viii) Regular BOD May 31, 2022
   a. New Appointments
   b. Updating of Authorized Signatories
   c. Approval for the holding of 2022 Annual Stockholders' Meeting

16. Matters Not Required to be Submitted

a) Proof of the required notice of the meeting.
b) Proof of the presence of a quorum.

17. Amendments of Charter, By-Laws and Other Documents

None

18. Other Proposed Action

None

19. Voting Procedures

Section 23 of the Revised Corporation Code of the Philippines and Section 7 of Article III of the By-Laws of the Corporation provides that:

"At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many vote as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the whole number of Directors to be elected."

With respect to amendments to various provisions of Articles of Incorporation, the approval of the stockholders owning two-thirds (2/3) of the outstanding capital stock is required. Other items that need action of the stockholders require simple majority.

The voting procedure for election and approval of corporate actions in which Stockholders' approval will be required shall be by "*viva voce*", unless voting by ballot is decided upon during the meeting.

The methods by which votes will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "*viva voce*". If by ballot, counting shall be supervised by external auditors and transfer agent.

However, considering that the Company will dispense with the physical attendance of its stockholders, the Board of Directors has adopted an internal procedure for the voting and participation in the 2022 Annual Stockholders' Meeting, which covers both electronic voting *in absentia* and proxy voting. For the detailed steps and guidelines, please see attached **Annex "A"** – **Procedures and Requirements for Voting and Participation in the 2022 Annual Stockholders' Meeting.**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on June 21, 2022.

PETROENERGY RESOURCES CORPORATION
By:

ATTY. SAMUEL V. TORRES
Corporate Secretary

Undertaking to Provide Annual Report

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER WITH A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A, FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHOULD BE ADDRESSED TO THE FOLLOWING:

Office of the Corporate Secretary
PETROENERGY RESOURCES CORPORATION
7th Floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

MANAGEMENT REPORT TO STOCKHOLDERS
PART I - BUSINESS AND GENERAL INFORMATION

INCORPORATED HEREIN ARE THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PETROENERGY RESOURCES CORPORTION FOR THE YEAR ENDED DECEMBER 31, 2021 WITH THE CORRESPONDING STATEMENT OF MANAGEMENT RESPONSIBILITY and 2022 FIRST QUARTERLY REPORT.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

For the last five (5) years, there have been no disagreements with the independent accountant on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure. During the two most recent fiscal years, the independent accountant has not resigned, was dismiss or otherwise ceased performing services for the Company. (Please see discussion on page 17 of the Information Statement Item 7 – Independent Public Accountant, Audit and Audit-Related Fees.

<u>Item 1 - Business Development</u>

PetroEnergy Resources Corporation ("PERC" or "PetroEnergy" or the Parent Company) is a publicly-listed domestic corporation. Its registered office and principal place of business is 7/F, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

PERC was organized on September 29, 1994 as Petrotech Consultants, Inc. to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines.

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" (RE Law), 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.

On March 31, 2010, PERC incorporated it's now 90%-owned subsidiary, PetroGreen Energy Corporation (PetroGreen or PGEC), to act as its renewable energy arm and holding company. PGEC ventured into renewable energy development and power generation through its subsidiaries and affiliate: (a) Maibarara Geothermal, Inc. (MGI, 65%-owned) - owner and developer of the 20 MW Maibarara Geothermal Power Project (MGPP-1) in Santo Tomas, Batangas and its expansion, the 12 MW MGPP-2; (b) PetroSolar Corporation (PetroSolar, 56%-owned) - owner and developer of the 50MW_{DC} Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW_{DC} expansion, TSPP-2; and (c) PetroWind Energy, Inc. ("PetroWind", 40%-owned) – owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) in Nabas and Malay, Aklan.

MGI and PetroSolar are effectively indirect subsidiaries of PetroEnergy through PetroGreen. PetroGreen owns majority of the voting power of MGI and PetroSolar. PetroEnergy, PetroGreen, MGI and PetroSolar are collectively referred to as the "Group" and were incorporated in the Philippines.

<u>Business of Issuer</u>

Description of Business

The Group's four (2) main energy businesses are: (1) upstream oil exploration and development; and (2) development, and power generation from renewable energy resources such as, (a) geothermal, (b) solar, and (c) wind, through the Group's affiliate, PetroWind.

(1) Upstream Oil Exploration and Development

Oil and gas are buried several thousands of meters underneath the earth. The explorationist, therefore, neither sees nor touches his target. This lack of physical access, however, is compensated by applying various geological, geophysical, and geochemical exploration tools.

In the actual drilling of hydrocarbon, computer-guided drilling rigs dig rock layers several kilometers below the surface. In offshore exploration and production, robot submarines are used to emplace and control subsea equipment and materials. These intensive application of modern technology requires large amounts of capital. Oil exploration companies worldwide had adopted the prudent strategy of pooling together in a consortium to pursue exploration in order to distribute risk and minimize financial exposures.

The common financial arrangement between host countries and the exploration companies is the sharing in costs and revenues from the sale of the hydrocarbon products. The host country partakes in the costs by allowing the explorationists to recover an agreed percentage of the historical costs before the net proceeds are divided between the government and the consortium.

Oil Exploration and Development Projects

The principal properties of the Company consist of various oil areas located in the Philippines and in Gabon. Petroleum production is on-going in the Etame (Gabon) concession, while the other petroleum concessions in the Philippines are still in the exploration stages. The following is a brief description and update of each.

Foreign Operations

Gabon, West Africa

The Group holds approximately 2.53% participating interest in the Exploration and Production Sharing Contract covering the Etame block in Gabon, West Africa (the "Etame Marin Permit"). The other parties in the consortium are Addax Petroleum Etame, Inc. (33.90%) and VAALCO Gabon (Etame), Inc. (63.58%) (the "Gabon Consortium"), are leaders in their respective areas of operation. VAALCO is the Consortium's operator, and is in charge of conducting the exploration and production activities in the Gabon contract area.

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 and in the case of the consortium, within the Etame Marin Permit area.

In August 2021, the Consortium entered into a Bareboat Charter Agreement and Operating Agreement with World Carrier Offshore Services Corporation (World Carrier) to provide and operate a Floating Storage and Offloading (FSO) unit at the Etame Marin field for up to eight (8) years with additional option periods available upon the expiration of the current 20-year Floating Production, Storage and Offloading (FPSO) contract with BW Offshore in September 2022

In December 2021, the consortium commenced a four-well drilling program in the Etame, Avouma and North Tchibala fields using the Borr Norve jack-up drilling rig, aimed to sustain field production to above 20,000 BOPD. The first well, Etame-8H sidetrack, was put on-line on February 02, 2022. Subsequent wells (Avouma-3H sidetrack, South Tchibala-1HB sidetrack and North Tchibala-2H) are scheduled to be completed within 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.

Update on Production
Production is routed to the Petroleo Nautipa, the spread-moored (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). The Petroleo Nautipa FPSO will be replaced by the Cap Diamant FSO, to be provided by World Carrier, in September 2022.

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

In 2021, total crude production reached 5.42 MMBO. The Consortium managed 11 liftings, resulting in net crude export of 5.867 MMBO, with crude oil market prices ranging from US$ 50 – US$85 per barrel.

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.

Since the Gabon oilfield has been put on-line in 2002, a total of 124 MMBO has been extracted to date over the last 19 years.

Philippine Operations

SC 6-A - 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 2019, consortium operator 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

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 March 31, 2021, Philodrill gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract. The limited term remaining in the SC 6A until its expiry in February 2024 exacerbated by the Covid-19 situation, greatly hampered the timely execution of the programs that the Joint Venture envisage undertaking to pursue appraisal programs and potential development opportunities in the area.

Following the above, as of December 31, 2021, the Group has written –off the P159.298 million deferred cost.

PERC holds a 16.667% participating interest in SC 6-A

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.

The SC 14C2 Consortium, led by operator Philodrill Corp., negotiated with a potential farmee for the drilling of potential drilling targets, in exchange for a majority share and Operatorship of SC 14C2. This 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.

Throughout the second half of 2021, the SC 14C2 consortium proceeded with a third-party technical evaluation of the West Linapacan B field, to assess potential production opportunities. SC 14C2 is due to expire in December 2025.

Due to the limited term remaining, the Group assessed the recoverability of the investment included in "Wells, platforms and other facilities" account under "Property, plant and equipment" and recorded Impairment loss amounted to ₱144.40 million in 2021 (nil in 2020 and 2019).

As of December 31, 2021 and 2020, the investment amounts to ₱61.92 million and ₱206.32 million, respectively.

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

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.

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, including the committed ~1,000 sq.km 3D seismic survey over the identified leads in SC 75.

On December 2021, the SC 75 consortium officially engaged Shearwater Geoservices Ltd. for the ~1,100 sq.km 3D seismic survey over SC 75, set to be conducted from April-May, 2022 using the M/V Geo Coral seismic vessel.

As of December 31, 2021 and2020, the corresponding percentages of the Group's participation in the various Petroleum SC areas are as follows:

	2021	2020
Gabonese Oil Concessions	2.525%	2.525%
SC 6-A - Octon Malajon Block	16.667%	16.667%
SC 14 C2 - West Linapacan	4.137%	4.137%
SC 75 - NW Palawan	15.000%	15.000%

The oil revenues are derived from Gabon Operations. All contractual obligations with the Gabonese Government are complied with. The Philippine contracts are in exploration stage and some contracts are being farmed out to reduce risk inherent to the business.

(2) Development, and power generation from Renewable Energy resources

(b) Geothermal Energy

Maibarara Geothermal Power Project
Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-012

Following the DOE's Philippine Energy Contracting Round for Geothermal in 2009, PetroEnergy signed the Service Contract for the Maibarara Geothermal Power Project (MGPP) on February 1, 2010. PetroEnergy then conducted pre-development activities in 2010 to 2011. In order to carry out the development and operations of the MGPP, PetroEnergy (through its subsidiary, PetroGreen) then created Maibarara Geothermal, Inc. (MGI) along with Trans-Asia Oil and Energy Development Corporation ("Trans-Asia", subsequently renamed as PHINMA Energy Corporation or "PHINMA", and now known as AC Energy Corporation or "ACEN") and PNOC Renewable Corporation (PNOC RC), with 65%, 25%, and 10% equity ownerships, respectively.

In June 2019, ACEN, the energy platform of Ayala Corporation, completed the acquisition of PHINMA, including PHINMA's 25% share in MGI.

20 MW Maibarara-1 Geothermal Power Plant (MGPP-1)

The DOE confirmed the commerciality of the 20-MW MGPP-1 in 2011, allowing MGI to proceed with the MGPP's development stage, involving 1) the drilling of two (2) wells to complete the steam production and reinjection well capacities, and 2) the construction of the steamfield and power plant facilities. The MGPP-1's 115kV Transmission Line system was successfully connected to the existing Manila Electric Company (MERALCO) line in September 2013. Upon completion of the reliability and performance testing, the MGPP-1 went on commercial operations on February 8, 2014. All electricity generated are sold to offtaker, ACEN, following the aforementioned acquisition of PHINMA by ACEN.

MGPP-1 exported 157.60 GWh and 165.10 GWh of electricity in 2021 and 2020, respectively.

12 MW Maibarara-2 Geothermal Power Plant (MGPP-2)

With the stable performance of the reservoir, MGI decided to pursue an expansion of the MGPP. There was at least 5 MW of excess steam supply from the MGPP-1 wells, and with the ~6 MW capacity of the new well, an expansion of 12 MW was decided and approved in 2015 (MGPP-2).

Major power plant components from Fuji Electric Co. Ltd. ("Fuji", the same supplier as the MGPP-1) were delivered and installed on site from March to April 2017. MGPP-2 was first synchronized to the grid on March 9, 2018, with the full 12 MW attained on March 18, 2018. Reliability tests were then conducted from March 18 to 27, 2018, during which the power plant was on full 12 MW operation.

The Energy Regulatory Commission (ERC) formally notified MGI of the approval of MGPP-2's Certificate of Compliance (COC) application on April 26, 2018. Subsequently, the MGPP-2 was accepted into the Wholesale Electricity Spot Market (WESM) on April 30, 2018 - pegging the MGPP-2's start of Commercial Operations on the same date. This operationally started the application of MGPP-2's Electricity Supply Agreement (ESA) with PHINMA, now ACEN, wherein all of MGPP-2's generated electricity are sold to ACEN.

MGPP-2 exported 93.80 GWh and 93.97 GWh of electricity in 2021 and 2020, respectively.

Both the MGPP-1 and the MGPP-2 are registered with the Board of Investments and are enjoying the incentives under the Renewable Energy Act of 2008.

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On February 08-13, 2021, the Maibarara-2 facility had its similar scheduled minor maintenance shutdown activities.

MGPP-2 exported 93.97 GWh and 94.44 GWh of electricity in 2020 and 2019, respectively.

Both the MGPP-1 and the MGPP-2 are registered with the Board of Investments and are enjoying the incentives under the Renewable Energy Act of 2008.

(c) Solar

Tarlac Solar Power Project (TSPP)
Solar Energy Service Contract (SESC) No. 2015-03-115)

The SESC for the TSPP was awarded by the DOE on March 19, 2015. On June 17, 2015, PGEC and affiliate EEI Power Corporation ("EEIPC", 100% subsidiary of EEI Corporation), incorporated PetroSolar to undertake the development of the TSPP.

50 MWDC Tarlac Solar Power Project-1 (TSPP-1)
On June 22, 2015, PetroGreen and solar farm lot owner, Luisita Industrial Park Corporation (LIPCO), executed a Lease Agreement for the 55-hectare solar farm development. This was assigned to PetroSolar on September 15, 2015. As the LIPCO property is within the Central Technopark, which is under the jurisdiction of the Philippine Economic Zone Authority (PEZA), PetroSolar was able to register as an Ecozone Utilities Enterprise on July 28, 2015, entitling it to the incentives available to PEZA locators.

After only four (4) months of ground works, the TSPP-1 was completed by mid-January 2016 and was able to export power to the grid on January 27, 2016. The DOE eventually gave its Certificate of Endorsement (COE) - Feed-in-Tariff (FiT) for TSPP-1, with an official Commercial Operations Date on February 10, 2016. Subsequently, on April 6, 2016, PSC executed its Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation (TransCo), assuring the TSPP-1's revenues from the FiT payment of 8.69/kWh from 2016 to 2036.

The total energy exported to the grid was 73.34 GWh and 71.93 GWh in 2021 and 2020, respectively.

20 MWDC Tarlac Solar Power Project (TSPP-2)
On September 17, 2018, the BOI formally awarded to PetroSolar the latter's Certificate of Registration for the 20 MW_{DC} TSPP-2. This approval entitles the TSPP-2 to enjoy duty-free importations, and a seven-year Income Tax Holiday (ITH), among others.

After the site construction works for the TSPP-2 were completed in March 2019 and its registration with the WESM was secured from the Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 21, 2019, the TSPP-2 started exporting power to the grid on April 22, 2019 as part of its testing and commissioning activities. The Energy Regulatory Commission (ERC) conducted its technical inspections for the TSPP-2 on May 31, 2019, as part of PetroSolar's Certificate of Compliance (COC) for TSPP-2.

On February 27, 2020 and March 18, 2020, the DOE formally issued to PSC the Certificate of Confirmation of Commerciality (COCOC) and the Certificate of Endorsement (COE) for TSPP-2, respectively. The COE is a prerequisite to the issuance of the Certificate of Compliance (COC) by the ERC. The COC will determine the official Commercial Operations Date (COD) for TSPP-2.

The ERC issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to 1) public offering requirement and 2) terms under PSC's Point-to-Point application, once approved. The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM COD to January 25, 2022.

TSPP-2 exported 30.46 GWh and 29.75 GWh in 2021 and 2020, respectively.

Puerto Princesa Solar Power Project (PPSPP)
The Service Contract for the Puerto Princesa Solar Power Project (PPSPP) was signed by DOE Secretary Alfonso Cusi on February 27, 2017. The PPSPP aims to put up a 10-20 MW off-grid solar hybrid power facility in Puerto Princesa City, Palawan to meet the increasing electricity demand and address the fluctuating electricity situation in the city through solar power.

PetroGreen has secured all local government endorsements needed for eventual facility development. In January 2020, PGEC was among seven (7) pre-qualified bidders for the 20-MW Palawan Main Grid Competitive Selection Process (CSP) of the Palawan Electric Cooperative (PALECO). On March 12, 2020, PALECO issued a bulletin which states that the submission and opening of bids was postponed until further notice.

On January 18, 2021, PALECO issued a bulletin resuming the Palawan Main Grid 20-MW CSP after a 10-month postponement, with minor revisions to the bid terms as approved by the DOE and the National Electrification Administration (NEA). However, PGEC decided to withdraw from said bidding process, owing to PALECO's final Terms of Reference (TOR), which severely limit the economic feasibility of PGEC's planned investment.

PGEC is now exploring alternative offtake arrangements for PPSPP.

Enrique T. Yuchengco Bldg. Rooftop Solar Power Project (ETY) – Binondo, City of Manila
On April 29, 2021, PGEC completed its first commercial and industrial (C&I) rooftop solar project for the Enrique T. Yuchengco Bldg. in Binondo, Manila.

The building owner E.T. Yuchengco Inc. (ETY) and project owner PGEC signed a 15-year Rent-to-Own Agreement for a 140.8-kWp solar rooftop facility last January 14, 2021. The rental period commenced upon the project's completion in April 2021. After said 15-year cooperation period, PGEC will turn-over the said rooftop solar facility to ETY free of charge.

The ETY rooftop solar facility exported 0.089 GWh of electricity in 2021, enough to supply ~20% of the ETY Building's electricity consumption.

(d) Wind

Nabas Wind Power Project (NWPP)
Wind Energy Service Contract (WESC) No. 2009-09-002
The service contract for the Nabas Wind Power Project (NWPP) covers 2,000 hectares of public and private lands in rolling terrain located near the northwestern tip of Panay Island. It lies about 6 km southeast of Caticlan, and electricity-deficient Panay and Boracay islands are natural markets of future power from NWPP.

It was decided that the NWPP will be constructed in two phases: Phase 1 for the existing 36 MW NWPP-1, consisting of 18 Wind Turbine Generators (WTG); while Phase 2 will be a 14 MW development that will have seven (7) WTGs (NWPP-2).

On May 26, 2013, the DOE issued the Confirmation of Commerciality for the 36 MW NWPP-1, making it the third WESC to be declared commercially feasible. Construction of NWPP-1 started in December 2013 and was completed in the first half of 2015.

On June 16, 2015, the DOE released the COE for FIT Eligibility (COE-FIT), endorsing the official start of commercial operation to be June 10, 2015. On August 17, 2015, the ERC approved PWEI's COC for NWPP-1. This confirms the commercial operations date of the wind farm to be June 10, 2015.

The annual total energy exported to the grid were 91.31 GWh, 80.45 GWh, and 110.09 GWh in 2021, 2020 and 2019, respectively.

On May 13, 2020, the DOE formally awarded to PetroWind the Certificate of Confirmation of Commerciality (COCOC) for the planned 14-MW Nabas-2 Wind Power Project (NWPP-2). This signifies that NWPP-2 has been approved for construction as being commercially feasible.
In February 17, 2021, the DENR-EMB Region 6 issued the amended Environmental Compliance Certificate (ECC) to PetroWind for NWPP-2, while the Forest Land Use Agreement (FLAg) has been signed by the DENR Central Office in January 04, 2022.

At the same time, PWEI is finalizing its selection of the EPC contractor for Nabas-2 before proceeding with its final investment decision (FID) for the project.

Proposed San Vicente Wind Hybrid Power Project (SVWPP)
On November 11, 2019, the DOE officially awarded to PetroGreen the San Vicente, Palawan WESC. The WESC, effective October 9, 2019, vests PetroGreen with the rights and responsibilities to harness wind energy and develop and operate the corresponding renewable energy facility in the area. The proposed project is situated in the municipality of San Vicente, Palawan, approximately 130 km north of Puerto Princesa.

Activities for the meteorological mast installation program for the San Vicente Wind Hybrid Power Project (SVWHPP) have been put on-hold due to COVID-19-related travel restrictions. Nonetheless, PGEC has secured on May 07, 2020 a Certificate of Non-Coverage (CNC) from the Department of Environment and Natural Resources (DENR) for the mast installation. PGEC also secured a Special Land Use Permit (SLUP) from the DENR on March 09, 2021 for the mast installation in San Vicente.

In December 2020, PGEC's contractor was mobilized to San Vicente, Palawan to carry out the installation works for the 60-meter meteorological mast to be used for the wind measurement campaign of the SVWHPP. The said mast was commissioned and turned-over to PGEC in July, 2021. The said mast is currently gathering wind data for two (2) years to assess the long-term wind resource to support a potential wind-hybrid power project in San Vicente.

Offshore Wind Power Projects
In 2021, PGEC secured three (3) new Wind Energy Service Contracts (WESC) from the DOE covering three (3) offshore wind blocks, namely 1) Northern Luzon Offshore Wind Power Project (located offshore Ilocos Norte), 2) Northern Mindoro Offshore Wind Power Project (located offshore Occidental Mindoro), and 3) East Panay Offshore Wind Power Project (located offshore Iloilo). These projects will be developed by PGEC alongside a foreign partner.

On December 28, 2021, the DOE issued to PGEC its formal endorsements for NGCP's conduct of the System Impact Studies (SIS) for the three offshore wind blocks. The early issuance will help both DOE and NGCP to plan their grid improvements to accommodate large-scale capacities from these offshore wind projects. PGEC also secured DOE Endorsement to Local Government Units / National Government Agencies for the Northern Luzon project in January 2022.

Summary of Renewable Energy Service Contract:

Contract No.	Contract Expiry	Location
Wind Energy Service Contract No. 2009-09-002	2034	Nabas -Buruanga-Malay, Aklan
Geothermal RE Service Contract No. 2010-02-012	2035	Maibarara,Batangas/Laguna
Solar Energy Service Contract No. 2015-03-115	2040	Tarlac City, Tarlac
Solar Energy Service Contract No. 2017-01-360	2042	Puerto Princesa City, Palawan

Products
The Group's main products are revenues from electricity sales from renewable energy projects and crude oil production.

Electricity sales contributed 78.41% to the total revenues as of December 31, 2021. These were generated by the MGPP-1, MGPP-2, TSPP-1 and TSPP-2.

Oil revenues are derived largely from PERC's share of producing offshore oil fields in Gabon, West Africa, which contributes 19.04% of the total revenues as of December 31, 2021.

Distribution Method
Electricity Sales

For Maibarara Geothermal Power Plant (MGPP) Unit 1 (20 MW) and MGPP Unit 2 (12 MW) which started commercial operations on February 8, 2014 and April 30, 2018, respectively, all the energy exported is sold to AC Energy Philippines, Inc (formerly PHINMA Energy Corporation), a retail electricity supplier (RES), through an electricity supply agreement (ESA).

For the 50 MWdc Tarlac Solar Power Project (TSPP) which started its commercial operations on February 10, 2016 and qualified for the Fee-in-Tariff (FIT) scheme, all energy is exported to the grid and is distributed to all end-users who are connected to the grid. The National Transmission Corp.(TransCo), as the FIT administrator, facilitates the payments to FIT-eligible plants, such as TSPP.

Crude oil
The Consortium entered into a crude sales agreement with ExxonMobil Sales and Supply LLC where a single buyer is committed to buy a minimum of 300,000 bbls per lifting based on a pricing scheme that is benchmarked on Dated Brent. Dated Brent represents the value of physical crude oil trading for prompt delivery in the open spot market. With this type of agreement, the Consortium will be assured of its crude oil being purchased at a fixed pricing scheme.

Physical transfer of the oil was effected at the offshore production site from the Floating Production Storage and Offloading Vessel (FPSO) to the buyer's oil tanker. The FPSO will be replaced by the Cap Diamant FSO in September 2022, carrying out similar functions as the FPSO.

Competition

In the Company's RE business, there is a risk that bigger power producers, particularly those that operate coal power plants, may command lower prices and thus be preferred by potential offtakers over the electricity generation from power generating assets of the Company. To mitigate this risk, long-term contracts have been and will be secured for its RE power projects. MGI has secured a long-term Electricity Supply Agreement with PHINMA ensuring stable and predictable cash flows for the 20-year duration of the agreement. As for the TSPP-1 and NWPP-1, FIT rates of P8.69/kWh and P7.40/kWh, respectively, have been secured from the DOE, with the approval of the Energy Regulatory Commission (ERC).

For the local oil industry, industry, companies form a consortium to explore certain areas due to high cost of exploration. Competition arises when 2 or more parties bid for a single block offered by the government and have to come up with the best program for exploration. Oil companies with local presence in the Philippines include: Philodrill Corporation, PHINMA Energy, Forum Energy Philippines Corporation, Philex Petroleum Corporation, and Pitkin Petroleum Plc., among others. The Company formed consortiums with these companies in some Philippine service contracts.

Sources and Availability of Raw Materials and Names of Principal Suppliers

The Company is not into manufacturing and has no need for raw materials for its business.

Dependence on a single customer or few customers

For the MGPP-1 and MGPP-2, Electricity Supply Agreements (ESAs) were signed with PHINMA, now AC Energy Corporation for a period of 20 years, wherein it will buy all of the energy exported for a fixed agreed price, re-priced every 5 years. These ESAs were later on amended in August 23, 2019 effecting, among others, the extension of the electricity supply period for both plants until June 25, 2039.

For the TSPP-1, consequent to the issuance of FIT COC in its favor, PSC entered into a REPA with the TransCo on April 6, 2016. Under the REPA, TransCo shall pay the FIT Rate for all metered generation of PSC-TSPP1 for a period of twenty (20) years from start of Commercial Operations.

For the oil liftings, these are sold to a single buyer, ExxonMobil Sales and Supply LLC.

Transaction with and/or Dependence on Related Parties

Please see "Letter "e" of Item 5 for discussion on Related Party transactions.

Summary of principal terms and expiration dates of all patents, trademarks, copy rights, licenses, franchises, concessions and royalty agreements

Aside from the Petroleum Properties and Renewable Energy Service Contracts discussed, there are no other patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements entered into by the Group as of December 31, 2020 and 2019.

Need for Government approvals of Principal Products

Oil industry in the Philippines is regulated by the policies and rules and regulations provided by government agencies like the Departments of Energy, Finance and Environment and Natural Resources. Moreover, generation and sale of electricity need prior approval from the Energy Regulatory Commission.

Effect of existing or probable governmental regulations and Costs and Effects of Compliance with Environmental Laws

For the Renewable Energy Project, the Company conducted extensive studies to determine the environmental impact and possible mitigating actions to reduce, if not eliminate, potential threats to the environment connected with the conduct of geothermal, wind, and solar operations. Moreover, active coordination and consultation with the Department of Environment and Natural Resources (DENR) local government units (LGUs), including other stakeholders, is constantly observed. More importantly, proactive and self-monitoring activities are being observed by the respective Environmental Officers for each project in compliance with existing environmental laws, rules, and regulations.

The Environmental Compliance Certificate (ECC) for the MGPP was issued by the DENR on August 10, 2010 for the development of up to 42 MW of geothermal power project; the ECC for the NWPP was issued on June 10, 2012 for the development of up to 50 MW of wind energy project; and the ECC for the TSPP was issued on August 4, 2015 for the development of 50 MW solar power project, which was later amended on October 12, 2017 to cover up to 98 MW of solar power project development.

All operating companies have shown outstanding performance in ensuring environment-friendly business operations. These are shown in the environmental programs and projects of the respective companies with the following components: Site Restoration and Protection, Conduct of Annual Environmental Activities, Compliance with Regulatory Agencies and Monitoring Mechanism and Community Involvement and Participation.

It is also worth noting that the operating companies have received the following citations:

PetroWind:

- "Environmental Upgrade of the Year Award" from Asian Power Awards given in November 2017 in Bangkok, Thailand.

  Letter of Commendation from DENR PENRO Aklan in January 2017 for Outstanding Environmental Compliance through Implementation of Slope Stabilization Measures.

PetroSolar

- PEZA Outstanding Community Awards for 2016 & 2017" from the Philippine Economic Zone Authority
- "Success Story Exemplary Awards" for the Solar Sharing Project from 38th PCAPI Environmental Awards given on May 9, 2018
- DENR NCR Awards and Department of Education-Tarlac Certificate given last November 2017

Amount spent on research and development activities and its percentage to revenues

A. Renewable Energy Research and Development
   In 2019, the group spent additional P701.44 million (Note 10 of the Consolidated AFS) for the completion of the construction of the TSPP2 and construction of substation for the MGPP.

B. Oil Exploration and development – bulk of the additions to the Deferred Oil Exploration (Note 10 of the Consolidated AFS) pertains to PERC's share share in the first well of the drilling program.

Total Number of Employees and Number of Full-Time Employees
As of December 31, 2021, there were 150 regular of the Group. The Group may hire employees in the next twelve (12) months due to increased volume of business, specifically for its renewable energy business.

Below is the break-down of regular employees of PERC and its subsidiaries

PetroEnergy	17
PetroGreen	30
Maibarara	77
PetroSolar	8
PetroWind	18
Total Employees	150

Risk Factors

Political, Economic and Legal Risks in the Philippines
The Philippines has, from time to time, experienced military unrest, mass demonstrations, and similar occurrences, which have led to political instability. The country has also experienced periods of slow growth, high inflation and significant depreciation of the Peso. The regional economic crisis which started in 1997 negatively affected the Philippine economy resulting in the depreciation of the Peso, higher interest rates, increased unemployment, greater volatility and lower value of the stock market, lower credit rating of the country and the reduction of the country's foreign currency reserves. There has also been growing concerns about the unrestrained judicial intervention in major infrastructure project of the government.

There is no assurance that the political environment in the Philippines will be stable and that current or future governments will adopt economic policies conducive to sustained economic growth.

Continuous and peaceful operations in the project areas are dependent on the Company's good relationships with the host local government units. The Company's renewable energy projects are located in three provinces: Batangas for its geothermal energy project; Tarlac, for its solar power project; and Aklan for the wind energy project. Currently, a new solar service contract has been secured in Puerto Princesa City. The local governments in these areas-- from the provincial, municipal and barangay levels, including the Palawan Council for Sustainable Development (PCSD) -- are supportive of these projects. Local government endorsements and resolutions have therefore not been a problem in these areas. The Company's oil projects, on the other hand are located in Palawan and Visayas. Since these are oil exploration projects, getting local government support have been challenging.

To ensure that host local government units give their support and to mitigate the risk of their withdrawal of support of the Company's projects, the Company invests in corporate social responsibility projects (CSR). These CSR projects are geared towards providing long term and sustainable development to the communities within the host local government units, particularly in the areas of health, education, and livelihood.

Political, Economic and Legal Risks in Gabon

Despite its internal problems, the State of Gabon is said to be politically stable by African standards. Gabon was led by President Omar Bongo, the continent's second longest-serving head of state, who has been in power since 1967 until his death in 2009. Through an election held soon after, his son, Ali-Ben Bongo Ondimba, succeeded him as President. Its political stability and ample natural resources have helped make Gabon a wealthy nation compared to the rest of Sub-Saharan Africa. It must be noted however that Gabon's wealth is not distributed equitably, and almost half of the population lives below the poverty line.

Gabon held a presidential election in August 2016, and the change in administration also introduced new fiscal terms that could likewise change and negatively impact the Company's business. A new Hydrocarbon Law, which took effect since 2014, introduces new fiscal terms for all upstream operators – which include increased government shares and royalties, decreased cost recovery, and the imposition of 35.0% income tax on profit oil – all of which would significantly work in favor of the Gabonese Government. The Consortium was, however, able to secure favorable concessions from the Gabonese Government, like the non-imposition of the 35% income tax on profit oil, which has now been permanently lifted for all upstream oil operators.

The oil industry is the key to Gabon's economy although the government is trying to distance itself from oil dependence and focus on non-oil businesses such as forestry products due to concerns over the life of the oil reserves.

The general political situation in and the state of economy of Gabon may thus influence the growth and profitability of the Company. Any future political or economic instability in Gabon may have a negative effect on the financial results of the Company.

Furthermore, the continuity of the Gabon Operations is dependent on the validity of the permits and licenses issued the Gabon Consortium. A stable regulatory environment that would allow unhampered operations in Gabon is crucial to the Company's continuous profitability.

Technical Risk

The petroleum exploration industry is a high risk, capital intensive and highly speculative industry. Risks in upstream petroleum exploration include 1) prospectivity of the concession area in terms of actually finding oil in commercial quantity, 2) varying oil prices and project economics, 3) joint venture structuring and key personnel management, among others. Finding oil in commercial quantity is highly dependent on appropriate geologic conditions for oil to accumulate, and be able to be extracted by drilling. Once commercial oil is found, one has to make capital expenditures in terms of field appraisal (determining the extent of the reserves) for proper field development. The Company mitigates this high degree of technical risk through the use of advanced and sophisticated tools, engagement of experienced consultants, and constant intensive discussion and information-sharing with joint venture partners.

From late 2016 onwards, much of the discussions of the consortium has been over the economic life of the Etame Marin complex. To date, the consortium has already recovered 50% of the estimated ultimate recoverable reserves, which means that production from the Gamba sand reservoir will soon start to decline. The planned future drillings in the area are mostly from the deeper Dentale sands. These sands are not as well characterized as the Gamba, thus, putting uncertainty in its production. Two (2) wells are currently producing from these sands.

Moreover, there is not much area to produce the Gamba from within the Etame Marin permit as some acreage has been relinquished to the government in 2012. There is also the current issue on production of sour gas (hydrogen sulfide gas) within the Gamba sands in the northern Ebouri production sector. Souring usually happens when extraction of oil has already reached deeper in the reservoir.

Souring of wells is a concern which may extend further to the other production fields as extraction continues. Currently, all wells that turned sour are kept shut since the facilities are not designed to handle this corrosive oil. Production from these sour wells may be realized either thru installation of processing platforms or re-installation of sour-resistant pipes at the surface facilities. Both options entail high costs.

These risks are key considerations for the Consortium's on-going studies and discussions for the Integrated Field Development Plan (IFDP) for the remainder of the field life. The IFDP aims to 1) augment long-term production by strategic drilling program/s to near-field areas and deeper targets, 2) address the risk of souring by evaluating options for crude sweetening, and 3) optimize the crude handling capacity for more profitable crude sales.

Operational Risk
The production of crude oil may involve many risks such as breakdown of equipment, unexpected levels of output or efficiency, natural disasters, and the need to comply with further directions of the relevant government authority. Moreover, like most oil discovery areas, there are concerns over how long these reserves will last. Any of the foregoing circumstances could significantly reduce revenues or increase the cost of operating the contract area.

As the field matures, the existing wells age and become more prone to mechanical fatigue and failures. In case these wells fail, the Consortium conducts workover operations on these wells to repair these damages and restore lost crude production. These are budgeted and conducted at regular year intervals in anticipation of potential or unexpected failures for the existing wells.

The Consortium entered into a crude sales agreement with Mercuria Energy Trading SA as a single buyer and committed to buy a minimum of 300,000 bbls per lifting based on a pricing scheme that is benched mark on Dated Brent. With this type of agreement, the Consortium will be assured of its crude oil being purchased at a fixed pricing scheme. Aside from this, the Consortium also plans to balance its operating expenses and to increase oil production to ensure that revenues do not drop drastically as a result of low oil prices.

The Consortium is currently examining the most optimal drilling program to ensure maximum recoverable oil, while ensuring positive returns for the consortium members. This includes an optimal drilling program in which the Consortium could further extract as much of the Gamba and Dentale reservoirs and address the sour oil from the affected wells while keeping capital expenditures and operating expenses at manageable levels to hope for positive returns. These are all heavily dependent on the global oil price trends. The Consortium is hoping that prices will rise up to almost US$100.00/bbl in order to make the Integrated Field Development Plan technically and economically feasible for the Gabonese Government.

Historically, the world-wide crude oil price has been volatile and may continue to be so in the future. The extreme effect of this volatility has been felt recently with the COVID-19 pandemic among other reasons, slowing down world economies and the global demand for crude oil. Oil price declined significantly in early March 2020, ending at approximately US$19/bbl for Brent crude as of March 31, 2020 as a result of market concerns about the ability of OPEC and Russia to agree on a perceived need to implement further production cuts in response to weaker worldwide demand. While OPEC and Russia were able to reach an agreement to cut production in April 2020, crude oil prices continued to decline below US$20/bbl for Brent Crude as a result of the adverse economic effects caused by COVID-19 (*Source: Page 36 of VAALCO's 1st Quarter 2020 Report*). In response to the COVID-19 outbreak and the current pricing environment, VAALCO has taken mitigating measures including the implementation of cost cutting measures with vendors and sharing certain costs, such as shipping vessels, helicopter, and personnel with other operators in the region (*Source: VAALCO 1st Quarter 2020 Announcement*)

An equally crucial aspect of the IFDP is the efficiency of the storage and offtake facilities for the produced crude oil from the Etame Marin field. The current FPSO contract with BW Offshore will expire in September 2022, with the current vessel, Petroleo Nautipa having been operating at the field since first oil in 2002. With an aging vessel only capable of handling ~700,000 bbls of crude and suffering various downtimes resulting to curtailed production, the Consortium is looking to replace the Petroleo Nautipa FPSO with a new vessel, which is capable of handling ~1.1 MMbbls of crude. This switch to a new vessel will help to ensure that the field is able to handle and export more crude, while also lessening fewer vessel-related downtimes and assuring unhampered production for the consortium's upcoming drilling campaigns.

Risk of Venturing into Renewable Energy Project
The following risks on the Group's ventures in geothermal, solar, and wind energy development may have significant effect in the Group's business, financial condition, and results of operations:

- Offtake risks or market risks;
- Collection risks from offtaker and the FIT-Allowance Administrator;
- breakdown or failure of power generation equipment, steam supply equipment, transmission lines, pipelines or other necessary equipment or processes, leading to unplanned outages and other operational issues;

- flaws in the design of equipment or in the construction of an electric generation or steam supply plant;
- problems with the quality and quantity of geothermal and wind resources;
- material changes in law or in governmental permit requirements;
- operator error;
- performance below expected levels of output or efficiency;
- labor disputes, work stoppages, and other industrial actions by employees affecting the projects directly;
- pollution or environmental contamination affecting the operation of the plants;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- the inability to obtain required governmental permits and approvals including the FIT allocation;
- opposition from local communities and special interest groups;
- social unrest and terrorism;
- engineering and environmental problems;
- construction and operational delays, or unanticipated cost overruns;
- force majeure and other catastrophic events such as fires, explosions, earthquakes, floods and acts of terrorism and war that could result in forced outages, personal injury, loss of life, severe damage or destruction of a plants and suspension of operations;
- Grid failure, and
- Denial of Land Conversion Application with the Department of Agrarian Reform.

The Group cannot assure that future occurrences of any of the events listed above or any other events of a similar or dissimilar nature would not significantly decrease or eliminate the expected revenues from any of its power or steam generating assets, or significantly increase the costs of operating any such assets.

The Group avoids or mitigates the operational risks through proper maintenance of machinery and equipment and by making sure that Operations and Maintenance (O&M) contracts with competent third-party service providers are always active and effective. The Group also ensures that the operating units would hire competent personnel. Design flaws are addressed by professional indemnity insurances that could cover losses from the same. Constant communication with regulators and maintenance of good relations with them help in planning ahead for any potential change in regulations or regulatory requirements. For the social aspects of the projects, the Group maintains a good Corporate Social Responsibility Program, with focus on health, education and livelihood programs, thus helping in achieving host community acceptance, and reduction of social unrest and terrorism. The Group also ensures that the operating units are adequately covered by sabotage and terrorism insurance policies.

Foreign Currency Risk
The revenues of PetroEnergy are predominantly denominated in U.S. Dollars. However, the obligation and expenses of the local areas which do not contribute revenues to the Company are denominated in Philippine Peso. In addition, a substantial portion of the PERC's future capital expenditures in Gabon are denominated in currencies other than the Peso. During the last decade, the Philippine economy has from time to time experienced instances of devaluation of the Peso and limited availability of foreign exchange. Recurrence of these conditions may adversely affect the financial condition and results of operations of the Company. The Company does not normally hedge its foreign currency exposures as it believes that it has sufficient revenues in U.S. Dollar and/or Philippine Peso, as the case may be, to answer for corresponding obligations.

Equity Partnership Risk
The Company has been participating in various oil exploration and development activities in Gabon and the Philippines with other parties. The Company is currently engaged in a production sharing contract with an equity share of 2.525% covering the Etame discovery block in the Atlantic shelf along with its Gabon Consortium partners. Such equity partnership requires the sharing in costs and revenues from the sale of the Etame crude oil. This situation may involve special risks associated with the possibility that the equity partner (i) may have economic or business interests or goals that are inconsistent with those of the Company; (ii) take actions contrary to the interests of the Company; (iii) be unable or unwilling to fulfill its obligations under the production sharing contract or sales contract; or (iv) experience financial difficulties. These conflicts may adversely affect the Company's operations. To date, the Company has not experienced any significant problems with respect to its equity partners.

In the Philippines, the Company, through its subsidiary, PetroGreen, partnered with different foreign and local companies. For MGI, the Company (65.00% through PetroGreen) partnered with PHINMA (25.00%) (PHINMA was acquired by the AC Energy, Inc. and has been renamed to AC Energy Philippines, Inc. or "ACEPH") and PNOC RC (10.00%); in PetroWind, the Company (40.00% through PetroGreen) partnered with EEIPC (20.00%) and CapAsia ASEAN Wind Holdings Cooperatief U.A. (40.00%) (CapAsia was later acquired by BCPG Public Company Ltd. and renamed to BCPC Wind Cooperatief U.A.); and for PetroSolar, the Company (56.00%) partnered with EEIPC (44.00%). This situation may involve special risks associated with the possibility that the equity partner (i) may have economic or business interests or goals that are inconsistent with those of the Company; (ii) take actions contrary to the interests of the Company; (iii) be unable or unwilling to fulfill its obligations under the production sharing contract or sales contract; or (iv) experience financial difficulties. These conflicts may adversely affect the Company's operations. Further to these, the Company continues to evaluate joint venture or partnership opportunities.

Cooperation among the joint venture and consortium partners on business decisions is crucial to the sound operation and financial success of these joint venture companies. Although the Company believes it maintains good relationships with its partners, there is no assurance that these relationships will be sustained in the future or that problems will not develop. For example, the Company's joint venture partners may be unable or unwilling to fulfill their obligations, take actions contrary to its policies or objectives, or may experience financial difficulties. If any of these events occur, the businesses of these joint ventures could be severely disrupted, which could have a material adverse effect on PERC's business, financial condition and results of operations.

In order to avoid or mitigate these risks, PERC employs care and prudence in its partner selection. The backgrounds of would be partners are heavily scrutinized; attention is given in knowing the personalities behind the potential partners, their culture, and their industry reputation. The shareholders' agreements or joint venture agreements contain penalty provisions in case a partner refuses or fails to fulfill its obligations. There are likewise exit mechanisms that could be utilized in case the relations among partners become sour.

Risks Relating to Change in Regulations
The Group is compliant with the laws, rules and regulations in the Philippines and Gabon that enable it to legally operate or participate in the energy projects it has invested in. In the same manner, the relevant permits, endorsements, clearances applicable to the respective energy projects which the Group has invested in have either been secured or are currently being processed. These permits are based on present rules, regulations and laws of the Philippines and Gabon. There is a risk that the Philippines and Gabon would change any rule, regulation and law that may affect the Group's and its projects' existing permits. To mitigate this risk, the Group constantly monitors the policy direction of both the governments of the Philippines and Gabon in order to anticipate any change in regulation that may affect the Group and its projects.

Risks relating to the Environment
The Group's projects involve energy exploration, development and utilization, which entail putting up of infrastructure, erection and installation of equipment and facilities, extraction and utilization of natural resources –all of which may involve temporary disturbances to the environment. To minimize and mitigate the risks involved in these temporary disturbances, the Group ensures that environmental risks (such as erosion and siltation) have been considered during the planning stage of the construction activities and thus the necessary mitigating measures and plans have been incorporated in the projects' environmental management plan. In the case of the NWPP, PetroWind installed slope protection measures to prevent erosion and degeneration of the land.

Risk from Natural Calamities
The Philippines is prone to natural calamities such as typhoons, floods, volcanic eruptions, earthquakes, mudslides, and droughts, and thus, the Company's operations and those of its subsidiaries and affiliates may be disrupted by the occurrence of such natural calamities, and could thereby materially and adversely affect the Company's and its subsidiaries' and affiliate's ability to generate revenues. There is no assurance that the insurance coverage maintained by the Company and its subsidiaries and affiliates would adequately compensate them for all damages and economic losses resulting from natural calamities including possible business interruptions. To mitigate this, insurance policies are regularly reviewed and updated as are necessary in accordance with industry standards. Furthermore, the Company and its subsidiaries and affiliates formulated emergency preparedness plans in order to lessen the impact of natural calamities to their respective operations.

Risk from the COVID-19 and Similar Pandemic
Manpower for operations may be affected due to state-imposed self-quarantine, partial lockdown, and curfew. To address this, the Company 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 unhampered business operations. Due to travel restrictions, scheduled power plant maintenance by third-party foreign suppliers may also be affected. In preparation for this, the Company has communicated with its Operations and Maintenance (O&M) providers to strengthen its remote support and provide contingencies. PERC has also ensured that the insurance coverage maintained for the Company, its subsidiaries and affiliates, would adequately compensate for any business interruptions. In addition, there is also the risk relating to compliance with regulatory permits and submissions due to changes in work schedule both in public and private sectors. As a response, PERC regularly monitors the advisories from relevant Government agencies to ensure that requirements are submitted on time.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments include cash and cash equivalents, financial assets at FVTPL, receivables, restricted cash, loans payable, accounts payable, accrued expenses and dividends payable. The main purpose of these financial instruments is to fund the Group's working capital requirements.

The Group 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 risks on liquidity, market and credit.

Please refer to the 2021 Consolidated AFS, Note 26 for the discussion of main financial risks arising from the Group's financial instruments.

Capital Management
The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

Based on the Group's assessment, the capital management objectives were met in 2021 and 2020.

Please refer to the 2021 Consolidated AFS, Note 19 for the discussion the Group's Capital Management.

Item 2 – Properties

PERC owns a 714-square meter office unit located at 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City. The title of the Company over the property is clean and free from any lien and encumbrance.

In April 2012, Maibarara entered into a 25-year Land Lease Agreement (LLA) for its steamfield and access road with Power Sector Assets and Liabilities Management Corp. (PSALM) and paid upfront fees for the entire term.

Also, Maibarara has a US$0.760 million worth of purchased lot to be used as MGPP plant site, access road and transmission line.

The Group may acquire additional property in the next twelve (12) months due to the increased volume of business, specifically for its renewable energy business.

The principal properties of the Group consist of various oil areas located in the Philippines and in Gabon, and renewable energy service contracts, as follows:

Petroleum Service Contracts (SC)			**Participating Interest**
EPSC	–	Gabon, West Africa	2.525%
SC 6A	–	Octon, Northwest Palawan	16.670%
SC 14C2	–	West Linapacan	4.137%
SC 75	–	Offshore NW Palawan	15.000%

Wind Energy Service Contract (WESC)	**Participating Interest**
WESC No. 2009-09-002 – (Nabas-Malay-Buruanga, Aklan)	40% (through PetroGreen)

Geothermal Renewable Energy Service Contract (GRESC)	**Participating Interest**
GRESC No. 2010-02-012 – (Laguna and Batangas)	65% (through PetroGreen)

Solar Energy Service Contract (SESC)	**Participating Interest**
SESC No. 2015-03-115 – (Tarlac)	56% (through PetroGreen)

Solar Energy Service Contract (SESC)	**Participating Interest**
SESC No. 2017-01-360 – (Puerto Princesa)	100% (through PetroGreen)

Wind Energy Service Contract (WESC)	Participating Interest
WESC No. 2021-05-156 – (Offshore of Occidental Mindoro and Batangas)	100% (through PetroGreen)

Wind Energy Service Contract (WESC)	Participating Interest
WESC No. 2021-06-160 – (Offshore of Ilocos Norte)	100% (through PetroGreen)

Wind Energy Service Contract (WESC)	Participating Interest
WESC No. 2021-10-183 – (Offshore of Iloilo and Guimaras)	100% (through PetroGreen)

For details on the above Production Sharing Contact in Gabon and Service Contracts in the Philippines, please see discussion on *"Business of Issuer."*

Item 3 - Legal Proceedings

MGI has outstanding input VAT claims for refund with the BIR, Court of Tax Appeals (CTA) and Supreme Court (SC). As of December 31, 2021 and 2020, the outstanding input VAT claims which are still pending with the CTA and SC amounted to ₱126.96 million.

Aside from the discussions above, The Group is neither a party to, nor is involved in, any litigation that affects or will affect its interests. It has neither any knowledge of any litigation, present or contemplated, against the Company.

There are no other pending legal proceedings to which the Group is a party or which any of its property is subject to.

Item 4 - Submission of Matters to a Vote of Security Holders

There were no matters that were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters

A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

1. Market Information

Particulars	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		1st Quarter 2022	15-June-22
	2021	2020	2021	2020	2021	2020	2021	2020		
Par value	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00	Php1.00
High	Php4.14	Php4.28	Php4.25	Php3.29	Php4.13	Php3.49	Php4.47	Php4.38	Php5.23	Php5.185
Low	Php3.50	Php2.50	Php3.64	Php2.02	Php3.91	Php3.00	Php3.90	Php3.00	Php3.90	Php4.90
Volume	7.497MM	1.48MM	3.589MM	3.73MM	4.458MM	3.72MM	4.713MM	6.24MM	4.95MM	135,000 shs.

2. Holders

As of May 31, 2022, the Company has 1,996 stockholders, a.
Hereunder is the list of the top 20 Stockholders of Common shares as of May 31, 2022.

	STOCKHOLDERS		SHARES	PERCENTAGE
1	PCD Nominee Corporation	Common	526,449,664.00	92.69%
2	House of Investments, Inc.	Common	21,805,861.00	3.83%
3	Pan Malayan Management and Investment Corporation	Common	5,377,079.00	0.94%
4	Hydee Management & Resources Corporation	Common	1,880,779.00	0.33%
5	Baguyo, Dennis G.	Common	1,698,888.00	0.30%
6	PCD Nominee Corporation (NF)	Common	1,526,617.00	0.27%
7	Yan, Lucio	Common	355,468.00	0.06%
8	Ong Pac, Sally C.	Common	327,030.00	0.06%
9	R. P. Land Development Corporation	Common	309,078.00	0.05%
10	Tan, Juanita Uy	Common	300,781.00	0.05%
11	David Go Securities Corporation	Common	277,949.00	0.05%
12	Ley, Fely	Common	266,600.00	0.05%
13	Chen Hua Bi	Common	266,599.00	0.05%
14	Mendoza, Alberto &/or Mendoza, Jeanie C.	Common	251,492.00	0.04%
15	Phil. Asia Equity Sec., Inc. U-055	Common	159,959.00	0.03%
16	Orientrade Securities, Inc.	Common	121,500.00	0.02%
17	Uy-tiocco, George	Common	106,640.00	0.02%
18	Roque, Gonzalo Jr. &/or Roque, Eric	Common	90,234.00	0.02%
19	Chan, Juanito &/or Co, Susana	Common	88,865.00	0.02%
20	EBC Securities Corporation	Common	73,405.00	0.01%
	Sub-Total		**561,734,488**	**98.77%**
	Others (Various Stockholders)		6,977,354	1.23%
	Grand Total		**568,711,842**	**100.00%**

Minimum Public Ownership

The Company is compliant with the required Minimum Public Ownership of at least 10% of the total issued and outstanding capital stock, as mandated by Section 3, Article XVIII of the Continuing Listing Requirements of the Listing and Disclosure Rules. As of May 31, 2022, the Company's public float was 38.04%.

3. Dividends

In accordance with the Corporation Code of the Philippines, the Company intends to declare dividends (either in cash or stock or both) in the future. The shareholders of the Company are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from the Company's operations. The same right exists with respect to a stock dividend, the declaration of which is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount will depend on the Company's profits and its capital expenditure and investment requirements at the relevant time.

Dividend declaration in two (2) most recent years

Date of Declaration	Dividends per Share		Record Date	Payment Date
	Cash	Stock		
July 04, 2013	5%		July 25, 2013	August 20, 2013
July 26, 2018	5%		August 24, 2018	September 20, 2018

4. Recent Sale of Unregistered Securities

PERC requested for confirmation of exemption transaction filed on September 26, 2017 and was approved on December 8, 2017.

The provision of Section 10.1 of the Code under which exemption is based:

Section 10.1 (e) The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

Section 10.1 (i) Subscription for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale of disposition of such securities, and only when the purpose for soliciting, giving or taking of such subscription is to comply with the requirement of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased.

Section 10.1 (l) The sale of securities to any number of qualified buyers.

The Company filed its application for listing and trading on September 29, 2017 and was approved by the Philippines Stock Exchange (PSE) on December 13, 2017. The Company offered 157,975,512 common shares to all existing eligible shareholders of record as of January 12, 2018 (Ex-date January 9, 2018), at a ratio of one (1) Rights Share for every two and six-tenths (2.6) common shares held at an Offer Price of P4.80 per share. The Offer Period started on January 22, 2018 and ended on January 26, 2018. The Stock Rights Offering was fully subscribed and fully paid-up, and has been listed at the PSE on February 2, 2018.

B) Description of Registrant`s Securities

1. Common Stock
   The details of the Company's capital stock as of May 31, 2022 are as follows:

Authorized – 700 Million shares at P1.00 par value		
Issued and Outstanding shares	568,711,842	$12,500,454

2. Debt Securities - Not Applicable
3. Stock Options - Not Applicable
4. Securities Subject to Redemption call – Not Applicable
5. Warrants – Not applicable
6. Market Information for Securities Other than Common Equity – Not Applicable
7. Other Securities – Not Applicable

Item 6 - Management's Discussion and Analysis or Plan of Operation

1. Management's Discussion and Analysis (Amounts are in Philippine Peso (P))

a. Consolidated Financial Position (As of December 31, 2021 and 2020)

	As of December 31 (Audited)		% Change	% in Total Assets
	2021	2020		
ASSETS				
Cash and cash equivalents	P1,241,762,101	P1,267,332,044	-2.02%	9.40%
Receivables	392,663,453	273,571,895	43.53%	2.97%
Financial assets at fair value through profit and loss (FVTPL)	7,587,228	7,531,587	0.74%	0.06%
Crude oil inventory	12,616,676	35,090,324	-64.05%	0.10%
Contract Assets - current portion	1,229,543	-	100.00%	0.01%
Other current assets	756,334,232	697,022,710	8.51%	5.72%
Property and equipment-net	7,985,044,039	8,310,613,046	-3.92%	60.42%
Deferred oil exploration cost	115,806,924	210,533,496	-44.99%	0.88%
Contract assets	221,008,579	132,687,182	66.56%	1.67%
Investment in a joint venture	1,734,947,347	1,635,213,444	6.10%	13.13%
Right of use of asset	363,245,358	383,032,125	-5.17%	2.75%
Deferred tax assets-net	12,460,267	5,651,825	120.46%	0.09%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	368,875,996	445,434,294	-17.19%	2.79%
TOTAl ASSETS	**P13,215,193,276**	**P13,405,325,505**	-1.42%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	375,051,290	367,581,709	2.03%	2.84%
Current portion of loans payable	827,882,504	855,279,695	-3.20%	6.26%
Lease liabilities-current	6,813,561	15,393,725	-55.74%	0.05%
Income tax payable	19,775,675	7,973,817	148.01%	0.15%
Loans payable - net of current portion	3,234,642,692	3,872,924,261	-16.48%	24.48%
Lease liabilities - net of current portion	326,015,305	320,057,378	1.86%	2.47%
Asset retirement obligation	92,810,843	109,159,679	-14.98%	0.70%
Other noncurrent liability	18,386,746	26,037,526	-29.38%	0.14%
TOTAL LIABILITIES	**4,901,378,616**	**5,574,407,790**	-12.07%	37.09%
EQUITY				
Attributable to equity holders of the Parent Company	5,577,277,173	5,247,815,461	6.28%	42.20%
Non-controlling interest	2,736,537,487	2,583,102,254	5.94%	20.71%
TOTAL EQUITY	**8,313,814,660**	**7,830,917,715**	6.17%	62.91%
TOTAL LIABILITIES AND EQUITY	**P13,215,193,276**	**P13,405,325,505**	-1.42%	100.00%

Total assets amounted to P13.215 billion and P13.405 billion as of December 31, 2021 and December 31, 2020, respectively. Book value is at P9.81/share from P9.23/share.

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 2.02% net decrease from P1.267 billion as of December 31, 2020 to P1.242 billion as of December 31, 2021 is mainly due to instalment payment of loans, payments for working capital requirements net of collections from electricity sales and oil lifting proceeds.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 43.53% increase is mainly due to higher outstanding receivables from electricity sales and higher oil lifting at the end of the year.

Financial assets at fair value through profit and loss (FVPL) amounted to P7.587 million and P7.532 million as of December 31, 2021 and 2020, respectively. The market prices of the portfolio are maintained leaving only minimal change in the account.

Crude oil inventory declined due to lower barrels left unsold during the period.

Contract Assets – current and non-current portion pertains to PSC's receivable from TransCo, pertaining to FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. Start of PSC's collection is scheduled on year 2022. The increase is mainly due to additional set-up of the FIT arrears adjustment for the TSPP1 for the period.

Other current assets consist of restricted cash, supplies inventory, prepaid expenses, and other current assets. The bulk of the net increase of 8.51% is mainly due to additional prepayments and supplies inventory for the period.

Property, plant and equipment (PPE) amounted to P7.985 billion and P8.311 billion as of December 31, 2021 and December 31, 2020, respectively. The 3.92% net decrease is mainly due to the following:

- depreciation of the Renewable Energy Power Plants and other assets;
- depletion of the oil assets; and
- net impairment of the oil assets (refer to Note 10 of the Consolidated AFS)

Deferred oil exploration cost decreased by 44.99% resulting from the write off of the SC 6A (refer to Note 11 of the Consolidated AFS).

Investment in a joint venture refers to the remaining 40.00% shareholdings in PWEI. The 6.10% net increase from P1.635 billion to P1.735 billion pertains to the Group's share in net income generated by PWEI during the period, net of dividend income.

Right of use of asset and lease Liabilities – these resulted from the first time adoption of the new PFRS 16 – leases in 2019. Please refer to Note 13 of the Consolidated AFS. The 5.17% decline pertains to the amortization of the account during the period.

The Investment properties-net account remains the same as of December 31, 2021.

Deferred tax assets – net occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of December 31, 2021 and December 31, 2020, this amounted to P12.460 million and P5.652 million, respectively. The net increase pertains to movements of the temporary deductible expenses and temporary taxable revenues during the period.

Other non-current assets amounted to P368.875 million and P445.434 million as of December 31, 2021 and December 31, 2020, respectively. The 17.19% net decrease is mainly due to the PSC's successful claim of VAT refund amounting to P71.48 million on May 2021.

Accounts payable and accrued expenses increased by 2.03% mainly due to accruals made during the year, specifically interest expenses.

Current portion of loan payable and Loans payable – net of current portion declined by 3.20% and 16.48%, respectively, mainly because of instalment settlement of principal loans during the period.

Lease liabilities – current and non-current movement is mainly due to the interest recognized during the period.

The increase in the **Income tax payable** account mainly pertains to the end of MGPP1's tax holiday on February 2021, the project is now under 10% special tax rate in addition to TSPP1's - 5.00% gross income tax under the PEZA rules; and TSPP2's regular tax rate of 25%.

Asset retirement obligation amounted to P92.810 million and P109.160 million as of December 31, 2021 and 2020, respectively. The 14.98% decrease resulted from changes in estimates made during the period.

Other non-current liabilities pertains to the Group's accrued retirement liability account, net decrease of 29.38% is mainly due to the change in demographic assumptions.

Equity attributable to equity holders of the Parent Company amounted to P5.577 billion or P9.81 book value per share and P5.248 billion or P9.23 book value per share, as of December 31, 2021 and December 31, 2020, respectively. The increase is mainly due to continuous income generation from the Renewable Energy Operations and Oil operations.

Non-controlling interest (NCI) pertains to the following:
- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in MGI;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in PSC;

Non-controlling interest increased by 5.94% from P2.583 billion to P2.737 billion due to net income from RE projects.

b. Consolidated Results of Operation (As of December 31, 2021, 2020 and 2019)

	Years Ended December 31 (Audited)			% Change 2021 vs. 2020	% in Total Revenues 2021
	2021	2020	2019		
REVENUES					
Electricity sales	P1,899,726,215	P1,923,540,365	P1,771,107,457	-1.24%	78.41%
Oil revenues	461,246,131	292,573,199	351,057,274	57.65%	19.04%
Other revenues	61,981,804	116,377,508	-	-46.74%	2.56%
	2,422,954,150	2,332,491,072	2,122,164,731	3.88%	100.00%
COST OF SALES					
Cost of electricity sales	822,326,144	909,577,258	805,694,582	-9.59%	33.94%
Oil production	236,284,770	211,527,791	221,259,356	11.70%	9.75%
Depletion	76,513,364	82,236,533	55,845,199	-6.96%	3.16%
Change in crude oil inventory	22,473,648	(23,926,774)	(2,371,818)	-193.93%	0.93%
	1,157,597,926	1,179,414,808	1,080,427,319	-1.85%	47.78%
GROSS INCOME	1,265,356,224	1,153,076,264	1,041,737,412	9.74%	52.22%
GENERAL AND ADMINISTRATIVE	180,825,547	211,402,211	223,213,616	-14.46%	7.46%
OTHER INCOME (CHARGES) - net					
Share in net income of a joint venture	100,127,158	111,266,383	97,552,085	-10.01%	4.13%
Interest income	12,913,159	18,362,302	44,025,392	-29.68%	0.53%
Net foreign exchange gains (losses)	5,086,734	(3,500,604)	(7,232,114)	-245.31%	0.21%
Net gain on fair value changes on financial assets at FVPL	55,641	(708,509)	(242,610)	-107.85%	0.00%
Accretion expense	(3,478,294)	(4,129,022)	(4,505,825)	-15.76%	-0.14%
Net impairment reversal (loss)	(164,323,293)	-	-	0.00%	-6.78%
Interest expense	(333,375,545)	(386,788,348)	(409,690,469)	-13.81%	-13.76%
Miscellaneous income	18,416,545	11,876,677	7,682,215	55.06%	0.76%
	(364,577,895)	(253,621,121)	(272,411,326)	43.75%	-15.05%
NET INCOME BEFORE INCOME TAX	719,952,782	688,052,932	546,112,470	4.64%	29.71%
Provision for (benefit from) income tax	54,480,634	41,861,712	12,179,814	30.14%	2.25%
NET INCOME	**P665,472,148**	**P646,191,220**	**P533,932,656**	2.98%	27.47%
NET INCOME ATTRIBUTABLE TO:					
Equity holders of the Parent Company	325,435,008	319,412,421	292,835,761	1.89%	13.43%
Minority interest	339,991,700	326,778,799	241,096,895	4.04%	14.03%
NET INCOME	**P665,426,708**	**P646,191,220**	**P533,932,656**	2.98%	27.46%
Basic/Diluted Earnings Per Share (EPS)	P0.572	P0.562	P0.515		

Note: Differences in amounts are due to rounding off.

The Group generated a **consolidated net income** and consolidate net income attributable to equity holders amounting to P665.427 million and P325.435 million; and P646.191 million and P319.412 million as of December 31, 2021 and 2020, respectively.

The net increase in the Financial Performance of the Group is mainly due to the recovery of crude oil prices, continuous operations of the RE projects; decreasing interest expenses (due to the semi-annual settlement of principal instalment due). These increases is partially offset by the net impairment recognized from the oil assets.

Revenues:

Electricity sales refer to the electricity power generated by MGPP and TSPP. This totalled P1.9 billion as compared to last year's P1.924 billion. The net decline is mainly due to MGPP's lower generation resulting from scheduled preventive maintenance in 2021, the reduction was partially mitigated by the increase in TSPP's revenues due to higher rates.

Oil revenues increased because of the recovery of crude oil price from average of $49.72/bbl in 2020 to $69.90/bbl in 2021.

Other revenues pertain to passed on Meralco wheeling and ancillary charges. The decline from P116.378 million to P61.982 million is mainly due to the termination of the ancillary services on September 2021.

Costs and Expenses:

Costs of electricity sales pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of power plant and fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity; and cost of the passed-on wheeling and ancillary charges. The 9.59% decline mainly pertains to the following:

- PSC's termination of the contracted services for the O&M, and set-up its organic O&M team, which resulted to lower expense during the period; and

- cessation MGI's payment of ancillary charges, beginning 3rd quarter of 2021.

The 11.70% % increase in **oil production expenses** is mainly resulted from variable expenses increase along with the upward movement of the crude oil prices.

Depletion declined mainly due to lower production bbls. (from (gross) 6,566mmbbls to 5.421mmbbls).

The **Change in crude oil inventory** increased due to lower number of barrels left unsold during the period.

General and administrative expenses, Other Income (Charges) and Provision for (Benefit From) Income Tax:

General and administrative expenses (G&A) declined by 14.46% mainly due to lower expenses resulting from the travel restrictions brought about by the COVID 19 pandemic.

Other income (charges) amounted to (P364.578) million and (P253.621) million as of December 31, 2021 and 2020, respectively. Below presents the itemized discussion of the changes in other income (charges) – net account.

- 10.01% net decrease in **share in net income of a joint venture** due to PWEI's one-time recording of the FIT arrears adjustment for the prior periods in 2020, where as in 2021, FIT arrears recognized is for the current period only.
- **interest income** declined mainly because of lower interest rates during the period.
- there was an upturn in the forex, from net unrealized loss last year to **net unrealized gain** this year mainly because of the conversion of the USD accounts to higher peso values.
- market prices from the stocks traded at the PSE regained resulting to turnaround of the **net unrealized losses from the fair value changes on financial assets at FVPL**, to net unrealized gains this year.
- change in **accretion expense** is mainly due to amendment in estimates.
- recognition of **net impairment reversal (loss)** amounting to P164.323 million, mainly coming from the write-off of the deferred costs of the SC 6A and partial impairment of the SC 14C2, due to relinquishment of the service contract and limited term of the service contract. These impairment however, were partially offset by the reversal of impairment loss of the Gabon assets due to the recovery of the crude oil prices.
- bulk of the **interest expense** pertains to the interest due from loans. The 13.81% decrease in the account is

attributed to lower principal loans resulting from annual amortization of principal loans, and

- increase in **miscellaneous income** mainly due to higher time-writing charges during the period.

Provision for (benefit from) income tax:
Provision for income tax current pertains to PSC's tax payable - 5.00% provision for income tax under the PEZA incentives and for MGPP, 10% tax rate, after the income tax holiday (for the M1), which ended last February 8, 2021, as part of its BOI incentives under RE Law.

Non-controlling interest (NCI) as of December 31, 2021 and 2020 pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in Maibarara;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in to PetroSolar;

c. Consolidated Financial Position (As of December 31, 2020 and 2019)

Total assets amounted to P13.405 billion and P13.364 billion as of December 31, 2020 and December 31, 2019, respectively.

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 18.81% net increase from P1.067 billion as of December 31, 2019 to P1.267 billion as of December 31, 2020 is mainly due to collection of electricity sales, net of working capital requirements during the period.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 17.82% decrease is mainly due to collections made during the period.

Financial assets at fair value through profit and loss (FVPL) amounted to P7.532 million and P8.240 million as of December 31, 2020 and 2019, respectively. The 8.60% net decrease is due to net downward movement of the market prices of the Company's investments in stocks traded in the Philippine Stock Exchange (PSE).

Crude oil inventory increased due to higher barrels left unsold during the period.

Other current assets consist of restricted cash, supplies inventory, prepaid expenses, and other current assets. The bulk of the net decline of 4.24% is mainly due to amortization of prepayments.

Property, plant and equipment (PPE) amounted to P8.311 billion and P8.537 billion as of December 31, 2020 and December 31, 2019, respectively. The 2.65% net decrease is mainly due to the continuous depreciation of the Renewable Energy Power Plants and depletion of the oil assets.

Deferred oil exploration cost increased by 9.11% resulting from the continuous development of the oil assets.

Contract assets pertains to PSC's receivable from TransCo, pertaining to FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. Start of PSC's collection is scheduled on year 2022.

Investment in a joint venture refers to the remaining 40.00% shareholdings in PWEI. The 4.57% net increase from P1.564 million to P1.635 billion pertains to the Group's share in net income generated by PWEI during the period, net of dividend income.

Right of use of asset and lease Liabilities – these resulted from the first time adoption of the new PFRS 16 – leases in 2019. Please refer to Note 13 of the 2020 Consolidated Financial Statements. The movements pertain to the amortization of the account during the period.

The Investment properties-net account remains the same as of December 31, 2020.

Deferred tax assets – net occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of December 31, 2020 and December 31, 2019, this amounted to P5.652 million and P12.624 million, respectively. The 55.23% pertains to movements of the temporary deductible expenses and temporary taxable revenues during the period.

Other non-current assets amounted to P445.434 million and P506.399 million as of December 31, 2020 and December 31, 2019, respectively. The 12.04% net decrease is mainly due to recoupment of advances and amortization of accounts.

Accounts payable and accrued expenses increased by 6.94% mainly due to accruals made during the year.

Current portion of loan payable and Loans payable – net of current portion declined by 28.58% and 5.59%, respectively, mainly because of settlement of principal loans during the period.

The bulk of the Income tax payable pertains to PSC's outstanding tax payable - 5.00% provision for income tax under the PEZA rules. For MGPP, minimal income tax was computed because its principal business is under the Income tax Holiday, as part of its incentives under RE Law. The increase is mainly due to higher taxable income from PSC, due to the recording of the FIT arrears and full year operations of the TSPP2.

Asset retirement obligation amounted to P109.160 million and P90.621 million as of December 31, 2020 and as of December 31, 2019, respectively. The 20.46% increase in this account resulted from changes in estimates and contributions made during the period.

Other non-current liabilities net increase of 16.30% is mainly due to increase in the Group's retirement liability.

Equity attributable to equity holders of the Parent Company amounted to P5.248 billion or P9.23 book value per share and P4.927 billion or P8.66 book value per share, as of December 31, 2020 and December 31, 2019, respectively. The increase is mainly due to continuous income generation from the Renewable Energy Operations.

Non-controlling interest (NCI) pertains to the following:
- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in MGI;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in PSC;

Non-controlling interest increased by 10.47% from P2.338 billion to P2.583 billion due to net income from RE projects.

<u>d. Results of Operations (For the years ended December 31, 2020 and 2019)</u>

The Group generated a **consolidated net income** amounting to P646.191 million and P533.933 million as of December 31, 2020 and 2019, respectively, representing a 21.02% increase.

The Group generated **consolidated net income attributable to equity holders of the Parent Company** amounting to P319.412 million or P0.562 earnings per share and P292.836 million or P0.515 earnings per share as December 31, 2020 and same period in 2019, respectively. The main drivers of the increase are the recording of the FIT arrears for PSC and PWEI, the full year operations of the TSPP - 2 and TSPP's higher generation due to extended summer months during the period.

<u>Revenues:</u>
Electricity sales refer to the electricity power generated by MGPP and TSPP. The 15.18% net increase is due to the full year operations of TSPP-2; higher generation of the TSPP due to the extended summer months and the effect of the one-time recording of the FIT adjustment.

Oil revenues declined, despite the higher volume of production mainly because of lower average crude oil price realized this year as compared last year. Average crude oil price in 2019 was $64.94/bbl. while in 2020, $49.72/bbl.

<u>Costs and Expenses:</u>

Costs of electricity sales pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of power plant and fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity. The bulk of the 12.89% increase is mainly due to MGI's costs for MERALCO wheeling charges.

Cost of oil production decreased mainly due to lower expenses made during the period.
The 47.26% increase in **depletion** is due to increase in production barrels.

The **Change in crude oil inventory** increased due to higher number of barrels left unsold during the period.

General and administrative expenses, Other Income (Charges) and Provision for (Benefit From) Income Tax:

General and administrative expenses (G&A) declined by 5.29% mainly due to lower expenses resulting from the travel restrictions brought about by the COVID 19 pandemic.

Other income (charges) amounted to (P253.621) million and P(272.411) million as of December 31, 2020 and 2019, respectively. Below presents the itemized discussion of the changes in other income (charges) – net account.

- Bulk of the interest expense pertains to the interest due from loans. The decrease in the account is attributed to lower principal loans resulting from annual amortization of principal loans.

- 14.06% net increase in **share in net income of a joint venture** due to PWEI's one-time recording of the FIT arrears adjustment.

- Interest income declined mainly because of lower interest rates during the period.

- Lower effect of forex movements from P7.232 million unrealized loss last year to P3.501 million unrealized loss this year.

- higher losses from the fair value changes on financial assets at FVPL due to slump of the market prices of investments in stocks traded at the PSE resulting from the COVID 19 pandemic;

- 8.36% decrease in accretion expense is mainly due to change in estimates; and

- 54.6% increase in miscellaneous income mainly due to higher time-writing charges during the period.

Provision for (benefit from) income tax:
Provision for income tax current - pertains to PSC's outstanding tax payable - 5.00% provision for income tax under the PEZA rules. For MGPP, no income tax was computed because it is under the Income tax Holiday, as part of its incentives under RE Law. The increase is relative to PSC's recording of the FIT arrears adjustment and full year operation of the TSPP2.

Non-controlling interest (NCI) as of December 31, 2020 and 2019 pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in Maibarara;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in to PetroSolar;

e. Consolidated Financial Position (As of December 31, 2019 and 2018)

Total assets amounted to P13.364 billion and P12.740 billion as of December 31, 2019 and December 31, 2018, respectively.

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 10.22% net decrease from P1.188 billion as of December 31, 2018 to P1.067 billion as of December 31, 2019 is mainly due to the following:

- Instalment payment of principal loans and funding of the debt reserve accounts;
- Purchase of lot for MGPP's substation;
- Lower revenue collection from the MGPP resulting from repricing of the electricity price; and
- Completion of the TSPP2 development

These are partially offset by the continuous cash inflows from operations of the Group.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 6.35% decline is mainly due to collection from Transco as a result of the accelerated receivable turn-over and the repricing of electricity price of MGPP.

Financial assets at fair value through profit and loss (FVPL) amounted to P8.240 million and P8.483 million as of December 31, 2019 and 2018, respectively. The 2.86% net decrease is due to net downward movement of the market prices of the Company's investments in stocks traded in the Philippine Stock Exchange (PSE).

Prepaid expenses and other current assets consist of restricted cash, supplies inventory, prepaid expenses, crude oil inventory and other current assets. The bulk of the 4.13% decrease from P770.894 million to P739.07 million is mainly due to amortization of prepayments.

Property, plant and equipment (PPE) amounted to P8.537 billion as of December 31, 2019 and P7.937 billion as of December 31, 2018. The 7.55% net increase is mainly due to the completion of the TSPP2 and purchase of lot for MGPP's substation. This is net of the continuous depreciation of the Renewable Energy Power Plants and depletion of the oil assets.

Deferred oil exploration cost decreased by 16.22% resulting from the reclassification of the signature bonus paid to the Gabonese Government for the renewal of the Production Sharing Contract – Etame in September 2018 to other non-current assets – intangible assets.

Investment in a joint venture refers to the remaining 40.00% shareholdings in PWEI. The 2.43% net increase from P1.527 billion to P1.564 million mainly pertains to the Group's share in net income generated by PWEI during the period, net of dividend income.

Right of use of asset and lease liability – this resulted from the first time adoption of the new PFRS 16 – leases.

The Investment properties account remains the same as of December 31, 2019.

Deferred tax assets – net occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of December 31, 2019 and December 31, 2018, this amounted to P12.624 million and P10.493 million, respectively.

Other non-current assets amounted to P506.399 million and P710.153 million as of December 31, 2019 and December 31, 2018, respectively. The 28.69% net decrease is mainly due to the following:

- Recoupment of advances to contractors for the completion of the development of TSPP2 and
- Derecognition of MGI's prepaid rent as a result of the adaptation of the PFRS 16.

Accounts payable and accrued expenses amounted to P343.716 million and P318.227 million as of December 31, 2019 and December 31, 2018, respectively. The 8.01% increase mainly pertains to higher accruals made during the year.

Current portion of loan payable as of December 31, 2019 amounted to P1.198 billion and P731.284 million as of December 31, 2018. The 63.76% increase is mainly due to reclassification of nearly maturing loans.

The bulk of the Income tax payable pertains to PSC's outstanding tax payable - 5.00% provision for income tax under the PEZA rules. For MGPP, no income tax was computed because it is under the Income tax Holiday, as part of its incentives under RE Law.

Loans payable – net of current portion amounted to P4.102 billion and P4.942 billion as of December 31, 2019 and December 31, 2018, respectively. The 16.99% net decrease is mainly due to the scheduled instalment payment made during the period and reclassification of the nearly maturing loan to loans payable – current account.
Asset retirement obligation amounted to P90.621 million and P63.157 million as of December 31, 2019 and as of December 31, 2018, respectively. The 43.49% increase in this account resulted from changes in estimates and contributions made during the period.

Other non-current liabilities pertain to accrued rent payable arising from the application of straight line amortization of operating lease and accrued retirement liability. The 31.14% net decrease mainly pertains to the derecognition of the set-up of rent levelization of PSOC's land lease resulting from the adaptation of the PFRS 16.

Equity attributable to equity holders of the Parent Company amounted to P4.927 million or P8.66 book value per share compared to P4.639 billion or P8.16 book value per share as of December 31, 2018. The increase is mainly due to continuous income generation from the Renewable Energy Operations.

Non-controlling interest (NCI) pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in MGI;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in PSC;

Non-controlling interest increased by 16.43% from P2.008 billion to P2.338 billion due to the higher net income in the RE projects, and additional equity infusion.

f. Results of Operations (For the years ended December 31, 2019 and 2018)

The Group generated a **consolidated net income** amounting to P533.932 million and P694.913 million as of December 31, 2019 and 2018, respectively, representing a 23.17% decline.

The Group generated **consolidated net income attributable to equity holders of the Parent Company** amounting to P292.836 million or P0.515 earnings per share as of December 31, 2019 and P421.258 million or P0.741 earnings per share as of December 31, 2018.

The main drivers of the decline in the bottom-line figures are:

- Repricing of MGI's electricity sales agreement in middle of the year.
- lower share in net income in PWEI due to lower wind speeds; and
- lower income from oil operations due to lower volumes and lower crude prices

Revenues:

Electricity sales refer to the electricity power generated by MGPP and TSPP. Despite the repricing of MGI's ESA, electricity sales revenues have been maintained, because of the full year operations of MGPP-2 in 2019 and entry of the TSPP-2.

Oil revenues likewise decreased by 19.66% from P436.971 million as of December 31, 2018 to P351.057 million as of December 31, 2019. The decrease is mainly due to lower crude lifting at lower oil prices of 4.6MMBO at average of $64.94/bbl. in 2019 as compared to 5.34 MMBO at average price of $70.10/bbl in 2018.

Costs and Expenses:

Costs of electricity sales pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of power plant and fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity. The 11.72% increase is mainly due to expenses relative to MGPP-2 that reflected a full year's depreciation and other costs in 2019, compared to only eight months of depreciation and other costs in 2018.

Cost of oil production decreased by 8.83% from P242.695 million as of December 31, 2018 to P221.259 million as of December 31, 2019 mainly due to lower expenses made during the period.

The 31.14% decline in **depletion** is due to increase in the reserves estimates and decline in production barrels.

General and administrative expenses, Other Income (Charges) and Provision for (Benefit from) Income Tax:

General and administrative expenses (G&A) slightly increased by 2.64% mainly due to higher expenses incurred during the period resulting from the Renewable Energy operations expansion.

Other income (charges) amounted to P (272.441) million and P (163.810) million as of December 31, 2019 and 2018, respectively. Below presents the itemized discussion of the changes in other income (charges) – net account.

- 17.92% decrease in share in net income of a joint venture due to lower net income of PWEI for the period resulting from low energy generation during the period;
- Interest income slightly increased by 0.38%;
- downturn in forex changes from gain of P6.070 million in 2018 to (P7.232) million in 2019 due to changes in the forex;
- lower losses from the fair value changes on financial assets at FVPL due to slight recovery of market prices of investments in stocks traded at the PSE;
- Bulk of the interest expense pertains to the interest due from loans. However, in 2019, this includes interest expense as a result of the first time adoption of the PFRS 16 – Leases, wherein the Group recognized the difference between the total undiscounted payment amount up to the lease term versus the net present value of the lease payments. This is amortized in time with the payment of the lease. This drives the 4.4% increase in this account.
- In 2018 there was also a reversal of impairment loss amounting to P54.318 million, as compared to 2019 wherein the Group did not recognize any reversal or additional impairment during the period.
- 4.55% increase in accretion expense mainly due to change in estimates; and
- 26.10% decrease in miscellaneous income mainly due to lower time-writing charges during the period.

Provision for (benefit from) income tax:
Provision for income tax current - pertains to PSC's outstanding tax payable - 5.00% provision for income tax under the PEZA rules. For MGPP, no income tax was computed because it is under the Income tax Holiday, as part of its incentives under RE Law.

Non-controlling interest (NCI) as of December 31, 2019 and 2018 pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in Maibarara;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in to PetroSolar;

Key Performance Indicators (please see attached "Schedule of Financial Soundness Indicators")

There are no events that will trigger direct or contingent financial obligations that is material to the group, including any default or acceleration of an obligation

There are no material off – balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the period.

2. Plan of Operations for the next 12 months

Gabon, West Africa
Crude production will continue from the existing wells, while the programmed wells in the current drilling program will be completed by Q3, 2022, as the Gabon Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes. The Consortium will also prepare to replace the Petroleo Nautipa FPSO with the Cap Diamant FSO by September 2022 for the crude storage and offtake in Etame Marin.

SC 14C2 - West Linapacan, Northwest Palawan
Operator Philodrill will conduct further G&G activities to validate the feasibility of extracting the remaining recoverable volumes in West Linapacan.

SC 75 - Offshore Northwest Palawan
Subject to government's safely and security clearance over the prospect area, the SC 75 Consortium will proceed to Subphase 2, with the conduct of a ~1,000 sq.km 3D seismic survey over the identified leads in SC 75.

Maibarara Geothermal Power Project
Power generation from both Maibarara -1 and Maibarara-2 will continue.

Nabas Wind Power Project
The plant will be in continuous operation from the 18 WTGs comprising the project's Phase 1. For the project's Phase 2, EPC tender evaluation and selection will be finalized

Tarlac Solar Power Project
TSPP-1 and TSPP-2 will continue to supply electricity to the grid.

Puerto Princesa Solar Hybrid Power Project
In light of PGEC's withdrawal from the PALECO CSP, PGEC is now exploring alternative offtake arrangements for this project.

San Vicente Wind Hybrid Power Project
PGEC will continue with initial feasibility studies for SVWHPP, consisting of: 1) Two-year wind measurement campaign, 2) LGU and regulatory permitting works, and 3) technical and economic feasibility works for a potential wind-hybrid system in San Vicente.

Material Commitments

Aside from the committed developments of the prospective projects, there are no other foreseen material commitments during the period.

Discussion of Indicators of the Company's Level of Performance

Productivity Program
The development of the prospective renewable energy projects will increase the Group's capacity and power generation, while the prospective four-well drilling program in Gabon Etame, aimed to sustain field production to above 20,000 BOPD.

Receivable Management
The Group's receivables are mainly due from sale of electricity to PHINMA and Transco and sale of crude oil in Etame, Gabon through the Consortium's Operator. Revenues are recorded once sale are made. Payments are received every 30-45 days following each sale.

For electricity sales form TSPP and NWPP, the payment for the Actual FIT Revenue is sourced from the FIT-All Fund, specifically the Actual FIT Differential (FD) and the Actual Cost Recovery Revenue (ACRR). The FD is the difference between the Actual FIT Revenue and the ACRR and is collected from on-grid consumers as a uniform charge and applied to all billed kilowatt-hours. For FIT-Eligible RE Plants connected to the Wholesale Electricity Spot Market ("WESM"), the ACRR refers to the WESM proceeds remitted to the FIT-All Fund by the Independent Electricity Market Operator of the Philippines, Inc. ("IEMOP"), which took over the Philippine Electricity Market Corporation ("PEMC") as operator of the electricity spot market. PWEI and PSC regularly receive the both the ACRR and FD components on time, which is 45 days after billing date.

PetroWind and PetroSolar manage this risk through proper and meticulous allocation of funds, proper timing of expenditures, employment of cost-cutting measures, and sourcing short-term funding requirements from local banks and investment houses or from affiliated companies.

For the eighteen (18) years since oil production inception, there was no event that the buyer failed to remit the proceeds of the sale. However, the Group is willing to look for another buyer should there be some problem that may happen in the future.

Liquidity Management
Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

The Group considers the above factors and pays special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to money market placements to maximize interest earnings.

The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Group is not in default of any, note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

Inventory Management
The only inventory is the crude oil produced in Gabon. The buyer lifts certain volume and pays the same in 30 days. The operator sees to it that crude oil inventory does not reach 800,000 barrels at any one time to avoid overflow and to generate revenues to cover production costs.

Cost Reduction Efforts
In order to reduce costs, the Group employs a total of one hundred thirty six (136) employees with multi-task assignments.

The Company's general and administrative expense as of December 31, 2021 is equivalent to 9.06% of the total revenue.

Rate of Return of Each Stockholder
The Company has no existing dividend policy. However, the Company intends to declare dividends in the future in accordance with the Corporation Code of the Philippines. Please see Part II, Item 5, 3. Dividends for the Dividend declared for two (2) most recent years.

Item 7 - Financial Statements

The 2020 Consolidated Audited Financial Statements (AFS) of the Company are incorporated herein by reference. The schedules listed in the accompanying index to Supplementary Schedules are filed as part of this Report.

Item 8 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

-none-

PART III – CORPORATE GOVERNANCE

The Company's platform of corporate governance is anchored on its Manual on Corporate Governance (the "Manual"). The Manual has been updated to reflect the requirements stated in the Code of Corporate Governance for Publicly-Listed Companies (SEC Memorandum Circular No. 19, Series of 2016). The Manual institutionalizes the principles of good corporate governance in the entire organization. It also lays down the Company's compliance system and identifies the responsibilities of the Board and Management in relation to good corporate governance.

The Company believes that compliance with the principles of good corporate governance begins with the Board of Directors. It is the Board's duty and responsibility to foster the long-term success of the Company and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interest of its shareholders and other stakeholders. With these in mind, the Company ensures that its Board of Directors is composed of individuals of proven competence, integrity, and probity. These individuals determine the Company's purposes, vision and mission, and strategies to carry out its objectives, ensure compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, and install a process of selection to ensure a mix of competent directors and officers.

The Board of Directors endeavors to substantially adhere to and comply with the principles and best practices contained in the Manual. The Company is adopting the Integrated Annual Corporate Governance Report, pursuant to the Code of Corporate Governance for Publicly-listed Companies (CG Code for PLCs), as an evaluation system for the company to measure or determine the level of compliance of the Board of Directors and top management with its Manual of Corporate Governance.

The Board of Directors including its officers likewise attended Corporate Governance seminars in compliance with the requirements of the Securities and Exchange Commission. In this regard, the Company's directors submitted their respective Certifications, as referred to in Annex **"E",** attesting their attendance and participation in required trainings and/or continuing education seminars for directors, to further support their qualification for directorship.

Further, the total corporate organization received copies of the Manual on Corporate Governance (Manual) duly approved by the Board of Directors.

The members of the Board, substantial shareholders, and officers are obligated to disclose all material facts related to RPTs, as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made at the Board and/or Audit Committee Meeting where the RPT will be presented for review and approval and before the completion or execution of the RPT. There were no transactions with Directors, Officers or any principal stockholders (owning at least 10% of the outstanding shares of the Company) that are not in the ordinary course of business of the Company. No related party transactions were entered into by any Director in 2020 that required review by the Audit Committee (acting as RPT Committee) and further approval by the Board in accordance with the RPT Policy of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

Three (3) Independent Directors (namely, Mr. Cesar A. Buenaventura, Mr. Eliseo B. Santiago, and Ms. Maria Mercedes M. Corrales) sit on the Board. The Company adopts the definition of Independence in the Securities Regulation Code and the CG Code for PLCs, and considers as an independent director a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company.
Based on the recommendations under the CG Code for PLCs, as adopted in the Manual, the Board organized the following committees:

- Audit Committee – which has the oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall likewise review all material related party transactions and would thus exercise the functions of a Related Party Transaction Committee.

- Corporate Governance Committee – which shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination Committee and the Compensation and Remuneration Committee.

- Board Risk Oversight Committee – which shall have the oversight function over the Company's Enterprise Risk Management system, enabling the Board and Management to be in confident position to make well-performed decisions, having taken into consideration risks to significant business activities, plans, and opportunities.

Below are the Committees and their corresponding members:

Audit Committee		
Chairman	-	Mr. Cesar A. Buenaventura – Lead Independent Director
Members	-	Ms. Maria Mercedes M. Corrales – Independent Director
		Ms. Helen Y. Dee – Non-Executive Director
Corporate Governance Committee		
Chairman	-	Ms. Maria Mercedes M. Corrales – Independent Director
Members	-	Mr. Cesar A. Buenaventura – Lead Independent Director
		Mr. Eliseo B. Santiago – Independent Director
Board Risk Oversight Committee		
Chairman	-	Mr. Eliseo B. Santiago – Independent Director
Members	-	Mr. Cesar A. Buenaventura – Lead Independent Director
		Mr. Lorenzo V. Tan – Non-Executive Director

As part of corporate measures to ensure compliance with the principles and policies embodied in the Manual, the Board of Directors designated Atty. Louie Mark R. Limcolioc, as the Company's Compliance Officer (concurrent Assistant Corporate Secretary). Atty. Limcolioc is responsible for, among matters, determining and measuring compliance with the Manual; appearing before the Philippine SEC upon summons on matters relating to the Manual; identifying, monitoring, and controlling compliance with corporate governance matters; and recommending to the Board of Directors the review of the Manual. Atty. Limcolioc works closely with the Board of Directors, top management, and board committees to evaluate and monitor compliance with the Manual. Specifically, he determines the level of compliance and accordingly recommends the adoption of measures to improve such compliance. Likewise, the various board committees perform oversight duties and functions to ensure proper compliance with the Manual and other corporate policies. The Company also submits governance reports required by the Philippine SEC and the PSE to determine compliance with their rules and regulations, the Manual, and the Code of Corporate Governance. Pursuant to the CG Code for PLCs, the positions of the Corporate Secretary and Compliance Officer are no longer performed by the same person.

In line with the Company's aspirations for growth and development, the Company continues to work towards enhancing its adherence to the principles and best practices of good corporate governance.

Director Compensation Report

		Per Diem	**Bonus**	**Other Compensation***	**Total**
Directors	**2019**	**372,222.00**	**-**	**5,045,026.00**	**5,417,248**
	2020	**392,105.00**	**-**	**5,282,093.00**	**5,674,198**
	2021	**347,953.28**	**-**	**5,267,664.00**	**5,615,617**
	2022 est**	**300,000.00**	**-**	**5,917,291.38**	**6,217,291**

*Other compensation pertains to the Director's share in the profit share.
**The 2022 estimate does not yet include profit share.

A Director attendance report, indicating the attendance of each Director at each of the meeting of the Board and its committees and in regular or special stockholders' meeting. Please refer to Annex **"F".**

ANNEX "A"

PETROENERGY RESOURCES CORPORATION
Procedures and Requirements for Voting and Participation in the 2022 Annual Stockholders' Meeting

To conform with the Government's regulations on social distancing and prohibition on mass gatherings and to protect the safety of its stockholders during the COVID-19 virus in the Country, PetroEnergy Resources Corporation (the "Company") will dispense with the physical attendance of its stockholders for the 2022 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2022 ASM scheduled on July 28, 2022 at 4:00 p.m. by remote communication and will conduct electronic voting in absentia.

Only stockholders of record as of June 15, 2022 are entitled to participate and vote in the 2022 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2022 ASM:

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register **from 9:00 AM of July 15, 2022 until 5:00 PM of July 25, 2022** to signify his/her/its intention to participate in the 2022 ASM by remote communication. The registration steps and requirements are available through the following link: http://petroenergy.com.ph/investor_relations.

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at asm@petroenergy.com.ph:

B.1. **For Individual Stockholders:**
(i) Scanned valid government issued identification card;
(ii) Valid email address and active contact number;

B.2. **For Stockholders with Joint Accounts:**
(i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
(ii) Valid email address and active contact number of the authorized stockholder;
(iii) Scanned copy of valid government-issued identification card of the authorized stockholder;

B.3. **For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares':**
(i) Broker's Certification on the stockholder's number of shareholdings;
(ii) Valid email address and active contact number of the stockholder;
(iii) Scanned copy of valid government-issued identification card of stockholder; and

B.4. **For Corporate Stockholders:**
(i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
(ii) Valid email address and active contact number of authorized representative; and
(iii) Valid government-issued identification card of authorized representative.

C. The documents submitted will then be verified by the Office of the Corporate Secretary with the assistance of the Stock Transfer Agent. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall be provided instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

II. ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting in absentia. The deadline for registration is 5:00 PM of July 25, 2022. Beyond this date, stockholders may no longer avail of the option to electronically vote in absentia.

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

(1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
(2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
(3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to asm@petroenergy.com.ph.
(4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

C. Thereafter, the Office of the Corporate Secretary and the Transfer Agent, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies.

D. Registered stockholders shall have until 5:00 PM of July 25, 2022 to cast their votes in absentia. Stockholders will not be allowed to cast votes during the livestream of the 2022 ASM.

III. VOTING BY PROXY

A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at http:// petroenergy.com.ph/investor_relations.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at http://petroenergy.com.ph/investor_relations. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at http://petroenergy com.ph/investor_relations. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form.

D. General Instructions on Voting by Proxy:

(1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
(2) Send the scanned copy of the duly executed proxy form via email to corporate secretary via asm@petroenergy.com.ph or submit the original proxy form to the Office of the Corporate Secretary at 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.
(3) Deadline for the submission of proxies is at 5:00 PM of July 25, 2022.
(4) Validation of proxies will be on July 25, 2022.
(5) If a stockholder avails of the option to cast his/her vote electronically in absentia and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

IV. PARTICIPATION BY REMOTE COMMUNICATION

A. Only duly registered stockholders will be included in determining the existence of a quorum.
B. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at asm@petroenergy.com.ph. The deadline for submitting questions shall be at **5:00 PM of July 25, 2022.**
C. The proceedings during the 2022 ASM will be recorded. For any clarifications, please contact the Office of the Corporate Secretary via email at asm@petroenergy.com.ph.

ANNEX "B"

SAMPLE ONLY
PROXY PETROENERGY RESOURCES CORPORATION
2022 STOCKHOLDERS' MEETING

I/WE hereby name and appoint, ______________________________, or in her absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of **PETROENERGY RESOURCES CORPORATION. ("PERC")** to be held on **July 28, 2022** and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of PERC, which appointment shall not exceed five (5) years from date hereof.

In particular, I hereby direct my said proxy to vote all my shares on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

Item No.	**Subject**	**Action**		
		For	**Against**	**Abstain**
I.	Approval of the Minutes of the Annual Meeting held on July 29, 2021			
II.	Approval of Management Report and the 2021 Audited Financial Statements contained in the 2021 Annual Report			
III.	Confirmation and Ratification of all acts, contracts and investment made and entered during the period July 29, 2021 to July 28, 2022			
IV.	Election of Directors for the year 2022-2023			
	1. Helen Y. Dee			
	2. Milagros V. Reyes			
	3. Yvonne S. Yuchengco			
	4. Maria Mercedes M. Corrales			
	5. Cesar A. Buenaventura *(For Retention and Reelection as Independent Director)*			
	6. Eliseo B. Santiago *(For Retention and Reelection as Independent Director)*			
	7. Lorenzo V. Tan			
V.	Appointment of External Auditors			

I am accomplishing this Proxy Form this _____ day of ______ 2022.

—
___________________________________   ___________________________________
PRINTED NAME OF STOCKHOLDER   **AUTHORIZED SIGNATORY**

THIS PROXY SHOULD BE SUBMITTED UNTIL **5:00 PM OF JULY 25, 2022**, TO THE OFFICE OF THE CORPORATE SECRETARY AT 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City OR BY EMAIL AT asm@petroenergy.com.ph. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. THIS PROXY DOES NOT NEED TO BE NOTARIZED.

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ANNEX "B-1"

PETROENERGY RESOURCES CORPORATION
2022 STOCKHOLDERS' MEETING

ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting in absentia. The deadline for registration is **5:00 PM of July 25, 2022**. Beyond this date, stockholders may no longer avail of the option to electronically vote in absentia.

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

(1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.

(2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.

(3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to asm@petroenergy.com.ph.

(4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

B. Thereafter, the Office of the Corporate Secretary and the Transfer Agent, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies.

D. Registered stockholders shall have until **5:00 PM of July 25, 2022** to cast their votes in absentia. Stockholders will not be allowed to cast votes during the livestream of the 2022 ASM.

Item No.	**Subject**	**Action**		
		For	**Against**	**Abstain**
I.	Approval of Minutes of the Annual Meeting held on July 29, 2021			
II.	Approval of Management Report and the 2021 Audited Financial Statements contained in the 2021 Annual Report			
III.	Confirmation and Ratification of all acts, contracts and investment made and entered during the period July 29, 2021 to July 28, 2022			
IV.	Election of Directors for the year 2022-2023			
	1. Helen Y. Dee			
	2. Milagros V. Reyes			
	3. Yvonne S. Yuchengco			
	4. Maria Mercedes M. Corrales			
	5. Cesar A. Buenaventura *(For Retention and Reelection as Independent Director)*			
	6. Eliseo B. Santiago *(For Retention and Reelection as Independent Director)*			
	7. Lorenzo V. Tan			
V.	Appointment of External Auditors			

ANNEX “C”

MINUTES OF THE
2021 ANNUAL STOCKHOLDERS’ MEETING

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PETROENERGY RESOURCES CORPORATION

DATE	:	**July 29, 2021**
TIME	:	**1:30 p.m.**
MANNER	:	**Via Zoom Conference Meeting**

The Chairman, **Ms. Helen Y. Dee,** welcomed all the stockholders to the 2021 Regular Annual Stockholders' Meeting (ASM), and mentioned that the ASM will be conducted through online and recorded video-streaming meeting to minimize the risk posed by the COVID-19 pandemic and to comply with the mandate of the Inter-Agency Task Force on Emerging Infectious Diseases' advisory of avoiding physical mass gatherings.

The Chairman also mentioned that the procedures for the ASM were embodied in the Company's Definitive Information Statement duly approved by the Securities and Exchange Commission (SEC). She added that the Stockholders were advised to register online to accord them the opportunity to participate in the ASM; that only questions and concerns submitted online prior to the given deadline will be addressed during the ASM; and that those given during the ASM will be addressed through email after the ASM and will be included in the minutes, accordingly.

The incumbent members of the Board of Directors of the Company, who were then present, were thereafter introduced while their pictures were shown on-screen, as follows:

Ms. Helen Y. Dee	–	Chairman
Ms. Milagros V. Reyes	–	Director/President
Ms. Yvonne S. Yuchengco	–	Director/Treasurer
Mr. Cesar A. Buenaventura	–	Lead Independent Director
Mr. Basil L. Ong	–	Independent Director
Mr. Eliseo B. Santiago	–	Independent Director
Mr. Lorenzo V. Tan	–	Director

I. CERTIFICATION OF SERVICE OF NOTICE

The Corporate Secretary, Atty. Samuel V. Torres, was called to submit proof of the notice of meeting. The Corporate Secretary certified that, pursuant to the alternative mode for distributing and providing the notice of meeting in connection with the holding of the ASM for 2021, notices of the meeting were sent to all stockholders of record as of June 10, 2021 in four (4) ways to reach as many stockholders as possible.

First, through publication of the Notice of the ASM, including the agenda, for two (2) consecutive days on July 4, 2021 and July 5, 2021 in The Manila Bulletin and in the Philippine Star, both in print and online editions, as evidenced by the Affidavits of Publications executed by the respective representatives of said publishers. Second, by disclosure with the Philippine Stock Exchange. Third, by posting on the Company's website. Finally, through email for those who have successfully registered online, consistent with applicable SEC Rules and the Company's internal guidelines on participation by electronic means of communication or in absentia.

II. DETERMINATION OF QUORUM / CALL TO ORDER

The Corporate Secretary certified that there was a quorum for the transaction of any business that may be properly brought before the Body, with attendance of shareholders represented remotely or in absentia covering **236,657 shares (0.09%)** and **417,766,309 shares (73.46%)** represented by proxy, for a total of **418,002,966 shares (73. 50%)** out of the **568,711,842 total outstanding shares.** On the basis of the Corporate Secretary's certification, the Chairman called the meeting to order.

III. APPROVAL OF THE MINUTES OF THE LAST REGULAR ANNUAL STOCKHOLDERS' MEETING HELD ON AUGUST 18, 2020

The Chairman mentioned that the minutes of the last Regular Annual Stockholders' Meeting held on August 18, 2020 were made available in the Company's website. Stockholders owning 73.50% of the outstanding shares have voted in favor of the following resolution:

> *"**RESOLVED,** That the Minutes of the Regular Annual Stockholders' Meeting held on August 18, 2020 be, as it is hereby, approved."*

IV. APPROVAL OF MANAGEMENT REPORT AND THE 2019 AUDITED FINANCIAL STATEMENTS

The Chairman then requested the President, Ms. Milagros V. Reyes, to deliver the Management Report as follows:

> "Dear Fellow Stockholders:
>
> Nobody prepared for the disruptions that COVID-19 brought to the entire world. Our upstream petroleum project was hard hit as crude oil prices crashed from $66/barrel down to $19/barrel in just a matter of days. The global crude oil market was in turmoil due to these uncertainties. Such a deep dive in prices could not be compensated by higher production volumes, which we attempted from our newer wells.
>
> Fortunately, downstream of the energy spectrum, our power generation ventures were not too adversely affected because our generated power are sourced from renewable energy with fixed power rates either under the FIT regime or under long term bilateral arrangement.

Nonetheless, we immediately activated our Crisis Management Team, which implemented work adjustments and innovation that allowed our subsidiaries to continue "normal" operations, met our technical standards despite the work restrictions, and achieve our financial objectives for the year. We kept our human resource complement intact and safe, working under strict health protocols installed in workplaces and project sites.

The efforts of our lean team boosted the Company's performance, so that in spite of the various disruptions, the year ended with robust financial returns. Consolidated Net Income increased by 21% from P534 Million in 2019, to P646 Million in 2020, propelled by the timely completion of an additional 20MW Solar Power Plant in Tarlac and the ERC adjustments in FIT rates.

While we still ended up with negative numbers in the oil exploration, its deep dive in prices in the first quarter of 2020 did not persist beyond the second quarter due to the immediate intervention of OPEC+, which mandated its members to cut a fourth of production. This resulted in a better balanced market which brought back oil prices gradually to the high $50s. By the first quarter of 2021, crude oil prices have climbed up to the high $60's.

We have learned some lessons from this pandemic and have adapted to newer ways of doing business to meet our objectives in reasonable time. Our team has become adept at pursuing regulatory processes on-line with satisfactory results, such that we have three (3) projects ready for take-off. In addition, we have also successfully been awarded two (2) Offshore Wind Service Contracts, which we shall pursue in earnest. These are exciting times for your company as we transition more into the power generation business.

We have a lot on our plate, which we aim to put on stream as we had done with the other projects now in our portfolio. This is to fulfill our mission to provide optimum value to our shareholders, while keeping our focus on our vision to grow into one of the most profitable publicly listed energy companies in our country.

I would like to end my report by recognizing the commitment and dedication of our staff and the support of our Board and shareholders, which contributed immensely to the strong performance of your Company.

Thank you."

After the presentation by the President, the Corporate Secretary reported that Stockholders owning 73.50% of the outstanding shares have voted in favor of the following resolution:

***"RESOLVED,** as it is hereby resolved, that the 2019 Management Report and the 2019 Audited Financial Statements, as made available to the stockholders, be as they are hereby, noted and approved."*

V. CONFIRMATION AND RATIFICATION OF ALL ACTS, RESOLUTIONS, CONTRACTS AND INVESTMENTS MADE AND ENTERED INTO BY THE BOARD OF DIRECTORS AND MANAGEMENT DURING THE PERIOD AUGUST 18, 2020 TO JULY 29, 2021

A resolution for the confirmation and ratification of all acts, resolutions, contracts and investments made and entered into by the Management and/or the Board of Directors for the period August 18, 2020 to July 29, 2021 was shown on the screen. After which, the Corporate Secretary reported that stockholders owning 73.50% of the outstanding shares have voted in favor of the resolution, to wit:

***"RESOLVED,** as it is hereby resolved that all acts, resolutions, contracts and investments made by Management and/or the Board of Directors for the period August 18, 2020 to July 29, 2021, be as they are hereby confirmed, ratified and approved."*

VI. ELECTION OF SEVEN (7) MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2021-2022

The Chairman then tackled the next item in the Agenda. She then asked the Corporate Secretary if he has the list of nominees to the Board of Directors. The Corporate Secretary replied in the affirmative, and that, as of July 14, 2021, the deadline for nominations, seven (7) nominees were screened and short-listed by the Corporate Governance Committee for election as members of the Board of Directors, namely:

1. HELEN Y. DEE – Director
2. MILAGROS V. REYES – Director
3. YVONNE S. YUCHENGCO – Director
4. CESAR A. BUENAVENTURA – Independent Director (for extension and retention)
5. MARIA MERCEDES CORRALES – Independent Director
6. ELISEO B. SANTIAGO – Independent Director
7. LORENZO V. TAN – Director

The Corporate Secretary underscored that among these nominees, Independent Director, Mr. Cesar A. Buenaventura, is set to reach his nine (9) years term limit as Independent Director in 2021. Mr. Buenaventura was, however, nominated for reelection and retention as Independent Director. He then explained that under the Company's Manual on Corporate Governance and as warranted by the SEC Memorandum Circular No. 19, Series of 2016, such term limit may be extended upon meritorious justification/s and Stockholders' approval. The justification for said retention has been provided to the Stockholders in advance through the Information Statement.

The Corporate Secretary reported that all the shares represented in the meeting or **418,002,966** shares (73.50%) of the outstanding shares, have been voted in favor of the election of all the nine (9) nominees, including the extension and retention of Mr. Buenaventura as Independent Director.

The Chairman then proclaimed the above named nominees as elected members of the Board of Directors of the Corporation for the year 2021-2022.

VII. APPOINTMENT OF THE COMPANY'S EXTERNAL AUDITORS

The Chairman stated that the Audit Committee recommended the re-appointment of the firm SyCip Gorres Velayo & Company (SGV) as the Company's external auditor for the year ending December 31, 2021.

The Corporate Secretary reported that Stockholders owning 73.50% of the outstanding shares have voted in favor of the resolution reappointing SGV as external auditor for the year ending December 31, 2021, to wit:

> *"**RESOLVED**, That the auditing firm SyCip Gorres Velayo & Company be, as it is hereby, reappointed as External Auditor of the Company for the calendar year ending December 31, 2021."*

VIII. ADJOURNMENT

Since no other business was brought to the table and that no question was received from stockholders within the stated deadline nor during the meeting, the meeting was adjourned upon motion duly made and seconded.

ATTY. SAMUEL V. TORRES
Corporate Secretary

ATTEST:

HELEN Y. DEE
Chairman

PETROENERGY RESOURCES CORPORATION
2021 Annual Stockholders' Meeting
List of Attendees

PRESENT:

Mr. Helen Y. Dee	– Chairman Office
Ms. Milagros V. Reyes	– Director/President Residence
Ms. Yvonne S. Yuchengco	– Director/Treasurer Residence
Mr. Cesar A. Buenaventura	– Lead Independent Director Residence
Mr. Basil L. Ong	– Independent Director Residence
Ms. Maria Mercedes Corrales	– Independent Director Residence
Mr. Eliseo B. Santiago	– Independent Director Residence
Mr. Lorenzo V. Tan	– Director Residence

OFFICERS:

Atty. Samuel V. Torres	– Corporate Secretary Residence
Atty. Arlan P. Profeta	– Asst. Corporate Secretary Residence
Mr. Francisco G. Delfin, Jr.	– Vice President (PetroEnergy Resources Corporation) Residence
Ms. Carlota R. Viray	– AVP for Finance (PetroEnergy Resources Corporation) Residence
Ms. Maria Victoria M. Olivar	– AVP for Operations (PetroEnergy Resources Corporation)
Ms. Ladianne R. Cayaban	– Assistant CFO (PetroEnergy Resources Corporation) Residence
Ms. Maria Cecilia L. Diaz De Rivera	– Finance Head (Maibarara Geothermal, Inc.) Residence
Atty. Louie Mark R. Limcolioc	– Senior Manager for Corporate and Legal Affairs (PetroGreen Energy Corporation) Residence
Atty. Keel Achernar R. Dinoy	– Senior Legal Counsel (PetroGreen Energy Corporation) Residence

STOCKHOLDERS/OTHERS:

Shirley E. Belarmino	PERC
Beng De Lara	House of Investments, Inc.
Leah Grace Ignacio	House of Investments, Inc.
Beng De Lara	House of Investments, Inc.
Cueva, Shirley S.	Benguet Corporation
Gema Cheng	House of Investments, Inc.
Ring Joven	House of Investments, Inc.
Tess Bautista	House of Investments, Inc.
Pia Gadaza	House of Investments, Inc.
Ruth Francisco	House of Investments, Inc.
Angelica Yang	Business World
Danessa Angeles	Philippine Star
Ana Lea Bergardo	SGV
Arlene B. Villanueva	PERC
Irene S. Samaniego	PERC
Peewee Cruz	PGEC
Roberto K. Santos, Jr.	PGEC
Victor Saulon	

MODERATORS:

Ms. Vanessa G. Peralta
Mr. Jerome A. Jardinero
Ms. Maritess D. Reyes

NOTE: Bulk of the shares represented are those of YGC. The remainder are those of the Company's Directors and officers and other unaffiliated persons.

- END OF LIST -

ANNEX “D”

CERTIFICATIONS OF INDEPENDENT DIRECTORS

PetrEnergy
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

June 15, 2022

PETROENERGY RESOURCES CORPORATION
7th Floor, JMT Building
ADB Avenue, Ortigas Center
Pasig City

Attention: **Atty. Samuel V. Torres**
Corporate Secretary

Gentlemen:

This refers to the election of the Board of Directors of **PetroEnergy Resources Corporation** for the 2022-2023 term scheduled at its Regular Annual Stockholders' Meeting on July 28, 2022.

As a stockholder of record date June 15, 2022 entitled to vote at said meeting, I respectfully nominate the following persons to the Board of Directors for the 2022-2023 terms:

1. Mr. Cesar A. Buenaventura – Independent Director
2. Mr. Eliseo B. Santiago – Independent Director
3. Ms. Maria Mercedes M. Corrales – Independent Director
4. Ms. Helen Y. Dee
5. Ms. Yvonne S. Yuchengco
6. Ms. Milagros V. Reyes
7. Mr. Lorenzo V. Tan

Very truly yours,

DAN DYONNE EMINIANO Q. GONZALES
Stockholder

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA,** Filipino, of legal age and a resident of #27 Kasiyahan Homes, 58 Mckinley Road, Forbes Park, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PETROENERGY RESOURCES CORPORATION** and been Independent Director since 1998 to present.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Pilipinas Shell Petroleum Corporation	Director	1970 to present
Pilipinas Shell Foundation Inc.	Founding Chairman	1982 to present
Buenaventura, Echauz and Partners, Inc.	Chairman	1991 to present
iPeople, Inc.	Director	1991 to present
DMCI Holdings, Inc.	Vice Chairman	1995 to present
DM Consunji, Inc.	Director	1995 to present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1997 to present
Semirara Mining Company	Director	1997 to present
Concepcion Industrial Corporation	Director	2014 to present
Bloomberry Cultural Foundation	Trustee	2015 to present
ICTSI Foundation	Trustee	2015 to present
The Country Club	Director	2016 to present
International Container Terminal Services, Inc.	Director	2019 to present
Manila Water Company, Inc.	Director	2021 to present
Manila Water Foundation, Inc.	Trustee	2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PETROENERGY RESOURCES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the following director/officer/substantial shareholder of **PETROENERGY RESOURCES CORPORATION** its subsidiaries and affiliates, other than the relationship provided under the Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR / OFFICER / SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or am affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PETROENERGY RESOURCES CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this June 15, 2022 at Pasig City, Philippines.

CESAR A. BUENAVENTURA
Lead Independent Director

SUBSCRIBED AND SWORN to before me this June 15, 2022 affiant personally appeared before me and exhibited his Philippine Passport No. P9753800A issued on 29 November 2018 and valid until 28 November 2028, as competent evidence of his identity.

Doc. No.: 452;
Page No.: 92;
Book No.: IX;
Series of 2022.
/mdr

ATTY. LOUIE MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan and Pateros
Until 30 June 2022
7F JMT Bldg. Ortigas Center, Pasig City
Roll No. 63341
PTR No. 8131590; 01/13/2022; Pasig City
IBP No. 198980; 01/13/2022; RSM
MCLE Compliance No. VI-0018291; 02/06/19

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ELISEO B. SANTIAGO,** Filipino, of legal age and a resident of #23 Spinach Street, Valle Verde 5, Pasig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PETROENERGY RESOURCES CORPORATION** and been Independent Director since 2013 to present.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Isla Petroleum and Gas Corporation	Member, Executive Committee	2012 to present
Citadel Pacific Ltd.	Independent Director	2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PETROENERGY RESOURCES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the following director/officer/substantial shareholder of **PETROENERGY RESOURCES CORPORATION** its subsidiaries and affiliates, other than the relationship provided under the Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR / OFFICER / SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or am affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PETROENERGY RESOURCES CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this June 15, 2022 at Pasig City, Metro Manila, Philippines.

ELISEO B. SANTIAGO
Independent Director

SUBSCRIBED AND SWORN to before me this June 15, 2022, affiant personally appeared before me and exhibited his Tax Identification No. 106-210-036 as competent evidence of his identity.

ATTY. LOUIE MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan and Pateros
Until 30 June 2022
7F JMT Bldg. Ortigas Center, Pasig City
Roll No. 63341
PTR No. 8131590; 01/13/2022; Pasig City
IBP No. 195988; 01/13/2022; RSM
MCLE Compliance No. VI-0018291; 02/06/19

Doc. No.: 454;
Page No.: 92;
Book No.: IV;
Series of 2022.

/mdr

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARIA MERCEDES M. CORRALES,** Filipino, of legal age and a resident of No. 208 Camachile, Ayala Alabang Village, Muntinlupa City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PETROENERGY RESOURCES CORPORATION.**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Mapua Institute of Technology, Inc.	Member-Board of Trustees	2013 to present
RCBC Savings Bank	Former: Independent, Non-Executive Director Member, Executive Committee and Governance Committee	2016 to 2019
Huhtamaki Oyj, Finland	Former: Independent, Non-Executive Director Member, Human Resources Committee	2012 to 2016
Sara Lee/D.E.Master Blenders, Netherlands	Former: Independent Non-Executive Director Member, Remuneration Committee and Audit Committee	2011 to 2013
Fraser and Neave Limited, Singapore ("Fraser")	Former: Independent Non-Executive Director Member, Beverage Committee	2011 to 2013
Time Publishing (a subsidiary company of Fraser)	Former: Member, Executive Committee	2011 to 2013
Starbucks Corporation	Former: Corporate Senior Vice President (Seattle) President, Asia Pacific Division (Japan, South Kore, SEA, ANZ)	2006 to 2010
Starbucks Coffee Japan KK	Former: Representative Director / Chief Executive Officer / Chief Operating Officer	2006 to 2010
Levi Strauss Japan KK	Former: Representative Director / President	2001 to 2005
Levi Strauss Foundation (SFO,USA)	Former: Member, Board of Trustees	1997 to 2000

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PETROENERGY RESOURCES CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the following director/officer/substantial shareholder of **PETROENERGY RESOURCES CORPORATION** its subsidiaries and affiliates, other than the relationship provided under the Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR / OFFICER / SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or am affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PETROENERGY RESOURCES CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this June 15, 2022, in Pasig City, Philippines.

MARIA MERCEDES M. CORRALES
Independent Director

SUBSCRIBED AND SWORN to before me this June 15, 2022, affiant personally appeared before me and exhibited her Senior Citizen bearing number B-12600 issued on July 5, 2019 as competent evidence of her identity.

ATTY. LOUIE MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan and Pateros
Until 30 June 2022
7F JMT Bldg. Ortigas Center, Pasig City
Roll No. 63341
PTR No. 8131590; 01/13/2022; Pasig City
IBP No. 198988; 01/13/2022; RSM
MCLE Compliance No. VI-0018291; 02/06/19

Doc. No.: 453;
Page No.: 92;
Book No.: IV;
Series of 2022.
/mdr

ANNEX “E”

CERTIFICATES OF SEMINARS ATTENDED

ABCOMP
ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.

ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.
Makati City, Philippines

This

Certificate of Attendance

is presented to

Helen Dee

Rizal Commercial Banking Corporation

for attending and participating in the

ABCOMP'S GENERAL MEMBERSHIP MEETING

Building Better Bankers:
Fostering a Stronger KYE Program

July 15, 2021
(2:00 pm - 4:00 pm)
via ZOOM

AMELIA S. AMPARADO
PRESIDENT

2021 ANNUAL CORPORATE GOVERNANCE ENHANCEMENT SESSION

For Directors, Advisory Board Members and Officers

THIS CERTIFICATE IS AWARDED TO

HELEN DEE

FOR HAVING ATTENDED THE ONLINE SEMINAR

"Becoming Obsessed with the Customer"

HELD ON SEPTEMBER 17, 2021

RICARDO M. PILARES III
VP FOR LEGAL/COMPLIANCE OFFICER
CORPORATE GOVERNANCE OFFICER
METRO PACIFIC INVESTMENTS CORPORATION

MA. LOURDES C. RAUSA-CHAN
CHIEF GOVERNANCE OFFICER
PLDT INC.

JOCELYN C. VILLAR-ALTAMIRA
CORPORATE GOVERNANCE & COMPLIANCE HEAD
MANILA ELECTRIC COMPANY

PARALUMAN M. NAVARRO
CHIEF COMPLIANCE OFFICER
PXP ENERGY CORPORATION

ROMEO B. BACHOCO
CHIEF GOVERNANCE OFFICER
PHILEX MINING CORPORATION

FREDERICK E. REYES
CHIEF GOVERNANCE OFFICER
ROXAS HOLDINGS, INC.

Securities and Exchange Commission
PSE

Certificate of Attendance

is awarded by the

Securities and Exchange Commission

to

Milagros Reyes

for participating in the

8th SEC-PSE Corporate Governance Forum

November 19, 2021
via Zoom webinar

EMILIO B. AQUINO
Chairperson
Securities and Exchange Commission

SEC-PSE
CORPORATE
GOVERNANCE
FORUM

PILIPINAS SHELL PETROLEUM CORPORATION

presents this

CERTIFICATE OF PARTICIPATION

to

CESAR A. BUENAVENTURA

for having completed the

2021 In-House Corporate Governance Training

24 and 25 November 2021
(Day One: 9:00AM – 11:00AM
Day Two: 1:00PM – 3:00PM
four-hour training)
Through Microsoft Teams

ATTY. ERWIN R. OROCIO
Managing Counsel and Chief Compliance Officer

Certificate of Attendance

is awarded by the

Securities and Exchange Commission

to

Ma. Mercedes M. Corrales

for participating in the

8th SEC-PSE Corporate Governance Forum

November 19, 2021
via Zoom webinar

EMILIO B. AQUINO
Chairperson
Securities and Exchange Commission

SEC-PSE CORPORATE GOVERNANCE FORUM

Certificate of Attendance

is awarded by the

Securities and Exchange Commission

to

Eliseo Santiago

for participating in the

8th SEC-PSE Corporate Governance Forum

November 19, 2021
via Zoom webinar

EMILIO B. AQUINO
Chairperson
Securities and Exchange Commission

SEC-PSE
CORPORATE
GOVERNANCE
FORUM

CORPORATE GOVERNANCE
IT STARTS WITH ME

2021 ANNUAL CORPORATE GOVERNANCE ENHANCEMENT SESSION

For Directors, Advisory Board Members and Officers

THIS CERTIFICATE IS AWARDED TO

LORENZO TAN

FOR HAVING ATTENDED THE ONLINE SEMINAR

"Becoming Obsessed with the Customer"

HELD ON SEPTEMBER 17, 2021

RICARDO M. PILARES III
VP FOR LEGAL/COMPLIANCE OFFICER
CORPORATE GOVERNANCE OFFICER
METRO PACIFIC INVESTMENTS CORPORATION

MA. LOURDES C. RAUSA-CHAN
CHIEF GOVERNANCE OFFICER
PLDT INC.

JOCELYN C. VILLAR-ALTAMIRA
CORPORATE GOVERNANCE & COMPLIANCE HEAD
MANILA ELECTRIC COMPANY

PARALUMAN M. NAVARRO
CHIEF COMPLIANCE OFFICER
PXP ENERGY CORPORATION

ROMEO B. BACHOCO
CHIEF GOVERNANCE OFFICER
PHILEX MINING CORPORATION

FREDERICK E. REYES
CHIEF GOVERNANCE OFFICER
ROXAS HOLDINGS, INC.

Control No.: 2021-008-0042

ICD

Institute of Corporate Directors

presents this

Certificate of Participation

to

Yvonne Yuchengco

National Reinsurance Corporation of the Philippines

for having completed the webinar

Risk Management in the Age of CoVid-19

held on

May 14, 2021 | 8:04:49 AM – 12:01:15 PM

through ZOOM Webinar

Leonardo M. Berba

Chief Executive Officer

ANNEX "F"

SWORN CERTIFICATION

ANNEX "F"

SWORN CERTIFICATION

I, **ATTY. SAMUEL V. TORRES,** Corporate Secretary of PetroEnergy Resources Corporation, ("Corporation"), of legal age, married and with office address at the 4th Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, after having been sworn to in accordance with law, do hereby certify, that:

1. For the year 2021 Three (2) Special Board , Five (4) Regular Board, One (1) Stockholders' and One (1) Organizational meetings were held by the Corporation on the following dates:

a)	March 26, 2021	-	Regular Board Meeting
b)	April 23, 2021	-	Special Board Meeting
c)	May 20, 2021	-	Regular Board Meeting
d)	July 29, 2021	-	Regular Board Meeting
e)	July 29, 2021	-	Stockholders' Meeting
f)	July 29, 2021	-	Organizational Meeting
g)	November 25, 2021	-	Regular Board Meeting
h)	December 28, 2021	-	Special Board Meeting

2. The following Directors attended the abovementioned meetings as indicated by the letters opposite their names:

1.	Mrs. Helen Y. Dee	-	complete attendance
2.	Ms. Milagros V. Reyes	-	complete attendance
3.	Ms. Yvonne S. Yuchengco	-	complete attendance
4.	Mr. Cesar A. Buenaventura	-	complete attendance
5.	Mr. Lorenzo V. Tan	-	complete attendance
6.	Mr. Eliseo B. Santiago	-	complete attendance
7.	Mr. Basil L. Ong*	-	complete attendance
8.	Ms. Maria Mercedes M. Corrales**	-	complete attendance

Note:
1. Mr. Basil L. Ong* – no longer a director since July 29, 2021
2. Ms. Maria Mercedes M. Corrales** – elected director since July 29, 2021

3. The following Directors were also present during the Corporate Governance and Audit Committee Meetings.

For the Corporate Governance Committee held on June 14, 2021: Mr. Cesar A, Buenaventura
Mr. Eliseo B. Santiago
Mr. Basil L. Ong

For the Audit Committee held on:

a. March 26, 2021
b. April 23, 2021
c. May 14, 2021
d. July 29, 2021
e. November 25, 2021

1.	Mr. Cesar A. Buenaventura	-	complete attendance
2.	Ms. Maria Mercedes M. Corrales**	-	complete attendance
3.	Ms. Helen Y. Dee	-	complete attendance
4.	Mr. Basil L. Ong*	-	complete attendance

Note:
a. Mr. Basil L. Ong* – no longer a director since July 29, 2021
b. Ms. Maria Mercedes M. Corrales** – elected director since July 29, 2021

I FURTHER CERTIFY that there were no meetings held from January 1, 2021 to December 31, 2021 except those meetings above mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand this MAY 18 2022 2022 at Pasig City, Metro Manila

SAMUEL V. TORRES
Corporate Secretary

SUBCRIBED AND SWORN to before me this MAY 18 2022 2022 at Pasig City, affiants exhibiting to me his Driver's License No. N13-83-001463 issued at Quezon City and valid until November 10, 2022, as competent evidence of his identity.

Doc. No. 410;
Page No. 83;
Book No. IV;
Series of 2022.

ATTY. LOUIE MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan and Pateros
Until 30 June 2022
7F JMT Bldg. Ortigas Center, Pasig City
Roll No. 63341
PTR No. 8131590; 01/13/2022; Pasig City
IBP No. 198908; 01/13/2022; RSM
MCLE Compliance No. VI-0018291; 02/06/19

ANNEX "G"

AUDITED FINANCIAL STATEMENT FOR THE YEAR 2021 AND 2022 FIRST QUARTERLY REPORT

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

April 21, 2022

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 consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 _______________ 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. 366;
Page No. 75;
Book No. IV;
Series of 2022.

ATTY. LOUIS MARK R. LIMCOLIOC
Appointment No. 112 (2020-2021)
Notary Public for Pasig, San Juan and Pateros
Until 30 June 2022
7F JMT Bldg. Ortigas Center, Pasig City

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	-	0	8	8	8	0

COMPANY NAME

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

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

7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	SEC	N/A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number	Mobile Number
corpaffairs@petroenergy.com.ph	8637-2917	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,993	7/29	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Carlota R. Viray	crviray@petroenergy.com.ph	8637-2917	N/A

CONTACT PERSON's ADDRESS

7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of oil reserves

The estimation oil reserves is a focus area because the resulting estimates have a material impact on the consolidated financial statements, as these are utilized in the impairment testing and the calculation of depletion expense of the investments. Wells, platforms and other facilities under Property, plant and equipment amounted to ₱658.72 million while Deferred oil exploration costs amounted to ₱115.81 million as of December 31, 2021.There are inherent uncertainties involved in estimating oil reserve quantities because of the exercise of significant management judgment and consideration of inputs from independent and internal geologists and the complex contractual arrangements involved as regards the Group's share of reserves in the exploration and production sharing contract areas. This uncertainty also depends on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data.

The disclosures in relation to oil reserves are included in Notes 5 and 10 to the consolidated financial statements.

Audit response

We considered the competence, capabilities and objectivity of the geologists engaged by the Group to perform an independent assessment of its oil reserves given their qualifications, experience and reporting responsibilities. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work and basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the relevant areas of the consolidated financial statements including impairment testing and recognition of depletion expense.

Recoverability of Wells, Platforms and Other Facilities and Related Assets

The Group has significant investments consisting of wells, platforms and other facilities which are presented under Property, plant and equipment, production license presented under Intangible assets and Deferred oil exploration costs. The recoverability of these assets, with carrying amount aggregating to ₱777.35 million is affected by fluctuating crude oil prices and political risks, among others, and that are tested for impairment when there are indications that the carrying values of these investments may exceed their recoverable amounts. The assessment of the recoverable amount of these investments requires significant judgment and involves estimation using assumptions about future production levels and costs, as well as external inputs such as oil prices and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures on the result of impairment testing of the Group's investments are included in Notes 5, 10, 11 and 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future production levels and costs, as well as external inputs such as oil prices and discount rate. We compared the key assumptions used such as future production levels against oil reserves and costs against historical data. We tested the parameters used in the determination of the oil prices and discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in the determination of the recoverable amounts of these investments.

Estimation of asset retirement obligations

The Group has provisions for the close-down, restoration and environmental obligations on its solar power plant in Tarlac, geothermal power plant in Batangas and interest in oil fields in Gabon totaling to ₱92.81 million as of December 31, 2021. The Group uses an external technical specialist to assess its share in abandonment cost in the Gabon oil fields, and an internal technical group to estimate the future restoration costs of its solar and geothermal power plant sites. The estimation of the provisions requires significant management judgment in estimating future costs given the nature of each site, the operating activities done, and the facilities constructed, among other considerations. This calculation also requires the management to use a discount and inflation rates for these future costs to bring them to their present value at reporting date.

The Group's disclosures about asset retirement obligations are included in Notes 5 and 18 to the consolidated financial statements.

Audit response

We considered the competence, capabilities and objectivity of management's internal and external technical specialists given their qualifications, experience and reporting responsibilities. We reviewed the decommissioning report and obtained an understanding from the internal and external technical specialists about their bases for identifying and estimating the Group's share in abandonment costs in the Gabon oil fields and restoration costs of its solar and geothermal power plant sites. We also evaluated the discount and inflation rates used by comparing these to external data. We also reviewed the Group's disclosures on the assumptions that have the most significant effect in the determination of the amounts of these obligations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ana Lea C. Bergado.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
October 22, 2019, valid until October 21, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853473, January 3, 2022, Makati City

April 21, 2022

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱1,241,762,101**	₱1,267,332,044
Receivables (Note 7)	**392,663,453**	273,571,895
Financial assets at fair value through profit or loss (Note 8)	**7,587,228**	7,531,587
Crude oil inventory (Note 22)	**12,616,676**	35,090,324
Current portion of contract asset (Note 33)	**1,229,543**	–
Other current assets (Notes 9)	**756,334,232**	697,022,710
Total Current Assets	**2,412,193,233**	2,280,548,560
Noncurrent Assets		
Property, plant and equipment (Notes 5 and 10)	**7,985,044,039**	8,310,613,046
Deferred oil exploration costs (Notes 5 and 11)	**115,806,924**	210,533,496
Contract asset (Note 33)	**221,008,579**	132,687,182
Investment in a joint venture (Note 12)	**1,734,947,347**	1,635,213,444
Right-of-use assets (Note 13)	**363,245,358**	383,032,125
Deferred tax assets - net (Note 20)	**12,460,267**	5,651,825
Investment properties (Note 14)	**1,611,533**	1,611,533
Other noncurrent assets (Notes 5 and 15)	**368,875,996**	445,434,294
Total Noncurrent Assets	**10,803,000,043**	11,124,776,945
TOTAL ASSETS	**₱13,215,193,276**	₱13,405,325,505
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	**₱375,051,290**	₱367,581,709
Current portion of loans payable (Note 17)	**827,882,504**	855,279,695
Lease liabilities - current (Note 13)	**6,813,561**	15,393,725
Income tax payable (Note 20)	**19,775,675**	7,973,817
Total Current Liabilities	**1,229,523,030**	1,246,228,946
Noncurrent Liabilities		
Loans payable - net of current portion (Note 17)	**3,234,642,692**	3,872,924,261
Lease liabilities - net of current portion (Note 13)	**326,015,305**	320,057,378
Asset retirement obligation (Note 18)	**92,810,843**	109,159,679
Other noncurrent liabilities	**18,386,746**	26,037,526
Total Noncurrent Liabilities	**3,671,855,586**	4,328,178,844
Total Liabilities	**4,901,378,616**	5,574,407,790
Equity		
Attributable to equity holders of the Parent Company		
Capital stock (Note 19)	**568,711,842**	568,711,842
Additional paid-in capital (Note 19)	**2,156,679,049**	2,156,679,049
Retained earnings (Note 19)	**2,662,525,652**	2,337,064,060
Remeasurements of net accrued retirement liability - net of tax	**(4,570,914)**	(8,924,964)
Share in other comprehensive income of a Joint Venture (Note 12)	**(617,375)**	(263,445)
Cumulative translation adjustment (Note 19)	**114,499,681**	114,499,681
Equity reserve (Note 19)	**80,049,238**	80,049,238
	5,577,277,173	5,247,815,461
Non-controlling interests (Note 29)	**2,736,537,487**	2,583,102,254
Total Equity	**8,313,814,660**	7,830,917,715
TOTAL LIABILITIES AND EQUITY	**₱13,215,193,276**	₱13,405,325,505

See accompanying Notes to Consolidated Financial Statements.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUES			
Electricity sales (Notes 4 and 33)	**₱1,899,726,215**	₱1,923,540,365	₱1,771,107,457
Oil revenues (Note 33)	**461,246,131**	292,573,199	351,057,274
Other revenues (Note 33)	**61,981,804**	116,377,508	–
	2,422,954,150	2,332,491,072	2,122,164,731
COST OF SALES			
Cost of electricity sales (Note 21)	**822,326,144**	909,577,258	805,694,582
Oil production (Note 22)	**236,284,770**	211,527,791	221,259,356
Depletion (Note 10)	**76,513,364**	82,236,533	55,845,199
Change in crude oil inventory (Notes 4 and 22)	**22,473,648**	(23,926,774)	(2,371,818)
	1,157,597,926	1,179,414,808	1,080,427,319
GROSS INCOME	**1,265,356,224**	1,153,076,264	1,041,737,412
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**180,825,547**	211,402,211	223,213,616
OTHER INCOME (CHARGES) – Net			
Share in net income of a joint venture (Note 12)	**100,127,158**	111,266,383	97,552,085
Interest income (Notes 6, 7, 9 and 33)	**12,913,159**		
Net foreign exchange gains (losses)	**5,086,734**	18,362,302	44,025,392
Fair value changes on financial assets at fair value through profit or loss (Note 8)	**55,641**	(3,500,604)	(7,232,114)
Accretion expense (Note 18)	**(3,478,294)**	(708,509)	(242,610)
Impairment loss-net (Notes 5, 10 and 11)	**(164,323,294)**	(4,129,022)	(4,505,825)
Interest expense (Notes 13 and 17)	**(333,375,545)**	(386,788,348)	(409,690,469)
Miscellaneous income (Note 24)	**18,416,546**	11,876,677	7,682,215
	(364,577,895)	(253,621,121)	(272,411,326)
INCOME BEFORE INCOME TAX	**719,952,782**	688,052,932	546,112,470
PROVISION FOR INCOME TAX (Note 20)	**(54,480,634)**	(41,861,712)	(12,179,814)
NET INCOME	**665,472,148**	646,191,220	533,932,656
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on net accrued retirement liability - net of tax	**11,191,652**	(1,798,279)	(4,939,493)
Share in other comprehensive income (loss) of a joint venture (Note 12)	**(393,255)**	214,758	(507,474)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**10,798,397**	(1,583,521)	(5,446,967)
TOTAL COMPREHENSIVE INCOME	**₱676,270,545**	₱644,607,699	₱528,485,689

(Forward)

	Years Ended December 31		
	2021	2020	2019
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**325,461,592**	₱319,412,421	₱292,835,761
Non-controlling interests (Note 29)	**340,010,556**	326,778,799	241,096,895
	₱665,472,148	₱646,191,220	₱533,932,656
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱329,461,712**	₱320,344,697	₱289,002,268
Non-controlling interests (Note 29)	**346,808,833**	324,263,002	239,483,421
	₱676,270,545	₱644,607,699	₱528,485,689
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED (Note 28)	**₱0.5723**	₱0.5616	₱0.5149

See accompanying Notes to Consolidated Financial Statements.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Unappropriated Retained Earnings (Note 19)	Remeasurement of Net Accrued Retirement Liability	Share in OCI of a Joint Venture (Note 12)	Cumulative Translation Adjustment (Note 19)	Equity Reserve (Note 19)	Total	Non-controlling Interests (Note 29)	Total
BALANCES AT DECEMBER 31, 2018	**₱568,711,842**	**₱2,156,679,049**	**₱1,725,169,585**	**(₱6,287,192)**	**–**	**₱114,499,681**	**₱80,049,238**	**₱4,638,822,203**	**₱2,008,296,872**	**₱6,647,119,075**
Net income	–	–	292,835,761	–	–	–	–	292,835,761	241,096,895	533,932,656
Remeasurement loss on net accrued retirement liability	–	–	–	(3,376,766)	–	–	–	(3,376,766)	(1,562,727)	(4,939,493)
Share in OCI of a joint venture	–	–	–	–	(456,727)	–	–	(456,727)	(50,747)	(507,474)
Total comprehensive income (loss)	–	–	292,835,761	(3,376,766)	(456,727)	–	–	289,002,268	239,483,421	528,485,689
Cash dividends	–	–	–	–	–	–	–	–	(76,000,000)	(76,000,000)
Increase in non-controlling interests - stock issuances (excluding previous deposits for future stock subscriptions issued during the year)	–	–	–	–	–	–	–	–	166,907,053	166,907,053
Derecognition of deferred tax assets	–	–	(353,707)	–	–	–	–	(353,707)	(348,094)	(701,801)
BALANCES AT DECEMBER 31, 2019	**568,711,842**	**2,156,679,049**	**2,017,651,639**	**(9,663,958)**	**(456,727)**	**114,499,681**	**80,049,238**	**4,927,470,764**	**2,338,339,252**	**7,265,810,016**
Net income	–	–	319,412,421	–	–	–	–	319,412,421	326,778,799	646,191,220
Remeasurement loss on net accrued retirement liability	–	–	–	738,994	–	–	–	738,994	(2,537,273)	(1,798,279)
Share in OCI of a joint venture	–	–	–	–	193,282	–	–	193,282	21,476	214,758
Total comprehensive income	–	–	319,412,421	738,994	193,282	–	–	320,344,697	324,263,002	644,607,699
Cash dividends	–	–	–	–	–	–	–	–	(79,500,000)	(79,500,000)
BALANCES AT DECEMBER 31, 2020	**568,711,842**	**2,156,679,049**	**2,337,064,060**	**(8,924,964)**	**(263,445)**	**114,499,681**	**80,049,238**	**5,247,815,461**	**2,583,102,254**	**7,830,917,715**
Net income	–	–	325,461,592	–	–	–	–	325,461,592	340,010,556	665,472,148
Remeasurement loss on net accrued retirement liability	–	–	–	4,354,050	–	–	–	4,354,050	6,837,602	11,191,652
Share in OCI of a joint venture	–	–	–	–	(353,930)	–	–	(353,930)	(39,325)	(393,255)
Total comprehensive income (loss)	–	–	325,461,592	4,354,050	(353,930)	–	–	329,461,712	346,808,833	676,270,545
Cash dividends	–	–	–	–	–	–	–	–	(201,673,600)	(201,673,600)
Increase in non-controlling interests - stock issuances	–	–	–	–	–	–	–	–	8,300,000	8,300,000
BALANCES AT DECEMBER 31, 2021	**₱568,711,842**	**₱2,156,679,049**	**₱2,662,525,652**	**(₱4,570,914)**	**(₱617,375)**	**₱114,499,681**	**₱80,049,238**	**₱5,577,277,173**	**₱2,736,537,487**	**₱8,313,814,660**

See accompanying Notes to Consolidated Financial Statements

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱719,952,782**	₱688,052,932	₱546,112,470
Adjustments for:			
Depletion, depreciation and amortization (Notes 10, 13 and 15)	**520,848,217**	529,123,431	486,048,073
Interest expense (Notes 13 and 17)	**333,375,545**	386,788,348	409,690,469
Impairment loss-net (Notes 5, 10 and 11)	**164,323,294**	–	–
Share in net income of a joint venture (Note 12)	**(100,127,158)**	(111,266,383)	(97,552,085)
Interest income (Notes 6, 7 and 9)	**(12,913,159)**	(18,362,302)	(44,025,392)
Movement in accrued retirement liability	**9,494,154**	(3,018,565)	(397,681)
Provision for probable losses (Note 23)	**5,004,048**	14,667,316	6,188,034
Gain on change in estimate of ARO	**(4,354,636)**	–	–
Accretion expense (Note 18)	**3,478,294**	4,129,022	4,505,825
Net gain on sale of equipment (Note 24)	**(530,125)**	(662,857)	(345,134)
Net unrealized foreign exchange loss (gain)	**(291,553)**	816,741	4,884,642
Fair value changes on financial assets at fair value through profit or loss (Note 8)	**(55,641)**	708,509	242,610
Dividend income (Note 8)	**(38,134)**	(71,770)	(61,586)
Write-off of deferred development costs (Note 15)	–	5,959,962	–
Operating income before working capital changes	**1,638,165,928**	1,496,864,384	1,315,290,245
Decrease (increase) in:			
Receivables	**(116,826,655)**	59,857,904	22,257,025
Contract asset (Note 33)	**(89,550,940)**	(132,687,182)	–
Input VAT	**(4,938,135)**	2,915,446	74,834,553
Other current assets	**(39,356,728)**	10,638,198	(151,914,259)
Increase in accounts payable and accrued expenses	**39,323,783**	56,274,625	19,522,566
Cash generated from operations	**1,426,817,253**	1,493,863,375	1,279,990,130
Interest received	**12,506,262**	19,280,794	44,531,743
Income taxes paid, including movement in creditable withholding taxes	**(47,760,500)**	(33,966,707)	(16,194,063)
Net cash provided by operating activities	**1,391,563,015**	1,479,177,462	1,308,327,810
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for:			
Acquisitions of property, plant and equipment (Note 10)	**(203,768,133)**	(219,209,060)	(941,313,683)
Deferred oil exploration costs (Note 11)	**(59,035,023)**	(39,915,658)	(19,606,158)
Deferred development costs (Note 15)	**(15,482,026)**	(3,210,454)	(39,144,180)
Acquisitions of intangibles (Note 15)	**(1,416,833)**	(2,102,105)	(9,821,503)
Advances to contractors (Note 15)	–	–	(29,300,000)
Dividends received (Notes 8 and 12)	**38,134**	40,071,770	60,061,586
Proceeds from sale of property, plant and equipment	**1,088,425**	825,000	1,839,579
Withdrawal from (contribution to) restricted cash (Note 9)	–	–	160,000,000
Decrease (increase) in other noncurrent assets	**73,585,322**	3,577,849	96,167,613
Net cash used in investing activities	**(204,990,134)**	(219,962,658)	(721,116,746)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of debt - net of deferred financing costs (Note 17)	**₱268,500,000**	₱776,349,462	₱546,347,841
Issuance of stocks to non-controlling interests (Note 29)	**–**	–	166,907,053
Payments of:			
Loans (Notes 17 and 30)	**(954,174,350)**	(1,369,699,350)	(940,520,781)
Interest (Notes 13, 17 and 30)	**(287,786,290)**	(348,317,765)	(364,125,100)
Dividends to non-controlling interests (Notes 29 and 30)	**(201,673,600)**	(79,500,000)	(76,000,000)
Lease liabilities (Note 13)	**(37,300,137)**	(36,596,442)	(36,338,378)
Dividends by the Parent Company (Note 19)	**–**	–	(9,500)
Net cash used in financing activities	**(1,212,434,377)**	(1,057,764,095)	(703,738,865)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**291,553**	(816,742)	(4,884,642)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(25,569,943)**	200,633,967	(121,412,443)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,267,332,044**	1,066,698,077	1,188,110,520
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,241,762,101**	₱1,267,332,044	₱1,066,698,077

See accompanying Notes to Consolidated Financial Statements.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. Organization

PetroEnergy Resources Corporation ("PERC" or "PetroEnergy" or the "Parent Company") is a publicly-listed domestic corporation. Its registered office and principal place of business is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

PERC was organized on September 29, 1994 as Petrotech Consultants, Inc. to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines.

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 Philippine Stock Exchange (PSE) by way of introduction.

In 2009, following the enactment of Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008" (RE Law), 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.

On March 31, 2010, PERC incorporated PetroGreen Energy Corporation ("PetroGreen" or "PGEC"), its 90%-owned subsidiary, to act as its renewable energy arm and holding company. PGEC ventured into renewable energy development and power generation through its subsidiaries and affiliate: (a) Maibarara Geothermal, Inc. ("MGI", 65%-owned) - owner and Renewable Energy (RE) developer of the 20 MW Maibarara Geothermal Power Project (MGPP-1) in Santo Tomas, Batangas and its expansion, the 12 MW MGPP-2; (b) PetroSolar Corporation ("PetroSolar", 56%-owned) - owner and RE developer of the 50 MW_{DC} Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW_{DC} expansion (TSPP-2); and (c) PetroWind Energy, Inc. ("PetroWind", 40%-owned associate) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) in Nabas and Malay, Aklan.

MGI and PetroSolar are effectively indirect subsidiaries of PetroEnergy through PetroGreen. PetroGreen owns majority of the voting power of MGI and PetroSolar. PetroEnergy, PetroGreen, MGI and PetroSolar are collectively referred to as the "Group" and were incorporated in the Philippines.

b. Nature of Operations

The Group's two (2) main energy businesses are: (1) upstream oil exploration and development, and (2) power generation from renewable energy resources such as, (a) geothermal, (b) solar, and (c) wind, through the Group's affiliate, PetroWind.

Upstream Oil Exploration and Development

Petroleum production is on-going in the Etame (Gabon) concession, while the other petroleum concessions in the Philippines are still in the advanced exploration stages or pre-development stages.

Renewable Energy

Geothermal Energy
The geothermal projects are the 20 MW MGPP-1 in Sto. Tomas, Batangas that started commercial operations on February 8, 2014 and its expansion, the 12 MW MGPP-2 that started commercial operations on April 30, 2018.

Solar Energy
The Solar power projects are the 50 MW_{DC} TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MW_{DC} expansion (TSPP-2) which has been commissioned and tested on April 22, 2019 and is now awaiting the issuance of a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC).

Wind Energy
The wind energy project is the 36-MW NWPP-1 in Nabas, Aklan, where PetroWind has a wind farm. It started its commercial operations on June 10, 2015.

c. Approval of Consolidated Financial Statements
The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 21, 2022.

2. Basis of Preparation

Basis of Preparation
The accompanying consolidated 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 the Parent Company's functional currency. All amounts are rounded to the nearest PHP unless otherwise stated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

  - The rent concession is a direct consequence of COVID-19;

- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

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

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

  The Company shall also disclose information about:

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

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2021

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

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2021 on the Group'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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021. The financial statements of the subsidiaries are prepared in the same reporting year as the Group's, using consistent accounting policies.

Below are the subsidiaries, which are all incorporated in the Philippines, with their respective percentage ownership as of December 31, 2021, 2020 and 2019:

PetroGreen	90%
Percentage share of PetroGreen in its subsidiaries:	
MGI	65%
PetroSolar	56%
Navy Road Development Corporation (NRDC) – dormant company	100%

Subsidiaries are entities controlled by PERC. PERC controls an investee if and only if PERC has:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee the amount of the investor's returns.

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

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

PERC 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. Consolidations of a subsidiary begins when PERC obtains control over the subsidiary and ceases when PERC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date PERC gains control until the date PERC ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments where necessary are made to ensure consistency with the policies adopted by the Group. All intra-group balances and transactions, intra-group profits and expenses and gains and losses are eliminated during consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of comprehensive income.
- reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to the consolidated statement of comprehensive income or retained earnings, as appropriate.

Non-controlling interests are presented separately from the Parent Company's equity. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity, and within equity in the consolidated statement of financial position.

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 Group's business model for managing them. The Group 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 Group'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 Group 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 Group. The Group 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 Group's financial assets at amortized cost include cash and cash equivalents, receivables, restricted cash and refundable deposits.

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 consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

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

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

Impairment of financial assets
The Group 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 Group expects to receive, discounted at an approximation of the original

effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial Liabilities - 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 Group's financial liabilities include accounts payable and accrued expenses, excluding statutory liabilities, loans payable and lease liabilities. The Group 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 statement of comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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 Group 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 Group 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 Group 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 Group'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 Group 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 consolidated 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.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

<u>Crude Oil Inventory</u>
Crude oil inventory is 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.

Other Current Assets
This account comprises restricted cash, supplies inventory, prepayments and advances to suppliers.

Restricted cash includes the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Omnibus Loan and Security Agreement (OLSA) of MGI and PetroSolar, respectively. Restricted cash that are expected to be used 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.

Supplies inventory refers to parts purchased for used in operations. Supplies inventory are stated at the lower of cost or NRV. Cost is determined using the specific identification method. NRV is the current replacement cost of supplies inventory.

Prepayments are expenses paid in advance and recorded as asset before these are utilized. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. 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.

Advances to suppliers are reclassified to the proper asset or expense account and deducted from the supplier's billings as specified in the provisions of the contract.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depletion, depreciation and amortization and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. The initial cost of the property, plant 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 the consolidated statement of comprehensive income 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation of an item of property, plant 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 related to oil operations are depleted using the units-of-production method computed based on estimates of proved reserves. The depletion base includes the exploration and development cost of the producing oilfields.

Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. These include excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, and fences.

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

	Number of Years
Power plant, FCRS and production wells	25
Office condominium units	15
Land improvements	5
Transportation equipment	4
Office improvements	3
Office furniture and other equipment	2 to 3

The useful lives and depletion, depreciation and amortization methods 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, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the cost of construction to include materials, labor, professional fees, borrowing costs and other directly attributable costs. Construction in progress is not depreciated until such time the construction is completed.

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 depletion, depreciation and amortization and any accumulated impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Deferred Oil Exploration Costs

PERC 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 and gas 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 consolidated 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 consolidated statements of financial position upon substantial completion of the development stage.

Deferred Development Costs - Geothermal included in Other Noncurrent Assets
All costs incurred in the geological and geophysical activities such as costs of topographical, geological and geophysical studies, rights of access to properties to conduct those studies, salaries and other expenses of geologists, geophysical crews, or others conducting those studies are charged to profit or loss in the year such costs are incurred.

If the results of initial geological and geophysical activities reveal the presence of geothermal resource that will require further exploration and drilling, subsequent exploration and drilling costs are accumulated and deferred under the "Other noncurrent assets" account in the consolidated statement of financial position.

These costs include the following:

- costs associated with the construction of temporary facilities;
- costs of drilling exploratory and exploratory type stratigraphic test wells, pending determination of whether the wells can produce proved reserves; and
- costs of local administration, finance, general and security services, surface facilities and other local costs in preparing for and supporting the drill activities, etc. incurred during the drilling of exploratory wells.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells for recycling or waste disposal.

Once the project's technical feasibility and commercial viability to produce proved reserves are established, the exploration and evaluation assets shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

Deferred Development Costs - Solar and Wind Power Project included in Other Noncurrent Assets
These are costs incurred in the development of the solar plant expansion project. Costs are capitalized if the technological and economic feasibility is confirmed, usually when a project development has reached a defined milestone according to an established project management model. These costs include the following:

- costs incurred for the expansion of the solar plant project
- costs of administration, finance, general and security services and other costs attributed to the expansion of the project.

Deferred development costs of the Solar and Wind Power Project is recognized under "Other noncurrent assets" in the statement of financial position. Once the project's technical feasibility and commercial viability has been established, development costs shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

Investment in a Joint Venture (JV)
A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting.

Under the equity method, the investment in a JV is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the JV since the acquisition date.

The consolidated statement of comprehensive income reflects the Group's share of the financial performance of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the JV, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses from transactions between the Group and the JV are eliminated to the extent of the interest of the JV.

The aggregate of the Group's share in profit or loss of a JV is shown under "Other income (charges)" in the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV.

The financial statements of the JV are prepared in the same reporting period of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method for the investment in a JV, the Group determines whether it is necessary to recognize an impairment loss on its investment in a JV. At each reporting date, the Group determines whether there is objective evidence that the investment in JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, then recognizes the loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the JV, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Contract Assets

A contract asset is recognized for the earned consideration for goods or services transferred to a customer before the customer pays or before payment is due. Contract assets are measured at the present value of future collections to be received over a period of time. Contract assets that are expected to be received within 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Land rights	25
Production license	10
Software license	1.5 to 3

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

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 its purchase price and any directly attributable costs of bringing the asset to its working condition. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, are normally charged to expense in the year when 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 investment properties beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of investment properties.

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 the consolidated statement of comprehensive income 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.

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

The Group recognized in relation to its interest in a joint operation its:
- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of crude oil by the joint operations.

The Group's participating interest in the Etame block in Gabon, West Africa and participating interests in Philippine service contracts (SCs) are classified as joint operations.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset (e.g., property, plant and equipment, investment properties, deferred costs, intangible assets and right-of-use assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 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 Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization had no impairment loss been recognized for the asset in prior years.

Capital Stock and Additional Paid-in Capital
The Group 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 Group 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 Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group'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 the cumulative balance of consolidated net income, effects of changes in accounting policy and other capital adjustments, net of dividend declaration.

Cumulative Translation Adjustment
Cumulative translation adjustment represents the resulting exchange differences in the remeasurement of accounts due to change in functional currency.

Equity Reserve
Equity reserve is made up of equity transactions other than equity contributions such as gain or loss resulting from increase or decrease of ownership without loss of control.

Dividend Distribution
Cash dividends on capital stock are recognized as a liability and deducted from retained earnings when approved by the BOD.

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

Electricity sales
Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

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 Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements*.

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

Dividend income
Dividend income is recognized according to the terms of the contract, or when the right of the payment has been established.

Share in Net Income of a Joint Venture
Share in net income of a joint venture represents the Group's share in profit or loss of its joint venture, PWEI.

Miscellaneous Income
Miscellaneous income is recognized when the Group's right to receive the payment is established.

Costs and Expenses
Cost of electricity sales
Costs of electricity sales pertain to direct costs in generating electricity power which includes operating and maintenance costs (O&M) for power plant and fluid collection and reinjection system (FCRS), depreciation and other costs directly attributed to producing electricity.

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

Change in crude oil inventory
Change in crude oil inventory pertains to the movement of beginning and ending crude oil inventory charged as part of cost of sales.

General and administrative expenses
General and administrative expenses constitute costs of administering the business.

Costs and expenses are recognized as incurred.

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 all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the deferred tax liabilities arise from the: a) initial recognition of goodwill; or b) the initial recognition of an asset or liability in a transaction which is not: i) a business combination; and ii) at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over RCIT and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the: a) initial recognition of an asset or liability in a transaction that is not a business combination; and b) at the time of transaction, affects neither the accounting income nor taxable profit or loss.

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. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

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 reporting 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.

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 consolidated 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 consolidated statement of financial position as part of "Other noncurrent assets" to the extent of the recoverable amount.

Leases

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Number of Years
Office space	2
Land	18 to 25

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 to the leases of low-value assets recognition exemption to leases 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.

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 cost
- 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 consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of 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 consolidated statement of comprehensive income 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 Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Asset Retirement Obligation (ARO)
The Group records present value of estimated costs of legal and constructive obligations required to restore the oilfields and plant sites upon termination of its operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the sites are disturbed. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the ARO assets (included under "Property, plant and equipment") and ARO liability.

Liability and capitalized costs included in oil properties is equal to the present value of the Group's proportionate share in the total decommissioning costs of the consortium on initial recognition. Additional costs or changes in decommissioning costs are recognized as additions or charges to the corresponding assets and ARO when they occur.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income. If the decrease in liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

For the oil operation, the Group depreciates ARO assets based on units-of-production method.

For the renewable energy, the Group depreciates ARO assets on a straight-line basis over the estimated useful life of the related asset or the service contract term, whichever is shorter, or written off as a result of impairment of the related asset.

The Group regularly assesses the provision for ARO and adjusts the related liability and asset.

Foreign Currency-Denominated Transactions and Translation
The consolidated financial statements are presented in PHP, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at date of transaction. Monetary assets and liabilities denominated in foreign currencies are reinstated to the functional currency using the closing exchange rate at reporting date.

All exchange differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings Per Share
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.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, serves different markets subject to different risks and returns. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

Provisions and Contingencies
Provisions are recognized when the Group 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. 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 consolidated financial statements.

Events After the Reporting Period
Post year-end events that provide additional information about the Group'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 consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group 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 consolidated financial statements, as they become reasonably determinable.

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

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

Determination of Functional Currency
The Parent Company determines its 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 and Deferred Development 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, 2021 and 2020, the carrying value of deferred oil explorations costs amounted to ₱115.81 and ₱210.53 million, respectively (see Note 11), and the Group's deferred development costs amounted to ₱19.34 and ₱3.86 million as of December 31, 2021 and 2020, respectively (see Note 15).

Classification of Joint Arrangements
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:
- the structure of the joint arrangement - whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting of the investment.

The Group's investment in PetroWind is structured in a separate incorporated entity. The Group and the parties to the agreement only have the right to the net assets of the joint venture through the terms of the contractual arrangement. Accordingly, the joint arrangement is classified as a joint venture. As of December 31, 2021 and 2020, the Group's investment in a joint venture amounted to ₱1.73 billion and ₱1.64 billion, respectively (see Note 12).

The Group and the parties to the agreement in investment in Gabon, West Africa and investments in petroleum concessions in the Philippines have joint control over its rights to the assets and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangements are classified as joint operations (see Notes 10 and 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.

Estimation of Geothermal Field Reserves
The Group performed volumetric reserve estimation to determine the reserves of the Maibarara geothermal field. As a requirement for project financing, The Group engaged at its own cost the New Zealand firm Sinclair Knight Merz (SKM) in 2011 to undertake a comprehensive third-party technical review of the Maibarara geothermal field. This review included analysis of the resource assessment performed in-house by the Group as well as a separate SKM reserve estimation and numerical modeling of the Maibarara reserves.

The Group's simulation indicated a mean (P50) proven reserves of 27.8 MW for 25 years. In contrast, SKM calculated the P50 reserves at 44 MW. At 90% probability (P90), the reserves calculated are 28 MW and 12 MW by SKM and the Group, respectively. SKM concluded that the approach taken by the Group is conservative as it limits reservoir thickness to depths where a maximum thickness of 280°C will be encountered although the measured temperature reached as high as 324°C. There is reasonable confidence that the 20 MW (gross) plant development is feasible as the P90 level appears also conservative as with the Group's approach. In addition, SKM identified indicated reserves, translating to 10 MW-26 MW in the area south of and outside the current area of development.

Also, there is a likely geothermal potential south of the proven area where two old wells were drilled and encountered high fluid temperatures (T ~ 300°C). MGI identified the southern block as a probable reserve area. SKM in 2011 suggested that the southern block can be classified as Indicated Resource based on the Australian Code as high temperatures have been intersected by the two wells. SKM estimated that the stored heat in the Southern Block has a resource potential equivalent to 12 MW for a project life of 25 years.

An updated reserves estimation using the stored-heat calculation was made in 2015 by the Group as a result of reservoir and production performance and the 2014 drilling campaign. The 2014 drilling proved that the current resource area can produce around 33.1 MW, more than enough to meet the steam requirement of the existing 20 MW power plant plus the 12 MW expansion power plant. Using Monte Carlo simulation to estimate the reserves, the proven resource area has an 80% probability of delivering between 18.1 MW to 50.9 MW over a 25-year operating period. This Monte Carlo simulation also showed that the expected mean reserve for the proven resource area is 30.4 MW for 25 years.

The Group engaged a U.S. firm Geothermal Science, Inc. (GSI) in 2015 to perform a third-party technical appraisal of the resource for the planned 12 MW expansion. This third-party review was also made as a requirement for the project financing of MGPP-2 or M2. GSI adopted the technique from the US Geological Survey Circular 790 in making the probabilistic calculation of the geothermal reserves at Maibarara. Based on this approach, GSI estimates that Maibarara has a minimum or proven reserves of 40.2 MW, P90 for 25 years plant life and Most Likely Reserve of 61.6 MW, P50 for 25 years of plant life.

The Group commenced producing power commercially last February 8, 2014. To date, the current production wells of M1 and M2 are capable of producing 32.3 MW. These production wells including the complement reinjection wells are concentrated on the proven resource area.

As of December 31, 2021 and 2020, there has been no significant change in the estimated reserves that would affect the carrying value and useful life of the Group's property, plant and equipment.

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.

As of December 31, 2021 and 2020, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to ₱658.72 million and ₱764.09 million, respectively (see Note 10).

Estimation of Useful Lives of Property, Plant and Equipment
The Group reviews on an annual basis the estimated useful lives of property, plant and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depletion, depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment as of December 31, 2021, and 2020. As of December 31, 2021, and 2020, the Group's depreciable property, plant and equipment amounted to ₱7.01 billion and ₱7.38 billion, respectively (see Note 10).

Impairment of Nonfinancial Assets
The Group 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 Group 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.

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

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

The related balances of the Group's nonfinancial assets as of December 31 follow:

	2021	2020
Property, plant and equipment (Note 10)	**₱7,870,583,131**	₱8,310,613,046
Right-of-use assets (Note 13)	**363,245,358**	383,032,125
Deferred oil exploration costs (Note 11)	**230,267,833**	210,533,496
Intangible assets (Note 15)	**152,727,719**	165,976,162
Deferred development costs (Note 15)	**19,337,621**	3,855,596
Investment properties (Note 14)	**1,611,533**	1,611,533
	₱8,637,773,195	₱9,075,621,958

There are no indicators of impairment that would trigger impairment review in 2021 and 2020 other than those mentioned below.

Gabon, West Africa
The Parent Company believes that the fluctuation in 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 or if there is reversal of prior impairment loss.

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).

For the year ended December 31, 2021, crude oil prices have improved, there were less disruptions to operations as a result of COVID-19, global economic activity has steadily increased, and oil demand has stabilized over multiple quarters removing much of the uncertainty and instability in the industry.

SC 14-C2 - West Linapacan
SC 14-C2 has not yet expired and was granted with a 15-year extension of the SC as approved by the DOE from December 18, 2010 to December 18, 2025. The SC 14-C2 consortium proceeded with a third-party technical evaluation to assess potential production opportunities.

SC 6A - Octon-Malajon Block
In March 31, 2021, Philodrill, the operator, gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract.

Impairment loss
In assessing whether impairment is required, the carrying value of the asset is 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 Group used the discounted cash flow model in estimating value in use, using a discount rate of 10.00% in 2021 and 2020.

In 2021, the Parent Company recognized impairment loss (reversal of impairment loss) for the year ended December 31, 2021 (nil in 2020 and 2019) on the investments of the following oil operations:

Gabon, West Africa	(₱139,377,350)
SC 14-C2 - West Linapacan	144,403,009
SC 6A - Octon-Malajon Block	159,297,634
Net impairment loss	₱164,323,294

The specific accounts where the net impairment loss was recognized follow:

	2021
Wells, platforms and other facilities – net (Note 10)	**₱22,489,016**
Deferred oil exploration costs – net (Note 11)	**141,834,278**
	₱164,323,294

Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR by reference to the PH BVAL rate, adjusted by the credit spread of the Group based on current loan agreements.

The Group's lease liabilities amounted to ₱332.83 million and ₱335.45 million as of December 31, 2021, and 2020, respectively (see Note 13).

Estimation of Asset Retirement Obligations
The Group has various legal obligation to decommission or dismantle its assets related to the oil production, geothermal energy project and solar power project at the end of each respective service contract. In determining the amount of provisions for restoration costs, assumptions and estimates are required in relation to the expected costs to restore sites and infrastructure when such obligation exists. The Group recognizes the present value of the obligation to dismantle and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related assets (for the renewable energy) and based on units-of-production method based on estimates of proved reserves (for the oil operations).

Cost estimates expressed at projected price levels until dismantling date are discounted using rates ranging from 4.59% to 5.05% in 2021 and 2.84% to 3.92% in 2020 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 18).

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 Group 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 Group's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation as of December 31 follows (see Note 18):

	2021	2020
Oil production	**₱62,193,875**	₱64,070,738
Geothermal energy project	**8,315,413**	31,209,163
Solar power project	**22,301,555**	13,879,778
	₱92,810,843	₱109,159,679

Recoverability of input VAT
The Group maintains an allowance for input VAT based on an assessment of the recoverability of these assets using the historical success rate of VAT refunded from the Bureau of Internal Revenue (BIR). A review is made by the Group on a continuing basis annually to determine the adequacy of the allowance for losses. Allowance for probable losses as of December 31, 2021 and 2020 amounted to ₱10.39 million and ₱6.63 million, respectively. The carrying value of input VAT amounted to ₱133.92 and ₱206.86 million as of December 31, 2021 and 2020, respectively (see Note 15).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2021 and 2020, the Group did not recognize deferred tax assets on certain temporary differences, NOLCO and MCIT as the Group 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. As of December 31, 2021 and 2020, gross deferred tax assets recognized amounted to ₱21.11 million and ₱27.80 million, respectively (see Note 20).

6. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱684,886,621**	₱607,252,608
Cash equivalents	**556,875,480**	660,079,436
	₱1,241,762,101	₱1,267,332,044

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates.

Interest income earned on cash and cash equivalents and restricted cash (see Note 9) amounted to ₱12.19 million, ₱18.03 million and ₱43.92 million in 2021, 2020 and 2019, respectively.

7. Receivables

	2021	2020
Accounts receivable from:		
Electricity sales and other charges to ACEN (formerly PHINMA) [Note 25]	**₱147,560,157**	₱116,391,600
Feed-in-Tariff (FiT) revenue from National Transmission Corporation (TransCo)	**112,813,280**	96,878,750
Consortium operator	**47,982,279**	32,808,612
PHESCO, Incorporated (PHESCO)	**15,245,231**	15,245,231
Electricity sales to Wholesale Electricity Spot Market (WESM)	**52,800,531**	7,641,677
Affiliate (Note 25)	**3,992,899**	1,933,908
Others	**2,122,487**	1,932,374

(Forward)

	2021	2020
Interest receivables	**₱1,002,791**	₱895,945
Subscription receivable	**8,300,000**	–
Other receivables	**3,526,250**	2,526,250
	395,345,905	276,254,347
Less allowance for impairment losses	**2,682,452**	2,682,452
	₱392,663,453	₱273,571,895

Accounts receivables are generally on 30 days credit term. Interest income earned from the delayed payment of FiT differential amounted to ₱8.98 million in 2018 (nil in 2019 and 2020).

Subscription receivable pertains to the receivable from EEI Power corporation in relation to equity cash call made by PGEC to be used for the funding of one of its renewable energy projects. EEI remitted the amount on January 3, 2022.

8. Financial Assets at Fair Value Through Profit or Loss

	2021	2020
Marketable equity securities	**₱6,817,228**	₱6,761,587
Investment in golf club shares	**770,000**	770,000
	₱7,587,228	₱7,531,587

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit or loss amounted to ₱0.06 million, (₱0.71 million) and (₱0.24 million) in 2021, 2020 and 2019, respectively. Dividend income received from equity securities amounted to ₱0.04 million, ₱0.07 million and ₱0.06 million in 2021, 2020 and 2019, respectively (see Note 24).

9. Other Current Assets

	2021	2020
Restricted cash	**₱572,177,609**	₱549,011,453
Supplies inventory	**128,603,181**	106,005,350
Prepaid expenses	**26,108,789**	17,283,912
Prepaid taxes	**13,085,187**	15,116,146
Advances to suppliers	**12,037,440**	7,725,445
Others	**4,322,026**	1,880,404
	₱756,334,232	₱697,022,710

Restricted Cash
Restricted cash includes the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Omnibus Loan and Security Agreement (OLSA) of MGI and PetroSolar, respectively (see Note 17). Restricted cash also includes the remaining unused portion of the Stock Rights Offering Proceeds held under an escrow account amounting to ₱154.55 million and ₱154.12 million as of December 31, 2021 and 2020, respectively.

The 2021 balance 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 nil as of December 31, 2021 and 2020, respectively (see Note 15).

Supplies Inventory
Supplies inventory refers to purchased supplies and parts that are intended to be used for operations and maintenance.

Prepaid Expenses
Prepaid expenses include various prepaid insurances, services and rent. Prepaid expenses also include advance payment for Real Property Taxes (RPT), Stand-by Letter of Credit (SBLC) charges and operations and maintenance professional fees.

Prepaid Taxes
Prepaid taxes pertain to creditable withholding taxes and prior year's income tax credit.

Advances to Suppliers
Advances to suppliers pertain to down payments to various suppliers for the purchase of materials and services for the current operations.

10. **Property, Plant and Equipment**

	2021								
	Power plants	**FCRS and production wells - geothermal**	**Wells, platforms and other facilities**	**Land and land improvements**	**Office condominium units and improvements**	**Transportation equipment**	**Office furniture and other equipment**	**Construction in progress**	**Total**
Cost									
Balances at beginning of year	**₱7,238,918,109**	**₱1,568,607,925**	**₱2,228,718,206**	**₱296,650,208**	**₱41,574,869**	**₱50,038,846**	**₱160,162,006**	**₱163,574,766**	**₱11,748,244,935**
Additions	**15,951,602**	**6,601,448**	**1,086,049**	**82,483,779**	**348,568**	**7,348,203**	**6,227,439**	**79,576,567**	**199,623,655**
Change in ARO estimate (Note 18)	**7,878,243**	**(19,603,928)**	**(7,453,085)**	**–**	**–**	**–**	**–**	**–**	**(19,178,770)**
Disposal	**–**	**(5,560,627)**	**–**	**–**	**(332,451)**	**(1,748,857)**	**(1,995,106)**	**(502,220)**	**(10,139,261)**
Reclassifications	**3,951,727**	**67,396,835**	**–**	**1,450,000**	**-**	**-**	**-**	**(72,798,562)**	**–**
Balances at end of year	**7,266,699,681**	**1,617,441,653**	**2,222,351,170**	**380,583,987**	**41,590,986**	**55,638,192**	**164,394,339**	**169,850,551**	**11,918,550,559**
Accumulated depletion and depreciation									
Balances at beginning of year	**1,406,756,653**	**330,420,820**	**1,305,972,395**	**31,910,941**	**40,839,701**	**39,530,569**	**123,543,684**	**–**	**3,278,974,763**
Depletion and depreciation	**307,136,837**	**74,810,571**	**76,513,364**	**5,180,963**	**212,665**	**4,166,317**	**14,514,271**	**–**	**482,534,988**
Disposals	**-**	**(5,560,627)**	**-**	**-**	**(332,451)**	**(1,339,766)**	**(1,916,529)**	**–**	**(9,149,373)**
Balances at end of year	**1,713,893,490**	**399,670,764**	**1,382,485,759**	**37,091,904**	**40,719,915**	**42,357,120**	**136,141,426**	**–**	**3,752,360,378**
Accumulated impairment losses									
Balances at beginning of year	**–**	**–**	**158,657,126**	**–**	**–**	**–**	**–**	**–**	**158,657,126**
Impairment loss-net (Note 5)	**–**	**–**	**22,489,016**	**–**	**–**	**–**	**–**	**–**	**22,489,016**
Balances at end of year	**–**	**–**	**181,146,142**	**–**	**–**	**–**	**–**	**–**	**181,146,142**
Net book values	**₱5,552,806,191**	**₱1,217,770,889**	**₱658,719,269**	**₱343,492,083**	**₱871,071**	**₱13,281,072**	**₱28,252,913**	**₱169,850,551**	**₱7,985,044,039**

	2020								
	Power plants	FCRS and production wells - geothermal	Wells, platforms and other facilities	Land and land improvements	Office condominium units and improvements	Transportation equipment	Office furniture and other equipment	Construction in progress	Total
Cost									
Balances at beginning of year	₱7,211,984,013	₱1,562,738,120	₱2,166,119,173	₱293,346,620	₱40,991,861	₱51,082,742	₱144,493,150	₱18,015,854	₱ 11,488,771,533
Additions	12,119,628	–	19,175,902	3,303,588	583,008	1,877,102	15,668,856	157,949,831	210,677,915
Transfers from deferred oil exploration costs (Note 11)	–	–	34,267,669	–	–	–	–	–	34,267,669
Change in ARO estimate (Note 18)	2,848,844	5,444,510	9,155,462	–	–	–	–	–	17,448,816
Disposal	–	–	–	–	–	(2,920,998)	–	–	(2,920,998)
Reclassifications	11,965,624	425,295	–	–	–	–	–	(12,390,919)	–
Balances at end of year	7,238,918,109	1,568,607,925	2,228,718,206	296,650,208	41,574,869	50,038,846	160,162,006	163,574,766	11,748,244,935
Accumulated depletion and depreciation									
Balances at beginning of year	1,101,299,995	260,867,044	1,223,735,862	26,485,766	40,769,200	36,100,378	104,251,114	–	2,793,509,359
Depletion and depreciation	305,456,658	69,553,776	82,236,533	5,425,175	70,501	6,247,975	19,292,570	–	488,283,188
Disposals	–	–	–	–	–	(2,817,784)	–	–	(2,817,784)
Balances at end of year	1,406,756,653	330,420,820	1,305,972,395	31,910,941	40,839,701	39,530,569	123,543,684	–	3,278,974,763
Accumulated impairment losses	–	–	158,657,126	–	–	–	–	–	158,657,126
Net book values	₱5,832,161,456	₱1,238,187,105	₱764,088,685	₱264,739,267	₱735,168	₱10,508,277	₱36,618,322	₱163,574,766	₱8,310,613,046

Power plants represent MGI's geothermal power plant and PetroSolar's photovoltaic plant.

The Group's construction in progress account as of December 31, 2021 includes civil structural, piping and mechanical works for M2, interconnection of MGPP to NGCP 69kV distribution line, design, facilities study and construction of 70/77 MVA MGI Substation related to MGPP-1&2 and Torishima engine driven pump to be installed in 2022.

Change in ARO estimate and transfers from advances to contractors, deferred oil exploration costs and development costs are considered as noncash investing activities.

Depletion and depreciation expense charged to profit or loss follow:

	2021	2020	2019
Cost of electricity sales (Note 21)	**₱399,787,122**	₱394,231,789	₱377,738,239
Depletion	**76,513,364**	82,236,533	55,845,199
General and administrative expenses (Note 23)	**6,234,502**	11,814,866	9,969,521
	₱482,534,988	₱488,283,188	₱443,552,959

Depletion of wells, platforms and other facilities is presented as a separate item under cost of sales in the consolidated statements of comprehensive income.

As of December 31, 2021 and 2020, the participating interest of PERC in various service contracts areas are as follows:

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

Foreign Operations

Gabon, West Africa

Background

The Group holds approximately 2.53% participating interest in the Exploration and Production Sharing Contract (EPSC) covering the Etame block in Gabon, West Africa (the "Etame Marin Permit"). The other parties in the consortium are Addax Petroleum Etame, Inc. (33.90%)and VAALCO Gabon (Etame), Inc. (63.58%) (the "Gabon Consortium"), are leaders in their respective areas of operation. VAALCO is the Consortium's operator, and is in charge of conducting the exploration and production activities in the Gabon contract area.

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 and in the case of the consoetium, within the Etame Marin Permit area.

In August 2021, the Consortium entered into a Bareboat Charter Agreement and Operating Agreement with World Carrier Offshore Services Corporation (World Carrier) to provide and operate a Floating Storage and Offloading (FSO) unit at the Etame Marin field for up to eight (8) years with additional option periods available upon the expiration of the current 20-year Floating Production, Storage and Offloading (FPSO) contract with BW Offshore in September 2022.

In December 2021, the consortium commenced a four-well drilling program in the Etame, Avouma and North Tchibala fields using the Borr Norve jack-up drilling rig, aimed to sustain field production to above 20,000 BOPD. The first well, Etame-8H sidetrack, was put on-line on February 02, 2022.

Subsequent wells (Avouma-3H sidetrack, South Tchibala-1HB sidetrack and North Tchibala-2H) are scheduled to be completed within 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.

Update on Production
Production is routed to the *Petroleo Nautipa*, the spread-moored (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). The Petroleo Nautipa FPSO will be replaced by the Cap Diamant FSO, to be provided by World Carrier, in September 2022.

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

In 2021, total crude production reached 5.42 MMBO. The Consortium managed 11 liftings, resulting in net crude export of 5.867 MMBO, with crude oil market prices ranging from US$ 50 - US$85 per barrel.

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.

Since the Gabon oilfield has been put on-line in 2002, a total of 124 MMBO has been extracted to date over the last 19 years.

As of December 31, 2021 and 2020, PetroEnergy has investments in Gabon, West Africa included in "Wells, platforms and other facilities" account under "Property, plant and equipment" with net carrying value amounting to ₱596.47 million and ₱557.77 million, respectively. Reversal of impairment loss amounted to ₱121.59 million in 2021 (nil in 2020 and 2019).

Philippine Operations

SC. No. 14 - C2 (West Linapacan) - North West Palawan
PetroEnergy holds a 4.137% participating interest in SC 14-C2. 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. From 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 G&G studies to further strengthen the West Linapacan block to be revived for production.

The SC 14C2 Consortium, led by operator Philodrill Corp., negotiated with a potential farmee for the drilling of potential drilling targets, in exchange for a majority share and Operatorship of SC 14C2. This 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.

Should the farmee be unable to submit to the DOE proof of financial capability for the re-development of West Linapacan A-Oilfield and a possible development of the adjacent West Linapacan-B structure by March 31, 2021, the farmee proposed to mutually terminate the Sale and Purchase Agreement (SPA) and Farm-Out Agreement (FAO). The farmee further sought an extension of up to June 30, 2021 which was granted by the JV Partners.

However, the farmee failed to meet the extended deadline thus, SPA and FAO with the farmee were deemed rescinded / terminated on July 1, 2021. As of December 31, 2021, SC-14C2 West Linapacan Block reverted back to the original joint venture partners with the Philodrill Corporation as Operator.

Throughout the second half of 2021, the SC 14-C2 consortium proceeded with a third-party technical evaluation of the West Linapacan B field, to assess potential production opportunities. SC 14-C2 is due to expire in December 2025. Considering the expiration of SC14-C2 and the circumstances described above on the farmee, as of December 31, 2021, the Group performed impairment testing on the assets related to SC14-C2.

As of December 31, 2021 and 2020, PetroEnergy has investments in the West Linapacan Oilfield included in "Wells, platforms and other facilities" account under "Property, plant and equipment" with net carrying value amounting to ₱62.25 million and ₱206.32 million, respectively. Impairment loss amounted to ₱144.07 million in 2021 (nil in 2020 and 2019).

Geothermal Energy

Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-012

Following the DOE's Philippine Energy Contracting Round for Geothermal in 2009, PetroEnergy signed the Service Contract for the Maibarara Geothermal Power Project (MGPP) on February 1, 2010. PetroEnergy then conducted pre-development activities in 2010 to 2011. In order to carry out the development and operations of the MGPP, PetroEnergy (through its subsidiary, PetroGreen) then created Maibarara Geothermal, Inc. (MGI) along with Trans-Asia Oil and Energy Development Corporation ("Trans-Asia", subsequently renamed as PHINMA Energy Corporation or "PHINMA", and now known as AC Energy Corporation or "ACEN") and PNOC Renewable Corporation (PNOC RC), with 65%, 25%, and 10% equity ownerships, respectively.

In June 2019, ACEN, the energy platform of Ayala Corporation, completed the acquisition of PHINMA, including PHINMA's 25% share in MGI.

20 MW Maibarara-1 Geothermal Power Plant (MGPP-1)

The DOE confirmed the commerciality of the 20-MW MGPP-1 in 2011, allowing MGI to proceed with the MGPP's development stage, involving 1) the drilling of two (2) wells to complete the steam production and reinjection well capacities, and 2) the construction of the steamfield and power plant facilities. The MGPP-1's 115kV Transmission Line system was successfully connected to the existing Manila Electric Company (MERALCO) line in September 2013. Upon completion of the reliability and performance testing, the MGPP-1 went on commercial operations on February 8, 2014. All electricity generated are sold to offtaker, ACEN, following the aforementioned acquisition of PHINMA by ACEN.

MGPP-1 exported 157.6 GWh and 165.10GWh of electricity in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying value of the MGPP-1 geothermal plant amounted to ₱1.53 billion and ₱1.62 billion, respectively.

12 MW Maibarara-2 Geothermal Power Plant (MGPP-2)
With the stable performance of the reservoir, MGI decided to pursue an expansion of the MGPP. There was at least 5 MW of excess steam supply from the MGPP-1 wells, and with the ~6 MW capacity of the new well, an expansion of 12 MW was decided and approved in 2015 (MGPP-2).

Major power plant components from Fuji Electric Co. Ltd. ("Fuji", the same supplier as the MGPP-1) were delivered and installed on site from March to April 2017. MGPP-2 was first synchronized to the grid on March 9, 2018, with the full 12 MW attained on March 18, 2018. Reliability tests were then conducted from March 18 to 27, 2018, during which the power plant was on full 12 MW operation.

The Energy Regulatory Commission (ERC) formally notified MGI of the approval of MGPP-2's Certificate of Compliance (COC) application on April 26, 2018. Subsequently, the MGPP-2 was accepted into the Wholesale Electricity Spot Market (WESM) on April 30, 2018 - pegging the MGPP-2's start of Commercial Operations on the same date. This operationally started the application of MGPP-2's Electricity Supply Agreement (ESA) with PHINMA, now ACEN, wherein all of MGPP-2's generated electricity are sold to ACEN.

MGPP-2 exported 93.80 GWh and 93.97 GWh of electricity in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying value of the MGPP-2 geothermal plant amounted to ₱1.12 billion and ₱1.19 billion, respectively.

Both the MGPP-1 and the MGPP-2 are registered with the Board of Investments and are enjoying the incentives under the Renewable Energy Act of 2008.

Solar Energy
Solar Energy Service Contract (SESC) No. 2015-03-115

The SESC for the TSPP was awarded by the DOE on March 19, 2015. On June 17, 2015, PGEC and affiliate EEI Power Corporation ("EEIPC", 100% subsidiary of EEI Corporation), incorporated PetroSolar to undertake the development of the TSPP.

50 MW_{DC} Tarlac Solar Power Project-1 (TSPP-1)
On June 22, 2015, PetroGreen and solar farm lot owner, Luisita Industrial Park Corporation (LIPCO), executed a Lease Agreement for the 55-hectare solar farm development. This was assigned to PetroSolar on September 15, 2015. As the LIPCO property is within the Central Technopark, which is under the jurisdiction of the Philippine Economic Zone Authority (PEZA), PetroSolar was able to register as an Ecozone Utilities Enterprise on July 28, 2015, entitling it to the incentives available to PEZA locators.

After only four (4) months of ground works, the TSPP-1 was completed by mid-January 2016 and was able to export power to the grid on January 27, 2016. The DOE eventually gave its Certificate of Endorsement (COE) - Feed-in-Tariff (FiT) for TSPP-1, with an official Commercial Operations Date on February 10, 2016. Subsequently, on April 6, 2016, PSC executed its Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation (TransCo), assuring the TSPP-1's revenues from the FiT payment of ₱8.69/kWh from 2016 to 2036.

The total energy exported to the grid was 73.47 GWh and 71.93GWh in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying value of the TSPP-1 solar plant amounted to ₱2.23 billion and ₱2.34 billion, respectively, and is pledged as mortgage property to the long-term loans obtained to finance the project (see Note 17).

20 MW_{DC} Tarlac Solar Power Project (TSPP-2)
On September 17, 2018, the BOI formally awarded to PetroSolar the latter's Certificate of Registration for the 20 MW_{DC} TSPP-2. This approval entitles the TSPP-2 to enjoy duty-free importation, seven-year Income Tax Holiday (ITH), among others.

By the end of December 2018, civil works contractor, Media Construction and Development Corporation (MCDC), completed the site clearing, ground levelling, and compaction works for the whole 22-hectare TSPP-2 lot (likewise under a long-term lease agreement with LIPCO). All six (6) quadrants were turned over and accepted by Solenergy Systems Inc., the main EPC contractor.

After the site construction works for the TSPP-2 were completed in March 2019 and its registration with the WESM was secured from the Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 21, 2019, the TSPP-2 started exporting power to the grid on April 22, 2019 as part of its testing and commissioning activities. The Energy Regulatory Commission (ERC) conducted its technical inspections for the TSPP-2 on May 31, 2019, as part of PetroSolar's Certificate of Compliance (COC) for TSPP-2.

On February 27, 2020 and March 18, 2020, the DOE formally issued to PSC the Certificate of Confirmation of Commerciality (COCOC) and the Certificate of Endorsement (COE) for TSPP-2, respectively. The COE is a prerequisite to the issuance of the Certificate of Compliance (COC). The COC will determine the official Commercial Operations Date (COD) for TSPP-2.

The ERC issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to 1) public offering requirement and 2) terms under PSC's Point-to-Point application, once approved. The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM COD to January 25, 2022.

The TSPP-2 exported a total of 30.48 GWh and 29.75GWh to the grid in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying value of the TSPP-2 solar plant amounted to ₱598.37 million and ₱624.96 million, respectively.

Collateral to Secured Borrowings
MGI has mortgaged its property classified under property, plant and equipment consisting of real assets and chattel, with a total carrying value of ₱4.59 billion as of December 31, 2020, as collateral in favor of RCBC (the Lender), in relation to its two (2) loan facilities (see Note 17). The breakdown of the above value is as follows:

- Real Assets (consisting of land, buildings, land improvements, machinery and equipment) ₱4.47 billion; and
- Chattel (consisting mainly of other machinery and equipment, inventory, furniture and fixtures) ₱126.16 million.

The carrying value of the TSPP-1 solar plant amounted to ₱2.23 billion and ₱2.34 billion as of December 31, 2021 and 2020, respectively, and is pledged as mortgage property to the long-term loans obtained to finance the project (see Note 17).

11. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs follow:

	2021	2020
Cost		
Balances at beginning of year	**₱530,976,224**	₱513,400,918
Additions	**47,107,706**	51,842,975
Transfers to wells and platforms (Note 10)	**–**	(34,267,669)
Write-off / relinquishment	**(159,297,634)**	–
Balances at end of year	**418,786,296**	530,976,224
Accumulated impairment losses		
Balances at beginning of year	**320,442,728**	320,442,728
Impairment reversal	**(17,463,356)**	–
Balances at end of year	**302,979,372**	320,442,728
	₱115,806,924	₱210,533,496

In 2021, the Parent Company recognized a impairment loss of ₱159.30 million and impairment reversal of ₱17.46 million or a net impairment loss of ₱ 141.83 million (see Note 5).

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

	2021	2020
Cost		
Gabonese Oil Concessions (Note 10)	**₱387,776,223**	₱342,755,717
SC. No. 75 - Offshore Northwest Palawan	**28,381,074**	28,041,968
SC. No. 14 - C2 (West Linapacan) - Northwest Palawan (Note 10)	**2,628,999**	2,432,828
SC No. 6A - Octon-Malajon Block	**–**	157,745,711
	418,786,296	530,976,224
Accumulated impairment losses		
Gabonese Oil Concessions (Note 10)	**300,492,357**	318,284,347
SC. No. 14 - C2 (West Linapacan) - Northwest Palawan (Note 10)	**2,487,015**	2,158,381
	302,979,372	320,442,728
	₱115,806,924	₱210,533,496

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, 2021 and 2020, the participating interests of the Group in various Petroleum SC areas are as follows:

	2021	2020
SC 75 -– Offshore Northwest Palawan	**15.000%**	15.000%
SC 6A - Octon-Malajon Block	–	16.667%

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 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.

On March 31, 2021, Philodrill gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract. The limited term remaining in the SC 6A until its expiry in February 2024 exacerbated by the Covid-19 situation, greatly hampered the timely execution of the programs that the Joint Venture envisage undertaking to pursue appraisal programs and potential development opportunities in the area. As of December 31, 2021, the Parent Company has written off the ₱159.30 million deferred oil exploration cost of the SC 6A.

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.

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, including the committed ~1,000 sq.km 3D seismic survey over the identified leads in SC 75.

In December 2021, the SC 75 consortium officially engaged Shearwater Geoservices Ltd. for the ~1,100 sq.km 3D seismic survey over SC 75, set to be conducted from April to May 2022 using the M/V Geo Coral seismic vessel.

12. **Investment in a Joint Venture**

The investment in a joint venture represents PetroGreen's 40% interest in PetroWind, a company incorporated in the Philippines. The primary purpose of PetroWind is to carry on the general business of generating, transmitting and/or distributing power derived from renewable energy sources.

The movements in the carrying value as of December 31 follow:

	2021	2020
Balance at beginning of year	**₱1,635,213,444**	₱1,563,732,303
Share in net income of a joint venture	**100,127,158**	111,266,383
Dividends received	–	(40,000,000)
Share in other comprehensive income (loss)	**(393,255)**	214,758
Balance at end of year	**₱1,734,947,347**	₱1,635,213,444

The cost of the investment in PetroWind amounted to ₱514.04 million as of December 31, 2021 and 2020.

The carrying value of the investment in PetroWind is equivalent to the Group's 40% share in PetroWind's equity, plus the fair value adjustment of ₱764.49 million recognized when the Group lost control over PetroWind in 2014.

Selected financial information of PetroWind as of December 31 follows:

	2021	2020
Current assets	**₱593,725,081**	₱529,047,169
Noncurrent assets	**3,650,831,936**	3,714,662,991
Current liabilities	**(320,971,396)**	(344,089,158)
Noncurrent liabilities	**(1,562,187,361)**	(1,787,557,500)
Equity	**₱2,361,398,260**	₱2,112,063,502

Summary of statements of comprehensive income of PetroWind for the years ended December 31 follows:

	2021	2020	2019
Revenue (electricity sales and other income)	**₱771,620,028**	₱814,551,799	₱832,679,152
Cost and expenses	**(523,143,700)**	(537,899,312)	(589,046,283)
Income before tax	**248,476,328**	276,652,487	243,632,869
Tax benefit	**1,841,567**	1,513,469	247,342
Net income	**250,317,895**	₱278,165,956	₱243,880,211
Group's share in net income	**₱100,127,158**	₱111,266,383	₱97,552,085
Other comprehensive income (loss)	**(₱983,137)**	₱536,894	(₱1,268,685)
Group's share other comprehensive income (loss)	**(₱393,255)**	₱214,758	(₱507,474)

Wind Energy Service Contract (WESC) No. 2009-09-002
The service contract for the Nabas Wind Power Project (NWPP) covers 2,000 hectares of public and private lands in rolling terrain located near the northwestern tip of Panay Island. It lies about 6 km southeast of Caticlan, and electricity-deficient Panay and Boracay islands are natural markets of future power from NWPP.

It was decided that the NWPP will be constructed in two phases: Phase 1 for the existing 36 MW NWPP-1, consisting of 18 Wind Turbine Generators (WTG); while Phase 2 will be a 14 MW development that will have seven (7) WTGs (NWPP-2).

On May 26, 2013, the DOE issued the Confirmation of Commerciality for the 36 MW NWPP-1, making it the third WESC to be declared commercially feasible. Construction of NWPP-1 started in December 2013 and was completed in the first half of 2015.

On June 16, 2015, the DOE released the COE for FIT Eligibility (COE-FIT), endorsing the official start of commercial operation to be June 10, 2015. On August 17, 2015, the ERC approved PWEI's COC for NWPP-1. This confirms the commercial operations date of the wind farm to be June 10, 2015.

The annual total energy exported to the grid were 91.31 GWh, 80.45 GWh, and 110.09 GWh in 2021, 2020 and 2019, respectively.

On May 13, 2020, the DOE formally awarded to PetroWind the Certificate of Confirmation of Commerciality (COCOC) for the planned 14-MW Nabas-2 Wind Power Project (NWPP-2). This signifies that NWPP-2 has been approved for construction as being commercially feasible.

In February 17, 2021, the DENR-EMB Region 6 issued the amended Environmental Compliance Certificate (ECC) to PetroWind for NWPP-2, while the Forest Land Use Agreement (FLAg) has been signed by the DENR Central Office in January 04, 2022.

At the same time, PWEI is finalizing its selection of the EPC contractor for Nabas-2 before proceeding with its final investment decision (FID) for the project.

13. **Leases**

The Group entered into lease contracts for office spaces and land used as geothermal field and photovoltaic (PV) solar power facility. The office space lease agreements are for a period of two (2) years and are renewable by mutual agreement of both parties.

The land lease agreement (LLA) with NPC and PSALM for the geothermal field in Sto. Tomas, Batangas has a lease term of twenty-five (25) years, extendable for another 25 years upon mutual agreement of both parties.

The two lease agreements with Luisita Industrial Park Corporation (LIPCO) for land used for the photovoltaic solar power facility in Tarlac is for a period of 25 years, renewable by mutual agreement of both parties, generally under the same terms and conditions, with escalation clause of 3% every 2 years.

The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for all other leases, including leases of vehicles and parking slots.

The rollforward analyses of right-of-use assets follow:

		2021	
	Land	**Office Spaces**	**Total**
Cost			
Beginning balance	**₱420,180,224**	**₱9,722,246**	**₱429,902,470**
Additions	**–**	**3,861,186**	**3,861,186**
Retirement	**–**	**(3,846,738)**	**(3,846,738)**
Ending balance	**420,180,224**	**9,736,694**	**429,916,918**
Accumulated depreciation			
Beginning balance	**40,197,914**	**6,672,431**	**46,870,345**
Depreciation (Notes 21 and 23)	**20,144,766**	**3,503,187**	**23,647,953**
Retirement		**(3,846,738)**	**(3,846,738)**
Ending balance	**60,342,680**	**6,328,880**	**66,671,560**
Net Book Value	**₱359,837,544**	**₱3,407,814**	**₱363,245,358**

		2020	
	Land	Office Spaces	Total
Cost			
Beginning balance	₱420,180,224	₱6,563,033	₱426,743,257
Additions	–	3,159,213	3,159,213
Ending balance	420,180,224	9,722,246	429,902,470
Accumulated depreciation			
Beginning balance	20,053,149	3,295,407	23,348,556
Depreciation (Notes 21 and 23)	20,144,675	3,377,024	23,521,789
Ending balance	40,197,914	6,672,431	46,870,345
Net Book Value	₱379,982,310	₱3,049,815	₱383,032,125

The depreciation of the right-of-use of the lands in Tarlac and Batangas are presented as part of "Cost of electricity sales" while the depreciation of the right-of-use of office spaces are presented as part of "General and administrative expenses" in the consolidated statement of comprehensive income.

No lease liability was recognized for leases of land that have been prepaid. The rollforward analyses of lease liabilities follow:

	2021	2020
Beginning balance	**₱335,451,103**	₱337,829,549
Payments	**(37,300,137)**	(36,596,442)
Interest expense	**30,816,714**	31,058,783
Additions	**3,861,186**	3,159,213
Ending balance	**332,828,866**	335,451,103
Less current portion	**6,813,561**	15,393,725
Noncurrent portion	**₱326,015,305**	₱320,057,378

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2021	2020
Interest expense on lease liabilities	**₱30,816,714**	₱31,058,783
Depreciation expense of right-of-use assets	**23,647,953**	23,521,789
Rent expense - short-term leases	**5,587,145**	5,082,037
Rent expense - low-value assets	**1,040,893**	184,500
	₱61,092,705	₱59,847,109

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

	2021	2020
Within one year	**₱35,854,570**	₱35,458,737
After one year but not more than five years	**140,721,525**	140,054,372
More than five years but less than 10 years	**547,770,816**	583,479,239
	₱724,346,911	₱758,992,348

14. **Investment Properties**

As of December 31, 2021 and 2020, 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 Group is between ₱1 million to ₱1.7 million as of December 31, 2021 and 2020. The Group determined the fair values of the Group'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, 2021 and 2020, 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 2021, 2020 and 2019.

15. **Other Noncurrent Assets**

	2021	2020
Input VAT	**₱144,308,592**	₱213,491,296
Intangible assets	**152,727,719**	165,976,162
Restricted cash	**44,183,568**	44,833,232
Deferred development costs	**19,337,621**	3,855,595
Others	**18,709,341**	23,907,055
	379,266,841	452,063,340
Less allowance for probable losses (Note 23)	**10,390,845**	6,629,046
	₱368,875,996	₱445,434,294

The following is a reconciliation of the changes in allowance for probable losses for Input VAT:

	2021	2020
Balance at beginning of year	**₱6,629,046**	₱1,657,261
Provision for probable losses	**3,761,799**	4,971,785
Balance at end of year	**₱10,390,845**	₱6,629,046

Input VAT
Input VAT represents VAT passed on from purchases of goods and services that can be claimed against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services.

Input VAT also includes outstanding input VAT claims that were applied by MGI for refund with the BIR. As of December 31, 2021 and 2020, the outstanding input VAT claims which are still pending with the CTA and SC amounted to ₱126.96 million.

Intangible assets
Intangible assets pertain to land rights, which refers to grant of easement of right of way entered by PetroSolar to construct, operate, maintain, repair, replace and remove poles, wire, cables, apparatus, and equipment and such other apparatus and structures needed for the transmission line. This also includes software licenses of the Group.

	2021			
	Land Rights	**Production License**	**Software and Others**	**Total**
Cost:				
Balances at beginning of year	**₱152,249,710**	**₱45,074,178**	**₱42,929,367**	**₱240,253,255**
Additions	**–**	**–**	**1,416,833**	**1,416,833**
Balances at end of year	**152,249,710**	**45,074,178**	**44,346,200**	**241,670,088**
Accumulated Amortization:				
Balances at beginning of year	**29,942,443**	**9,245,986**	**35,088,664**	**74,277,093**
Amortization	**6,089,989**	**4,622,993**	**3,952,294**	**14,665,276**
Balances at end of year	**36,032,432**	**13,868,979**	**39,040,958**	**88,942,369**
Net Book Values	**₱116,217,278**	**₱31,205,199**	**₱5,305,242**	**₱152,727,719**

	2020			
	Land Rights	Production License	Software and Others	Total
Cost:				
Balances at beginning of year	₱152,249,710	₱45,074,178	₱40,827,262	₱238,151,150
Additions	–	–	2,102,105	2,102,105
Balances at end of year	152,249,710	45,074,178	42,929,367	240,253,255
Accumulated Amortization:				
Balances at beginning of year	23,852,454	4,622,993	28,483,192	56,958,639
Amortization	6,089,989	4,622,993	6,605,472	17,318,454
Balances at end of year	29,942,443	9,245,986	35,088,664	74,277,093
Net Book Values	₱122,307,267	₱35,828,192	₱7,840,703	₱165,976,162

Amortization expense charged to profit or loss follows:

	2021	2020	2019
Cost of electricity sales (Note 21)	**₱7,886,613**	₱8,060,685	₱10,726,337
General and administrative expenses (Note 23)	**2,155,670**	4,634,776	5,782,523
Oil production operating expenses (Note 22)	**4,622,993**	4,622,993	4,622,993
	₱14,665,276	₱17,318,454	₱21,131,853

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 ₱44.18 million and ₱41.80 million (or $870,200) as of December 31, 2021 and 2020, respectively.

This also includes escrow to secure payment and discharge of the Parent Company's obligations and liabilities under the FPSO contract amounting to nil and ₱3.03 million as of December 31, 2021 and 2020, respectively (see Note 9).

Deferred development costs
These pertains to costs incurred in the exploration, development, production and expansion of renewable energy projects.

	2021	2020
Balances at beginning of year	**₱3,855,595**	₱6,605,103
Additions	**15,482,026**	3,210,454
Write-offs (Notes 23 and 33)	–	(5,959,962)
Balances at end of year	**₱19,337,621**	₱3,855,595

Others
Other noncurrent assets pertain to noncurrent portion of prepaid insurance, security deposits, advances to contractors and lot owners and noncurrent receivable from ACEN.

16. Accounts Payable and Accrued Expenses

	2021	2020
Accounts payable	**₱111,194,779**	₱108,742,621
Accrued expenses		
Utilities	**161,134,123**	138,895,513
Interest (Note 17)	**41,463,079**	46,686,129
Sick/vacation leaves	**19,915,630**	17,373,564
Profit share	**10,020,088**	8,019,499
Professional fees	**7,696,128**	20,110,749
Due to related party (Note 25)	**1,624,243**	1,192,620
Others	**12,908,125**	7,053,531
Withholding taxes and other tax payables	**6,517,987**	12,502,369
Provision for probable loss (Note 23)	–	3,566,020
Due to NRDC	**2,269,737**	2,269,737
Others	**307,371**	1,169,357
	₱375,051,290	₱367,581,709

Accounts payable mainly consists of payable to suppliers and contractors that are currently involved in the development, construction and operations of energy projects. Accounts payable also include unclaimed checks pertaining to dividends payable amounting to ₱10.66 million as of December 31, 2021 and 2020 (see Note 30).

The Group’s accounts payable and accrued expenses are due within one year.

17. Loans Payable

The Group’s loans payable as of December 31 follow:

	2021	2020
Principal, balance at beginning of year	**₱4,768,970,779**	₱5,360,170,129
Add availments during the year	**268,500,000**	778,500,000
Less principal payments during the year	**954,174,350**	1,369,699,350
Principal, balance at end of year	**4,083,296,429**	4,768,970,779
Less unamortized deferred financing cost	**20,771,233**	40,766,823
	4,062,525,196	4,728,203,956
Less current portion - net of unamortized deferred financing cost	**827,882,504**	855,279,695
Noncurrent portion	**₱3,234,642,692**	₱3,872,924,261

PetroEnergy’s short-term loans payable
PetroEnergy entered into unsecured loan agreements to finance its investments in Renewable Energy Projects.

Omnibus Credit Line Agreement (OCLA) with the Development Bank of the Philippines (DBP)
On April 27, 2015, PetroEnergy entered into an OCLA with the DBP which provides a credit facility in the principal amount not exceeding ₱420.00 million. On January 19, 2021, the credit facility was decreased to ₱300.00 million. Loans payable to DBP are as follows:

As of December 31, 2021:
- ₱70 million with interest rate of 5.25% and maturity on May 6, 2022.

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

Short-term Loan with Rizal Commercial Banking Corporation (RCBC)
On November 15, 2021, PetroEnergy obtained a ₱120.00 million loan from RCBC with interest of 4.5% and maturity on May 4, 2022.

In 2020, PetroEnergy obtained a clean loan from RCBC amounting to ₱150.00 million with interest rate of 4.5% and matured on November 15, 2021.

Interest expense of PetroEnergy related to these loans amounted to ₱11.98 million, ₱17.02 million, and ₱20.36 million in 2021, 2020 and 2019, respectively. Accrued interest payable amounted to ₱1.21 and ₱1.16 million as of December 31, 2021 and 2020, respectively (see Note 16).

PetroGreen's long-term loans payable

Credit Line Facility with Chinabank

On November 17, 2015, PetroGreen entered into a 5-year credit line facility with Chinabank amounting to ₱500.00 million, subject to repricing on the third anniversary. On the same date, ₱400.00 million out of the total loan facility were drawn by PetroGreen. The loan has an annual interest rate of 5.24% and has no collateral.

The loan is payable every 17th of May and November beginning on May 2017. The agreement further specifies that 96.50% of the aggregate principal amount shall be paid on the due date of the loan.

On November 29, 2016, PetroGreen has drawn an additional ₱30.00 million out of the total loan facility. The additional loan from Chinabank has an annual interest rate of 5.33%.

On November 17, 2018, the ₱400.00 million and ₱30.00 million long-term loans payable with interest rate of 5.24% and 5.33%, respectively, were repriced to 8.28% and 8.47%.

In 2019, PetroGreen negotiated for the reduction in the interest rates of the aforementioned loans from 8.28% and 8.47% to 7.14% for both loans. The reduced interest rate was approved by the bank and made effective starting September 19, 2019. This amendment did not result to an extinguishment of the loan.

In November 2020, the outstanding loan to Chinabank was fully paid.

Long-term loan with RCBC

On November 16, 2020, PetroGreen obtained a new long-term unsecured loan with RCBC amounting to ₱400.00 million. The loan bears interest at a fixed rate of 4.74% payable semi-annually. The principal amount is payable in five equal annual installments starting November 11, 2021.

As of December 31, 2021, the outstanding balance of these loans, net of unamortized deferred financing costs, amounted to ₱318.61 million.

Interest expense of PetroGreen related to these loans amounted to ₱20.40 million, ₱31.8 million and, ₱34.84 million in 2021, 2020 and 2019, respectively. Accrued interest payable amounted to ₱1.70 million and ₱2.13 million as of December 31, 2021 and 2020, respectively (see Note 16).

MGI's long-term loans payable

Project Loan Facility Agreements with RCBC

On May 19, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed the Project Loan Facility Agreement with RCBC for a ₱1,400.00 million project loan to finance the design, development and construction of MGPP-2 or M2.

On September 5, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed another Project Loan Facility Agreement with RCBC for a ₱2,100.00 million project loan to finance the design, development and construction of MGPP-1 or M1. This was done to consolidate the outstanding principal of the term loan under the 2011 OLSA with RCBC and BPI, incidental costs, general corporate expenditures and working capital requirement.

a. MGPP-1 or M1 new Loan
The new MGPP-1 or M1 loan amounting to ₱2,100.00 million has a term of ten (10) years from the drawdown date of October 10, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the twenty (20) semi-annual principal payments started on April 12, 2017.

Interest rate is fixed for the first five (5) years from drawdown date, based on the sum of the prevailing 5-year fixed benchmark rate on the pricing date and the margin of 1.75% (the "Initial Interest Rate"). On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of then prevailing 5-year fixed benchmark rate plus the margin of 1.75%, or (ii) the initial interest rate.

As of December 31, 2021 and 2020, the outstanding balance of this loan amounted to ₱1,226.17 million and ₱1,465.00 million, respectively. Interest expense recognized from the new M1 Loan amounted to ₱82.86 million, ₱94.05 million, ₱105.45 million in 2021, 2020 and 2019, respectively.

b. MGPP-2 or M2 Expansion Loan
The MGPP-2 or M2 Expansion Loan amounting to ₱1,400.00 million has a term of twelve (12) years including thirty-six (36) months grace period from initial drawdown date of June 2, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the eighteen (18) semi-annual principal payments started on October 12, 2019.

Interest rate is fixed for the first seven (7) years from the initial drawdown date based on the sum of the prevailing 7-year fixed benchmark rate on the pricing date and the applicable margin of (1) 2.25% per annum prior to commercial operations date, or (2) 1.75% per annum from and after the Commercial Operations Date (the "Initial Interest Rate"). For subsequent drawdowns, interest rate will be the three (3) –day simple average interpolated rate based on the remaining tenor and computed using the straight-line method. On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of the then prevailing 5-Year fixed benchmark rate plus the applicable margin, or (ii) the weighted average interest rate during the first seven (7) years of the loan.

As of December 31, 2021 and 2020, the outstanding balance of this loan amounted to ₱1,097.14 million and ₱1,204.11 million respectively. Interest expense amounted to ₱83.46 million, ₱92.71 million and ₱92.54 million in 2021, 2020 and 2019, respectively.

Accrued interest payable of MGI's loans amounted to ₱31.66 million and ₱35.46 million and as of December 31, 2021 and 2020, respectively (see Note 16).

The loan covenants covering the outstanding debt of MGI include, among others, the following conditions: maintenance at all times of Debt-to-Equity (DE) Ratio of not greater than 70:30, Default Debt Service Coverage Ratio (DSCR) of at least 1.10x both until full payment of the Loans, and Dividend DSCR of at least 1.20x. MGI is also required to transfer in the DSPA equivalent to one-sixth (1/6) of the amount sufficient to pay for the forthcoming debt service scheduled in April and October of every year until the loan is fully paid off (see Note 9). As of December 31, 2021 and 2020, MGI has been compliant with the above conditions.

PetroSolar's long-term loans payable
On November 12, 2015, the PetroSolar, together with PetroGreen and EEIPC, as third party mortgagors and pledgors, entered into a ₱2,600.00 million OLSA with PNB and DBP specifically to partially finance the design, development, procurement, construction, operation and maintenance of its TSPP.

PetroSolar shall fully pay the loan for the pro-rata account of each lender within twelve (12) years from and after the date of the initial drawdown. Interest and principal are payable semi-annually. Interest payment started on May 27, 2016, while the twenty-two (22) semi-annual principal payments started on November 27, 2016.

The rate of the interest applicable to the facility or the relevant part thereof for each interest period shall be fixed for the first seven periods (7) from the initial drawdown date (the Initial Interest Rate). Prior to the FIT entitlement and collection of FIT revenues of the borrower, the rate shall be the higher of: (i) the aggregate of the seven (7) year PDST-R2 and the initial credit spread of 2.25%, or (ii) the minimum interest rate of 5.75%. Upon FIT entitlement of at least 40MW and collection of FIT revenues by the borrower equivalent to an aggregate of at least ₱473.00 million within a period not exceeding twelve (12) consecutive months, the rate shall be the higher of (i) the weighted average interest rate in previous drawdowns less the step down credit spread of 0.25%, or (ii) minimum interest rate, and which interest rate shall be applied beginning the following month immediately succeeding the month wherein the aforesaid FIT entitlement and FIT revenue collection thresholds were satisfied. PetroSolar met the criteria for FIT entitlement and aggregate collection of at least ₱473 million within 12 months which resulted to a lower interest rate effective July 2017. The applicable interest rate for 2021 and 2020 is equal to 6.71%.

The loan covenants covering the outstanding debt of PetroSolar include, among others, maintenance of debt-to-equity ratio of 75:25 and establishment of DSPA required balance (see Note 9). As of December 31, 2021 and 2020, PetroSolar is in compliance with the said loan covenants.

As of December 31, 2021 and 2020, the outstanding balance of this loan amounted to ₱1,228.64 million and ₱1,448.54 million, respectively.

Interest expense of PetroSolar related to the loans amounted to ₱104.23 million, ₱120.94 million and ₱131.14 million in 2021, 2020 and 2019, respectively. Accrued interest payable amounted to ₱6.90 million and ₱7.92 million as of December 31, 2021 and 2020, respectively (see Note 16).

PetroSolar mortgaged all of its property and equipment related to TSPP-1 as collateral in connection with the loan (see Note 10).

Deferred financing costs
Deferred financing costs are incidental costs incurred in obtaining the loan which includes documentary stamp tax, transfer tax, chattel mortgage, real estate mortgage, professional fees, arranger's fee and other costs directly attributable in obtaining the loan. The balance of unamortized deferred financing costs is presented as a deduction from the loans payable account and is amortized over the term of the loan using the effective interest rate method.

Details of the Groups' unamortized deferred financing costs follow:

	2021	2020
Balance at beginning of year	**₱40,766,823**	₱60,331,266
Deferred financing costs on loans drawn during the year	–	2,150,538
	40,766,823	62,481,804
Less amortization during the year	**19,995,590**	(21,714,981)
Balance at end of year	**₱20,771,233**	₱40,766,823

18. **Asset Retirement Obligation**

The Group has recognized its share in the abandonment costs associated with the Etame, Avouma and Ebouri oilfields located in Gabon, West Africa, geothermal field located in Sto. Tomas Batangas, and photovoltaic (PV) solar power facility in Tarlac.

Movements in this account follow:

	2021	2020
Balance at beginning of year	**₱109,159,679**	₱90,621,021
Change in estimates (Note 10)	**(23,533,406)**	17,448,816
Accretion expense	**3,478,294**	4,129,022
Foreign exchange adjustment	**3,706,276**	(3,039,180)
Balance at end of year	**₱92,810,843**	₱109,159,679

19. **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, 2021 and 2020, the total issued and subscribed capital stock of the Parent Company is 99.83% Filipino and 0.17% non-Filipino.

As of December 31, 2021 and 2020, 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 Group'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)

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of year-end
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
Deduct: Movement	–			(5)
December 31,2021	568,711,842			1,993

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 on 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, general corporate requirements, and payments of loans and the related interest.

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'.

Equity Reserve
On June 9, 2015, PetroEnergy sold its 10% interest in PetroGreen to EEIPC, bringing its ownership in PetroGreen from 100% to 90%. The transaction was accounted as an equity transaction since there was no change in control.

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy is summarized as follows:

Consideration received from non-controlling interest	₱206,000,000
Carrying amount of non-controlling interest sold, net of related cost	(125,950,762)
Excess of consideration received recognized in equity	₱80,049,238

Capital Management
The primary objective of the Group’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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

As of December 31, 2021 and 2020, the Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity.

The Group’s sources of capital as of December 31 are as follows:

	2021	2020
Loans payable	**₱4,062,525,195**	₱4,728,203,956
Capital stock	**568,711,842**	568,711,842
Additional paid-in capital	**2,156,679,049**	2,156,679,049
Retained earnings	**2,662,525,652**	2,337,064,060
Equity reserve	**80,049,238**	80,049,238
	₱9,530,490,976	₱9,870,708,145

The table below demonstrates the debt-to-equity ratio of the Group as of December 31:

	2021	2020
Total liabilities	**₱4,901,378,616**	₱5,574,407,790
Total equity	**8,313,814,660**	7,830,917,715
Debt-to-equity ratio	**0.59:1**	0.71:1

Based on the Group’s assessment, the capital management objectives were met in 2021 and 2020.

20. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2021	2020	2019
Current	**₱61,593,316**	₱35,668,914	₱15,054,689
Deferred	**(7,112,682)**	6,192,798	(2,874,875)
	₱54,480,634	₱41,861,712	₱12,179,814

The components of the Group’s net deferred tax assets (liabilities) are as follows:

	2021	2020
Deferred income tax assets on:		
Asset retirement obligation	**₱17,783,796**	₱23,215,810
Accrued retirement liability	**1,994,896**	2,738,915
Interest on FIT adjustment	**1,331,211**	656,037
Unrealized foreign exchange loss	–	1,061,129
Accrued interest on tax assessment	–	131,100
	21,109,903	27,802,991

(Forward)

	2021	2020
Deferred income tax liabilities on:		
Oil production revenue	**(₱3,154,170)**	(₱10,527,097)
Asset retirement cost	**(4,532,438)**	(9,929,356)
Unrealized foreign exchange gain	**(963,028)**	–
Net retirement asset	–	(1,694,713)
	(8,649,636)	(22,151,166)
Deferred income tax assets - net	**₱12,460,267**	₱5,651,825

As of December 31, 2021 and 2020, the Group did not recognize deferred tax assets on NOLCO and MCIT as the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future, prior to their expiration, against which the tax benefits can be realized.

Details of the NOLCO and MCIT follow:

	Year Incurred	Beginning	Additions	Expired	Ending	Expiry Year
MCIT	2021	₱–	₱1,968,511	₱–	₱1,968,511	2024
	2020	566,657	–	–	566,657	2023
	2019	2,329,516	–	–	2,329,516	2022
	2018	2,759,239	–	2,759,239	–	2021
		₱5,655,412	₱1,968,511	₱2,759,239	₱4,864,684	

	Year Incurred	Beginning	Additions	Expired	Ending	Expiry Year
NOLCO	2021	₱–	₱123,676,688	₱–	₱123,676,688	2026
	2020	173,227,910	–	–	173,227,910	2025
	2019	80,176,058	–	–	80,176,058	2022
	2018	58,106,446	–	58,106,446	–	2021
		₱311,510,414	₱123,676,688	₱58,106,446	₱377,080,656	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 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 taxable income of the Parent Company is subject to regular income tax rate.

On January 30, 2009, RA No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, known as the "Renewable Energy Act of 2008" (the Act), became effective. As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, after the seven (7) years of Income Tax Holiday (ITH), which commences from the first year of operations. The Company started its commercial operations on February 8, 2014 and April 30, 2018 for its BOI registered projects MGPP-1 and MGPP-2, respectively. Taxable income generated from MGPP-1 beginning February 8, 2021 is now subject to corporate tax of 10%. While taxable income from MGPP-2 for 2021 and 2020 is under ITH.

For PetroSolar, on July 28, 2015, the PSC registered with PEZA as an Economic Zone Utilities Enterprise to establish, operate and maintain its 50MW Solar Facility project at the Central Technopark and the sale of electricity in accordance with the representations, commitments and proposals set forth in its application.

PetroSolar shall pay the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes. Gross income earned refers to gross sales derived from any business activity, net of returns, discounts and allowances, less cost of sales, cost of production and allowable expenses as defined by PEZA. Income generated from sources outside of PEZA economic zone shall be subject to Regular Corporate Income Taxes (RCIT).

The reconciliation of the statutory tax rate to the effective income tax rate shown in the consolidated statements of income follows:

	2021	2020	2019
Statutory tax rate	**25.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Effect or remeasurement of current and deferred income tax arising from change in tax rate due to CREATE Act	**(0.20)**	–	–
Income from entities subjected to ITH or lower tax rate	**(22.32)**	(31.81)	(31.85)
Nondeductible expenses	**0.73**	1.05	1.60
Movement in unrecognized deferred tax assets	**4.70**	7.65	4.91
Income subjected to final tax	**(0.33)**	(0.78)	(2.42)
Unrealized loss (gain) on FVTPL	**(0.01)**	(0.03)	(0.01)
Effective income tax rate	**7.57%**	6.08%	2.23%

21. **Cost of Electricity Sales**

	2021	2020	2019
Electricity sales:			
Depreciation and amortization (Notes 10, 13 and 15)	**₱427,818,501**	₱422,437,239	₱406,532,430
Purchased services and utilities	**56,297,222**	125,158,126	119,305,171
Rental, insurance and taxes	**114,032,759**	113,001,690	108,363,449
Personnel costs	**66,962,387**	67,663,684	70,579,509
Repairs and maintenance	**34,315,079**	29,031,090	53,529,903
Materials and supplies	**19,932,253**	14,768,942	16,417,339
Business and other related expenses	**27,166,918**	8,554,125	17,900,019
Government share and royalty fees	**14,443,200**	13,859,060	13,066,762
Wheeling and other charges	**61,357,825**	115,103,302	–
	₱822,326,144	₱909,577,258	₱805,694,582

Government share
Under the Service Contract, the RE Developer shall pay the government share equivalent to one and a half percent (1.5%) from the sale of geothermal steam and one percent (1%) from the sale of solar energy produced and such other income incidental to and arising from generation, transmission and sale of electric power generated from geothermal energy within the Contract Area less costs and expenses incurred thereon.

Energy Regulation No. 1-94 (ER 1-94)
Based on ER 1-94, all power producer shall set aside one-centavo per kilowatt-hour (₱0.01/kwh) of the total electricity sales of the energy-generating facility which shall be applied to Generation Facilities and/or energy resource development projects located in all barangays, municipalities, cities, provinces and regions. This is included under "Rental, insurance and taxes."

22. Crude Oil Inventory and Oil Production

Crude Oil Inventory
Crude oil inventory is stated at NRV at the time of production. Change in crude oil inventory amounting to ₱22.47 million, (₱23.93 million) and (₱2.37 million) is included in "Cost of Sales" in the profit or loss in 2021, 2020 and 2019, respectively.

Oil Production

	2021	2020	2019
Production, transportation and other related expenses	**₱178,665,694**	₱154,375,753	₱162,893,096
Storage and loading expenses	**48,992,296**	48,958,540	48,659,191
Amortization (Note 15)	**4,622,993**	4,622,993	4,622,993
Supplies and facilities	**284,802**	245,499	317,481
Others	**3,718,985**	3,325,006	4,766,595
	₱236,284,770	₱211,527,791	₱221,259,356

23. General and Administrative Expenses

	2021	2020	2019
Salaries, wages and benefits	**₱83,722,515**	₱82,296,126	₱82,211,607
Professional and other fees	**22,921,901**	22,170,875	20,759,048
Depreciation and amortization (Notes 10, 13 and 15)	**11,893,360**	19,826,663	19,047,451
Taxes and licenses	**6,808,337**	12,981,759	25,544,000
Entertainment, amusement and recreation	**5,092,354**	3,864,188	5,852,679
Communication	**4,826,918**	4,899,998	4,809,611
Environmental and social expenses	**4,739,978**	1,641,585	2,181,745
Insurance	**3,302,799**	3,275,568	3,221,453

(Forward)

	2021	2020	2019
Repairs and maintenance	**₱3,225,513**	₱1,462,835	₱1,519,353
Research costs (Note 15)	**3,107,931**	20,732,859	2,428,039
Other services	**2,620,513**	97,920	139,389
Gasoline, oil and lubricants	**2,560,284**	2,592,010	2,632,511
Donation and contribution	**1,529,759**	2,438,521	2,484,110
Office supplies	**1,522,627**	1,207,607	1,782,023
Condominium dues	**1,327,547**	1,344,109	1,327,547
Security and janitorial services	**1,255,840**	1,858,409	2,205,419
Utilities	**882,678**	1,130,369	1,967,063
Rent expense (Note 13)	**863,638**	894,632	791,891
Training and seminar	**672,039**	166,739	2,509,070
Stock transfer expense	**615,696**	1,248,905	2,238,317
Advertisement	**542,124**	1,721,551	1,733,416
Transportation and travel	**442,783**	2,788,254	5,121,820
Business meetings	**348,210**	392,771	1,310,651
Dues and subscriptions	**271,803**	325,755	516,748
Provision for probable losses (Notes 15 and 16)	**5,004,048**	14,667,316	6,889,792
Others	**10,724,352**	5,374,887	21,988,863
	₱180,825,547	₱211,402,211	₱223,213,616

Others, include miscellaneous expenses such as development assistance, notarization, bank charges, and reproduction expenses.

24. Miscellaneous Income (Charges)

	2021	2020	2019
Management income and timewriting fees (Note 25)	**₱13,958,678**	₱13,252,890	₱10,517,125
Gain on change in ARO estimate	**4,354,636**	–	–
Trustee fees	**(3,649,996)**	(4,169,361)	(5,157,836)
Rental income (Note 25)	**1,474,996**	857,143	857,143
Professional fees (Note 25)	**610,000**	550,000	550,000
Gain on sale of equipment	**588,606**	662,857	345,134
Dividend income (Note 8)	**38,134**	71,770	61,586
Others	**1,041,492**	651,378	509,063
	₱18,416,546	₱11,876,677	₱7,682,215

Trustee fees pertain to payments of the Group to the facility agent and account trustees for the M1 and M2 loans (see Note 17).

25. 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 considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as 'Affiliates'). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

	Transactions for the Years Ended December 31		Outstanding Balance Receivables (Payables) (see Notes 7 and 16)		
Related Party/Nature	**2021**	2020	**2021**	2020	**Terms and Conditions**
Investor					
House of Investments, Inc					
Internal audit services	**₱1,610,333**	₱1,483,821	(₱1,624,243)	(₱1,192,620)	Note a
Joint Venture					
PetroWind					
Rental income	**857,143**	857,143	–	–	Note b
Timewriting fee	**12,441,140**	11,252,890	**2,563,521**	578,331	Note c
Management income	**2,000,000**	2,000,000	–	–	Note c
Advances	**8,102,188**	8,301,126	**354,644**	123,577	Note d
			2,918,165	701,908	
Affiliate					
AC Energy Corporation (ACEN)					
Electricity sales	**1,013,536,108**	1,044,249,958	**102,769,904**	103,806,730	Note e
Wheeling Charges	**61,981,804**	116,377,508	**45,609,302**	12,584,870	Note e
			148,379,206	116,391,600	
Affiliate					
EEI Power Corporation					
Other income	**610,000**	₱550,000	**683,200**	₱1,232,000	Note f
Affiliate					
LIPCO					
Land lease	**34,298,221**	33,181,074	–	–	Note g
Affiliate					
Enrique T. Yuchengco, Inc.					
Rental income	**617,853**	–	**391,534**	–	Note k
			₱150,747,862	₱117,132,888	

a. PetroEnergy has an Internal Audit Engagement arrangement with House of Investments (HI). The internal audit services amounted to ₱1,610,333 and ₱1,483,821 in 2021 and 2020, respectively. These are non-interest bearing and are due and demandable.

b. PetroGreen charges rental fees to PetroWind amounting to ₱71,429 every month. These are non-interest bearing and payable when due and demandable.

c. Timewriting fees are charged by PetroGreen for accounting, legal management and other support services rendered to PetroWind. Management income refers to charges by PetroEnergy to PetroWind. These are non-interest bearing and are due and demandable.

d. Advances represent reimbursements of costs and expenses.

e. Electricity sales to ACEN (formerly PHINMA) is pursuant to the Electricity Supply Agreement (see Note 33). This is due and payable on the last business day of the month succeeding the billing period and non-interest bearing if paid within the due date.

f. In 2021 and 2020, PetroGreen charged EEI Power Corporation (EEIPC) representing charges for the equity valuation study.

g. The Group leased 77 hectares of land area from LIPCO (Note 13). These are non-interest bearing and payable when due and demandable.

h. In 2019, EEIPC granted a loan to PetroSolar amounting to ₱123.20 million with an interest rate of 5.50% per annum. The loan was converted into equity for subscription of unissued authorized capital stock in July 2019 increasing non-controlling interest (see Note 29).

i. On November 12, 2015, PetroSolar entered into a ₱2.6 billion OLSA with PNB and DBP. PetroGreen and EEIPC signed as the third party mortgagors and pledgors (see Note 17).

j. PetroWind executed an OLSA with DBP for a loan facility amounting to ₱3.0 billion. PetroEnergy signed as guarantor and PetroGreen signed as guarantor, pledgor and third-party mortgagor.

k. On April 29, 2021, PGEC completed its first commercial and industrial (C&I) rooftop solar power project for the Enrique T. Yuchengco Bldg. in Binondo, Manila.

   The building owner E.T. Yuchengco Inc. (ETY) and project owner PGEC signed a 15-year Rent-to-Own Agreement for a 140.8-kWp solar rooftop facility last January 14, 2021. The rental period commenced upon the project's completion in April 2021. After said 15-year cooperation period, PGEC will turn-over the said rooftop solar facility to ETY free of charge.

Compensation of Key Management Personnel

The Group 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 Group's directors and other members of key management are as follows:

	2021	2020	2019
Salaries and wages and other short-term benefits	**₱20,810,412**	₱20,962,298	₱23,883,304
Directors' fees	**5,438,567**	5,674,198	5,417,248
Retirement expense	**1,935,011**	2,242,667	2,033,795
	₱28,183,990	₱28,879,163	₱31,334,347

26. Financial Instruments

The Group's principal financial instruments include cash and cash equivalents, financial assets at FVTPL, receivables, restricted cash, loans payable, accounts payable, accrued expenses and dividends payable. The main purpose of these financial instruments is to fund the Group's working capital requirements.

Categories and Fair Values of Financial Instruments
As of December 31, 2021 and 2020, the carrying amounts of the Group's financial assets and financial liabilities approximate their fair values except for loans payable and lease liabilities. The fair value of the loans payable as of December 31, 2021 and 2020 amounted to ₱4.13 billion and ₱4.83 billion compared to their carrying value of ₱4.06 billion and ₱4.73 billion, respectively. As of December 31, 2021 and 2020, the fair value of lease liabilities amounted to ₱408.61 million and ₱466.80 million compared to the carrying value of ₱332.83 million and ₱335.45 million, respectively.

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

Financial instruments	**Considerations**
Cash and cash equivalents, restricted cash, receivables, accounts payable and accrued expenses, and short-term loans payable	Due to the short-term nature of the instruments, carrying amounts approximate fair values as at 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.
Long-term loans payable	Fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar type of instruments. The fair value is derived using the prevailing PH BVAL rate in 2020 and 2019.
Lease liabilities	Estimated fair value is based on the discounted value of future cash flows using the prevailing PH BVAL rate in 2020 and 2019.

The fair value is based on the source of valuation as outlined below:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2021 and 2020, there were no transfers of financial instruments among all levels.

Financial Risk Management Objectives and Policies
The Group 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 risks on liquidity, market and credit.

Financial Risks
The main financial risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk.

Liquidity Risk
Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds as well as to obtain loan from financial institutions. As of December 31, 2021 and 2020, the Group has existing credit line facilities from which they can draw funds from (see Note 17).

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2021 and 2020 based on contractual payments:

	2021			
	On demand	1 year or less	More than 1 year	Total
Financial Assets				
Financial assets at FVTPL	**₱7,587,228**	**₱–**	**₱–**	**₱7,587,228**
Financial assets at amortized cost:				
Cash and cash equivalents	**1,241,762,101**	**–**	**–**	**1,241,762,101**
Accounts receivable	**378,227,252**	**–**	**1,607,160**	**379,834,412**
Subscription receivable	**8,300,000**	**–**	**–**	**8,300,000**
Other receivables	**–**	**–**	**3,526,250**	**3,526,250**
Interest receivable	**1,002,791**	**–**	**–**	**1,002,791**
Refundable deposits	**–**	**349,721**	**7,817,412**	**8,167,133**
Restricted cash	**154,549,130**	**414,423,370**	**47,388,677**	**616,361,177**
	1,791,428,502	**414,773,091**	**60,339,499**	**2,266,541,092**
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	**–**	**1,159,482,944**	**3,182,263,490**	**4,341,746,434**
Lease liabilities	**37,198,620**	**688,492,341**	**725,690,961**	**1,451,381,922**
Accounts payable and accrued expenses*	**289,788,494**	**–**	**–**	**289,788,494**
	326,987,114	**1,847,975,285**	**3,907,954,451**	**6,082,916,850**
Net financial assets (liabilities)	**₱1,464,441,388**	**(₱1,433,202,194)**	**(₱3,847,614,952)**	**(₱3,816,375,758)**

	2020			
	On demand	1 year or less	More than 1 year	Total
Financial Assets				
Financial assets at FVTPL	₱7,531,587	₱–	₱–	₱7,531,587
Financial assets at amortized cost:				
Cash and cash equivalents	1,267,332,044	–	–	1,267,332,044
Accounts receivable	29,035,850	240,119,247	994,603	270,149,700
Other receivables	–	–	2,526,250	2,526,250
Interest receivable	895,945	–	–	895,945
Refundable deposits	–	324,721	16,583,984	16,908,705
Restricted cash	154,118,649	394,892,804	44,833,232	593,844,685
	1,458,914,075	635,336,772	64,938,069	2,159,188,916
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	–	855,988,810	4,093,526,940	4,949,515,750
Lease liabilities	–	35,383,562	723,514,761	758,898,323
Accounts payable and accrued expenses*	416,485,403	–	–	416,485,403
	416,485,403	891,372,372	4,817,041,701	6,124,899,476
Net financial assets (liabilities)	₱1,042,428,672	(₱256,035,600)	(₱4,752,103,632)	(₱3,965,710,560)

**Excluding statutory payables*
***Includes future interest payments*

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 exchanges rates, interest rates and other market changes.

<u>Foreign Exchange Risk</u>

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

The Group's foreign currency-denominated financial instruments as of December 31, 2021 and 2020 follow:

	2021		2020	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	**$2,096,605**	**₱106,453,022**	$504,969	₱24,256,708
Receivables	**892,186**	**45,299,852**	627,158	30,126,160
Advances to suppliers	**216,720**	**11,003,741**		
Restricted Cash	**933,326**	**47,388,694**	933,325	44,833,232
	4,138,837	**210,145,309**	2,065,452	99,216,100
Financial liabilities				
Accounts payable and accrued expenses	**190,197**	**9,657,062**	276,820	13,297,309
Net exposure	**$3,948,640**	**₱200,488,247**	$1,788,632	₱85,918,791

As of December 31, 2021, and 2020, the exchange rates used for conversion are ₱50.774 and ₱48.036 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 Group's income before income tax is as follows:

	Increase/(decrease) in foreign currency	Effect on income before income tax
2021	**+6%**	**(₱11,427,613)**
	-6%	**₱11,427,613**
2020	+5%	(₱4,585,135)
	-5%	4,585,135

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

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable. Interest rate of loans payable is fixed for the first five (5) years or first seven (7) years and will be repriced thereafter.

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

Loans payable

2021	
Increase/decrease in interest rate (in basis points)	**Impact on income before tax**
+40% to +228%	**(40,878,466)**
-40% to -228%	**40,878,466**

2020	
Increase/decrease in interest rate (in basis points)	Impact on income before tax
+50% to 195%	(₱47,544,391)
-50% to -195%	47,544,391

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

c. *Credit Risk*

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVTPL, and restricted cash, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production and renewable energy businesses. The Group 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 Group's gross maximum credit risk exposure from its financial instruments and contract asset. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2021	2020
Financial assets:		
Cash in banks and cash equivalents	**₱1,237,738,101**	₱1,263,308,043
Receivables	**392,663,453**	273,571,895
Financial assets at FVTPL	**7,587,228**	7,531,587
Refundable deposits	**5,213,672**	16,908,705
Restricted cash	**616,361,177**	593,844,685
Contract asset	**222,238,121**	146,067,517
	₱2,481,801,752	₱2,301,232,432

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.

The table below shows the aging by class of asset for the Group's financial assets and contract asset as of December 31, 2021 and 2020:

	2021			
	Current	**More than 90 days**	**Credit impaired**	**Total**
Financial assets:				
Cash and cash equivalents*	**₱1,237,738,101**	**₱–**	**₱–**	**₱1,237,738,101**
Accounts receivable	**379,834,412**	**–**	**2,682,452**	**382,516,864**
Subscription receivable	**8,300,000**	**–**	**–**	**8,300,000**
Other receivables	**3,526,250**	**–**	**–**	**3,526,250**
Interest receivable	**1,002,791**	**–**	**–**	**1,002,791**
Financial assets at FVTPL	**7,587,228**	**–**	**–**	**7,587,228**
Refundable deposits	**8,167,133**	**–**	**–**	**8,167,133**
Restricted cash	**616,361,177**	**–**	**–**	**616,361,177**
Contract asset	**248,862,335**	**–**	**–**	**248,862,335**
	₱2,511,379,427	**₱–**	**₱2,682,452**	**₱2,514,061,879**

**excluding cash on hand*

	2020			
	Current	More than 90 days	Credit impaired	Total
Financial assets:				
Cash and cash equivalents*	₱1,263,308,043	₱–	₱–	₱1,263,308,043
Accounts receivable	270,149,700	–	2,682,452	272,832,152
Other receivables	2,526,250	–	–	2,526,250
Interest receivable	895,945	–	–	895,945
Financial assets at FVTPL	7,531,587	–	–	7,531,587
Refundable deposits	16,908,705	–	–	16,908,705
Restricted cash	593,844,685	–	–	593,844,685
Contract asset	146,067,517	–	–	146,067,517
	₱2,301,232,432	₱–	₱2,682,452	₱2,303,914,884

**excluding cash on hand*

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, credit risk exposure is minimal. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group's cash in banks, cash equivalents, accounts receivable, interest receivable and restricted cash have high grade credit quality.

27. Segment Information

For management purposes, the Group is organized into business units based on their products and has four reportable segments as follows:

- The oil production segment is engaged in the oil and mineral exploration, development and production.
- The geothermal energy segment develops and operates geothermal steamfields and power plants.
- The solar energy segment carries out solar energy operations of the Group.
- Other activities pertain to research and investment activities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	2021					
	Oil Production	**Geothermal Energy**	**Solar Energy**	**Other Activities**	**Elimination**	**Consolidated**
Segment revenue	**₱461,246,131**	**₱1,075,517,911**	**₱886,190,108**	**₱–**	**₱–**	**₱2,422,954,150**
Net income (loss)	**29,010,846**	**281,723,739**	**435,683,914**	**321,013,201**	**(401,959,552)**	**665,472,148**
Other comprehensive income (loss)	**(₱4,038,649)**	**₱16,898,918**	**(₱21,687)**	**(₱2,040,185)**	**₱–**	**₱10,798,397**
Other information:						
Segment assets except deferred tax assets	**₱3,433,954,763**	**₱5,785,063,823**	**₱4,162,761,665**	**₱2,806,477,864**	**(₱2,985,525,106)**	**₱13,202,733,009**
Deferred tax assets - net	**₱8,776,720**	**₱2,000,319**	**₱1,683,228**	**₱–**	**₱–**	**₱12,460,267**
Segment liabilities except deferred tax liabilities	**₱309,304,397**	**₱2,623,164,309**	**₱1,625,737,275**	**₱349,078,108**	**(₱5,905,473)**	**₱4,901,378,616**
Deferred tax liabilities - net	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Cash flows from (used in):						
Operating activities	**₱141,297,908**	**₱668,723,801**	**₱593,614,381**	**₱238,808,568**	**(₱250,881,643)**	**₱1,391,563,015**
Investing activities	**14,520,869**	**(102,389,460)**	**68,413,319**	**(108,494,106)**	**(77,040,756)**	**(204,990,134)**
Financing activities	**(50,440,323)**	**(579,341,111)**	**(715,412,499)**	**(195,162,844)**	**327,922,400**	**(1,212,434,377)**
Provision for (benefit from) income tax	**(₱4,871,122)**	**₱19,624,852**	**₱39,503,620**	**₱223,284**	**₱–**	**₱54,480,634**
Capital expenditures	**₱9,861,975**	**₱92,364,293**	**₱4,976,137**	**₱92,421,250**	**₱–**	**₱199,623,655**
Deferred oil exploration costs	**₱230,267,833**	**₱–**	**₱–**	**₱–**	**₱–**	**₱230,267,833**
Depletion, depreciation and amortization	**₱83,814,245**	**₱254,921,249**	**₱177,886,447**	**₱4,518,864**	**(₱292,588)**	**₱520,848,217**

	2020					
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱292,573,199	₱1,160,627,466	₱879,290,407	₱–	₱–	₱2,332,491,072
Net income (loss)	(93,295,082)	282,923,201	413,412,580	197,987,673	(154,837,152)	646,191,220
Other comprehensive income (loss)	3,490,089	(6,516,645)	111,889	1,331,146	–	(1,583,521)
Other information:						
Segment assets except deferred tax assets	₱3,446,590,391	₱5,910,320,833	₱4,294,097,136	₱2,759,679,512	(₱3,016,663,233)	₱13,394,024,639
Deferred tax assets - net	₱777,332	₱3,969,332	₱905,161	₱–	₱–	₱5,651,825
Segment liabilities except deferred tax liabilities	₱338,912,834	₱2,969,012,990	₱1,835,356,905	₱425,683,647	(₱207,627)	₱5,568,758,749
Deferred tax liabilities - net	₱–	₱–	₱–	₱–	₱–	₱–
Cash flows from (used in):						
Operating activities	₱17,492,817	₱831,655,309	₱645,745,818	(₱14,762,230)	(₱954,252)	₱1,479,177,462
Investing activities	(84,758,970)	(151,529,604)	(21,805,235)	152,676,899	(114,545,748)	(219,962,658)
Financing activities	(58,070,172)	(555,675,630)	(506,472,851)	(53,045,442)	115,500,000	(1,057,764,095)
Provision for (benefit from) income tax	₱7,384,343	₱70,287	₱33,707,896	₱699,186	₱–	₱41,861,712
Capital expenditures	₱26,168,256	₱162,001,340	₱21,346,049	₱1,162,270	₱–	₱210,677,915
Deferred oil exploration costs	₱210,533,496	₱–	₱–	₱–	₱–	₱210,533,496
Depletion, depreciation and amortization	₱95,845,289	₱252,171,511	₱176,667,277	₱4,731,938	(₱292,587)	₱529,123,428

	2019					
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱351,057,274	₱1,139,162,750	₱631,944,707	₱–	₱–	₱2,122,164,731
Net income (loss)	37,056,507	321,474,746	209,475,962	203,929,129	(238,003,688)	533,932,656
Other comprehensive loss	822,545	(2,464,127)	(531,118)	(3,274,267)	–	(5,446,967)
Other information:						
Segment assets except deferred tax assets	₱3,599,142,103	₱5,937,038,323	₱4,225,274,049	₱2,665,532,940	(₱3,075,388,611)	₱13,351,598,804
Deferred tax assets - net	₱9,601,071	₱2,834,134	₱188,787	₱–	₱–	₱12,623,992
Segment liabilities except deferred tax liabilities	₱410,483,292	₱3,201,001,838	₱2,054,341,913	₱433,089,051	(₱503,314)	₱6,098,412,780
Deferred tax liabilities - net	₱–	₱–	₱–	₱–	₱–	₱–
Cash flows from (used in):						
Operating activities	₱38,591,853	₱738,157,482	₱552,836,198	(₱22,541,695)	₱1,283,972	₱1,308,327,810
Investing activities	42,387,137	(308,157,013)	(604,558,161)	(24,382,378)	173,593,668	(721,116,747)
Financing activities	(31,601,092)	(441,536,798)	(121,287,399)	65,564,064	(174,877,640)	(703,738,865)
Provision for (benefit from) income tax	(₱839,974)	(₱61,826)	₱12,523,711	₱557,903	₱–	₱12,179,814
Capital expenditures	₱36,519,811	₱264,104,747	₱647,523,109	₱2,343,099	(₱1,125,911)	₱949,364,855
Deferred oil exploration costs	₱192,958,190	₱–	₱–	₱–	₱–	₱192,958,190
Depletion, depreciation and amortization	₱68,072,511	₱256,012,915	₱157,983,213	₱4,618,436	(₱639,002)	₱486,048,073

InterGroup investments, revenues and expenses are eliminated during consolidation.

28. Basic/Diluted Earnings Per Share

The computation of the Group's earnings per share follows:

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	**₱325,461,592**	₱319,412,421	₱292,835,761
Weighted average number of shares	**568,711,842**	568,711,842	568,711,842
Basic/diluted earnings per share	**₱0.5723**	₱0.5616	₱0.5149

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.

PERC does not have potentially dilutive common stock.

29. Non-controlling Interests

As of December 31, 2021 and 2020, non-controlling interests (NCI) pertain to the 10% shareholdings of EEIPC in PetroGreen, total shareholdings of ACEN (formerly PHINMA) [25%] and PNOC-RC (10%) in MGI and 44% shareholdings of EEIPC in PetroSolar.

As of December 31, 2021 and 2020, the accumulated balances of and net income attributable to non-controlling interests are as follows:

	2021	2020
Accumulated balances of non-controlling interests:		
PetroSolar	**₱1,117,031,352**	₱1,082,243,972
MGI	**1,107,364,941**	1,030,847,011
PetroGreen	**512,141,194**	470,011,271
	₱2,736,537,487	₱2,583,102,254

	2021	2020
Net income attributable to non-controlling interests:		
PetroSolar	**₱191,700,922**	₱181,901,535
MGI	**98,603,308**	99,023,120
PetroGreen	**49,706,326**	45,854,144
	₱340,010,556	₱326,778,799

The summarized financial information of these subsidiaries is provided below based on amounts before intercompany eliminations.

MGI

The 2021 and 2020 financial information for MGI follow:

	2021	2020
Statements of Financial Position		
Current assets	**₱1,258,330,126**	₱1,202,138,803
Noncurrent assets	**4,528,734,016**	4,712,151,362
Current liabilities	**626,099,558**	596,645,785
Noncurrent liabilities	**1,997,064,752**	2,372,367,206
Equity	**3,163,899,832**	2,945,277,174
Statements of Comprehensive Income		
Revenue	**1,075,517,911**	1,160,627,466
Net income	**281,723,740**	282,923,201
Total comprehensive income	**298,622,658**	276,406,555
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**668,723,802**	831,655,304
Investing activities	**(102,389,460)**	(151,529,599)
Financing activities	**(579,341,111)**	(555,675,630)
Effect of foreign exchange rate	**4,636**	(14,423)
Net increase (decrease) in cash and cash equivalents	**(13,002,133)**	124,435,652

PetroSolar

The 2021 and 2020 financial information for PetroSolar follows:

	2021	2020
Statements of Financial Position		
Current assets	**₱612,446,169**	₱593,681,512
Noncurrent assets	**3,551,998,724**	3,701,320,783
Current liabilities	**268,487,074**	272,971,498
Noncurrent liabilities	**1,357,250,201**	1,562,385,406
Equity	**2,538,707,618**	2,459,645,391
Statements of Comprehensive Income		
Revenue	**₱886,190,108**	₱879,290,407
Net income	**435,683,914**	413,412,580
Total comprehensive income	**435,662,227**	413,524,468
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**593,614,382**	645,745,818
Investing activities	**68,413,319**	(21,805,236)
Financing activities	**(715,412,499)**	(506,472,851)
Effect of foreign exchange rate	**127,370**	(249,572)
Net increase (decrease) in cash and cash equivalents	**(53,257,428)**	117,218,160

PetroGreen

The 2021 and 2020 financial information for PetroGreen follows:

	2021	2020
Statements of Financial Position		
Current assets	**₱145,870,144**	₱195,771,674
Noncurrent assets	**2,560,480,561**	2,452,641,455
Current liabilities	**98,588,309**	98,673,138
Noncurrent liabilities	**250,489,801**	327,010,509
Equity	**2,357,272,595**	2,222,729,482
Statements of Comprehensive Income		
Revenue	**292,411,438**	191,332,639
Net income	**220,886,044**	86,721,290
Total comprehensive income	**219,239,113**	87,837,678
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**238,808,568**	(14,762,230)
Investing activities	**(108,494,106)**	152,676,899
Financing activities	**(195,162,844)**	(53,045,442)
Effect of foreign exchange rate	**13,712**	(54,831)
Net increase (decrease) in cash and cash equivalents	**(64,834,670)**	84,814,396

Dividends paid to non-controlling interests amounted to ₱201.67 million and ₱79.50 million in 2021 and 2020, respectively.

Increase in non-controlling interests from stock issuances

December 31, 2021:

- In 2021, stockholders of PetroGreen subscribed to ₱83.00 million from its unissued stocks which increased the non-controlling interest by ₱8.30 million.

December 31, 2019:

- On March 29, 2019, the SEC approved PetroGreen's increase in authorized capital stock. PetroGreen applied the ₱254.46 million deposits for future stock subscription as payment of stock.
- PetroGreen also received additional subscriptions amounting to ₱156.80 million at par which increased the non-controlling interest by ₱15.68 million.
- On April 15, 2019, the SEC approved PetroSolar's increase in authorized capital stock. PetroSolar applied the ₱454.50 million deposits for future stock subscription as payment of stock.
- PetroSolar also received subscriptions amounting to ₱280.00 million at par which increased the non-controlling interest by ₱123.20 million.

The increase in non-controlling interest from stock issuances did not result in dilution of the Parent Company's effective interest in the subsidiaries.

The SEC approved the application made by both PetroGreen and PetroSolar on March 29, 2019 and April 15, 2019, respectively.

PetroGreen
On September 12, 2018, PetroGreen's BOD and stockholders approved the proposed increase in authorized capital stock from ₱2.00 billion divided into 2 billion shares with a par value of ₱1.00 per share to ₱2.50 billion divided into 2.5 billion shares with the same par value per share. In 2018, PetroGreen received deposits for future stock subscriptions amounting to ₱222.87 million at par, ₱22.29 million of the total consideration was received from the non-controlling interests.

In 2019, PetroGreen received an additional ₱31.59 million deposits for future stock subscription which increased the non-controlling interest by ₱3.16 million.

The total deposits for future stock subscription amounting to ₱254.46 million was reclassified as equity in 2019 upon approval by the SEC of the increase in authorized capital stock.

PetroSolar
On September 12, 2018, PetroSolar's BOD and stockholders approved the proposed increase in authorized capital stock from ₱1.00 billion divided into 1 million shares with a par value of ₱100.00 per share to ₱1.8 billion divided into 1.8 million shares with the same par value per share. In 2018, PetroSolar received deposits for future stock subscriptions amounting to ₱397.98 million at par, ₱175.11 million of the total consideration was received from the non-controlling interests.

In 2019, PetroSolar received an additional ₱56.52 million deposits for future stock subscription which increased the non-controlling interest by ₱24.87 million.

The total deposits for future stock subscription amounting to ₱454.50 million was reclassified as equity in 2019 upon approval by the SEC of the increase in authorized capital stock.

30. Consolidated Statements of Cash Flows

Changes in the Group's liabilities arising from financing activities follow:

<u>2021</u>

		Non-cash Changes					
	2020	**Additional lease liabilities** (Note 13)	**Interest accretion**	**Interest expense**	**Dividend declarations to NCI**	**Cash flows**	**2021**
Loans payable	**₱4,728,203,956**	**₱–**	**₱19,995,590**	**₱–**	**₱–**	**(₱685,674,350)**	**₱4,062,525,196**
Accrued interest payable	**46,686,129**		**–**	**282,563,240**	**–**	**(287,786,290)**	**41,463,079**
Lease liabilities	**335,451,103**	**3,861,186**	**–**	**30,816,714**	**–**	**(37,300,137)**	**332,828,866**
Dividends payable	**10,657,014**		**–**		**201,673,600**	**(201,673,600)**	**10,657,014**
	₱5,120,998,202	**₱3,861,186**	**₱19,995,590**	**₱313,379,954**	**₱201,673,600**	**(₱1,212,434,377)**	**₱4,447,474,155**

<u>2020</u>

		Non-cash Changes						
	2019	Additional lease liabilities (Note 13)	Deferred financing costs	Interest accretion	Interest expense	Dividend declarations to NCI	Cash flows	2020
Loans payable	₱5,299,838,863	₱–	₱2,150,538	₱19,564,443	₱–	₱–	(₱593,349,888)	₱4,728,203,956
Accrued interest payable	54,130,576	–	–	–	340,873,318	–	(348,317,765)	46,686,129
Lease liabilities	337,829,549	3,159,213	–	–	31,058,783	–	(36,596,442)	335,451,103
Dividends payable	10,666,514	–	–	–	–	79,500,000	(79,500,000)	10,657,014
	₱5,702,456,002	₱3,159,213	₱2,150,538	₱19,564,443	₱371,932,101	₱79,500,000	(₱1,057,764,095)	₱5,120,998,202

<u>2019</u>

		Non-cash Changes							
	2018	Adoption of PFRS 16 (Note 3)	Declaration of cash dividends**	Deferred financing costs	Interest accretion	Interest expense	Capitalized interest	Cash flows	2019
Loans payable	₱5,672,914,101	₱–	₱–	₱2,152,159	₱18,945,543	₱–	₱–	(₱394,172,940)	₱5,299,838,863
Accrued interest payable	58,556,797	–	–	–	–	358,550,724	–	(362,976,945)	54,130,576
Lease liabilities	–	342,107,039	–	–	–	27,767,974	4,292,914	(36,338,378)	337,829,549
Dividends payable	10,666,514	–	76,000,000	–	–	–	–	(76,009,500)	10,657,014
Due to a related party	–	–	–	–	–	1,148,155	–	(1,148,155)	–
	₱5,742,137,412	₱342,107,039	₱76,000,000	₱2,152,159	₱18,945,543	₱408,081,530	₱4,292,914	(₱870,645,918)	₱5,702,456,002

In 2019, the Group also received cash from issuance of stocks to Non-controlling interests amounting to ₱166.91 million (see Note 29).

31. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, Renewable Energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments (BOI), shall be entitled to the following incentives, among others:

i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

32. Electric Power Industry Reform Act (EPIRA)

After emerging from the crippling power crisis that occurred in the early 1990s, the Philippine Government embarked on an industry privatization and restructuring program envisioned to ensure the adequate supply of electricity to energize its developing economy. This restructuring scheme is embodied in RA No. 9136, the EPIRA. Approved on June 8, 2001, the EPIRA seeks to ensure quality, reliable, secure and affordable electric power supply; encourage free and fair competition; enhance the inflow of private capital; and broaden the ownership base of power generation, transmission and distribution.

The Government viewed restructuring and reform as a long-term solution to the problems of the power sector. The huge investment requirement for new generation capacity and expansion of the necessary transmission and distribution network was estimated at an annual average of $1.0 billion. Given its own fiscal constraints, the Government recognized the need for greater private sector involvement in the power sector. Even though some private sector participation was successfully introduced earlier between the NPC and private investors, this time, the Government is envisioning addressing the power sector inefficiencies and the monopoly in the generation business. EPIRA mandated the overall restructuring of the Philippine electric power industry and called for the privatization of NPC. The restructuring of the electricity industry calls for the separation of the different components of the power sector, namely: generation, transmission, distribution, and supply. On the other hand, the privatization of the NPC involves the sale of the state-owned power firm's generation and transmission assets (e.g. power plants and transmission facilities) to private investors. These two reforms are aimed at encouraging greater competition and attracting more private-sector investments in the power industry.

A more competitive power industry will in turn result in lower power rates and a more efficient delivery of electricity supply to end-users.

Specifically, the EPIRA has the following objectives:

- Achieve transparency with the unbundling of the main components of electricity services, which will be reflected in the consumers' electricity rates;
- Opening up of the electricity market to competition at the wholesale (generation) level to improve efficiency in the operation of power plants and redound to lower electricity prices;
- Enhance further inflow of private capital and broaden ownership base in generation, transmission distribution, and supply of electric power;
- Establish a strong and independent regulatory body that will balance the interest of both the investors by promoting competition through creation of a level playing field and protect the electricity end-users from any market power abuses and anti-competitive behaviors; and
- Accelerate and ensure the total electrification of the country.

33. Other Material Contracts and Agreements

Foreign Petroleum Operations

Joint Operating Agreement - Gabon

The Joint Operating Agreement (JOA) establishes the respective rights and obligations of the members of the Consortium with regard to the operations under the EPSC, including the joint exploration, appraisal, development and production of hydrocarbon reserves from the contract area. VAALCO has been appointed as the Operator of the field and shall continue to act as such until such time that all the JV Partners decide to appoint a new Operator from among them.

Crude Oil Sales and Purchase and Services Agreement (COSPA) with Glencore Energy UK Ltd and Mercuria Energy Trading S.A.

In 2015, the JV Partners signed a COSPA with Glencore Energy UK Ltd., a company incorporated in England. The initial agreement was effective from August 1, 2015 to July 31, 2016. There were several extensions until January 31, 2019. In January 2019, the JV Partners entered into a COSPA with Mercuria Energy Trading S.A., a company incorporated in Switzerland. The agreement is effective from February 1, 2019 to January 31, 2020.

Crude Oil Sales and Purchase and Services Agreement (COSPA) with Exxon Mobil Sales and Supply LLC

On December 20, 2019, the JV Partners signed a COSPA with Exxon Mobil Sales and Supply LLC (Exxon), a company incorporated under the laws of the State of Delaware and having its registered office at 251 Little Falls Drive, Wilmington DE 19808. The agreement is effective from February 1, 2020 until January 31, 2021. On December 14, 2020, the first amendment to the COSPA was executed, amending and extending the term of the COSPA with Exxon effective February 1, 2021 until July 31, 2021.

This was further amended on July 2021, effective August 1 2021 to extend the term until January 31, 2022. In January 2022, this was further amended effective February 1, 2022 until July 31, 2022.

Renewable Energy Projects

Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31:

	2021	2020	2019
Revenue from electricity sales:			
Electricity supply agreement	**₱1,175,250,772**	₱1,044,249,958	₱1,139,162,750
Feed-in-Tariff (FIT)	**724,475,443**	879,290,407	631,944,707
Other revenues - Wheeling charges	**61,981,804**	116,377,508	–
	₱1,961,708,019	₱2,039,917,873	₱1,771,107,457

FIT rate adjustment

On May 26, 2020, the ERC approved Resolution No. 6 series of 2020 approving the adjustment to Feed in Tariff for the years 2016 to 2020 using 2014 as the base year for the consumer price index and foreign exchange. The resolution was published in a newspaper of general circulation on November 17, 2020 and became effective 15 days after.

Total retroactive FIT revenue adjustment recognized in 2020 by PetroSolar measured at present value amounted to ₱132.69 million which will be recovered from TransCo for a period of five (5) years starting 2022. In 2021, PetroSolar recognized additional ₱86.02 million FIT arrears covering the adjustment of the FIT rate for the current year. Interest earned amounted to ₱3.27 million and ₱0.26 million in 2021 and 2020, respectively.

Shareholders Agreement (SHA)

On May 16, 2017, PetroGreen entered into a Shareholders Agreement (SHA) with EEI Power Corporation (EEIPC) and BCPG Wind Cooperatief U.A. (BCPG). The SHA governs the relations of these three companies as shareholders of PWEI and define their respective rights and obligations as such.

Renewable Energy Payment Agreement (REPA)

Consequent to the issuance of FIT COC in its favor, PetroWind entered into a REPA with the National Transmission Corporation (TransCo) on July 30, 2015. Under the REPA, TransCo shall pay the FIT Rate of ₱7.40/kWh for all metered generation of PetroWind for a period of twenty (20) years from start of Commercial Operations.

Joint Venture Agreement (JVA)

On May 19, 2010, PetroEnergy's subsidiary, PetroGreen entered into a JVA with Trans-Asia (now ACEN) and PNOC RC whereby these companies agreed to pool their resources together to form a joint venture company to develop and operate the Maibarara geothermal field.

ESA for MGPP-1 and MGPP-2

On September 16, 2011 MGI executed an Electricity Supply Agreement (ESA-1) with Trans-Asia (now ACEN), wherein MGI agreed to sell to Trans-Asia (now ACEN) the entire generated output of MGPP-1 for a period of 20 years commencing from commercial operations on February 8, 2014. On April 26, 2016, MGI entered into another Electricity Supply Agreement (ESA-2) with Trans-Asia (then renamed as PHINMA Energy Corporation and now ACEN), wherein MGI agreed to sell to PHINMA (now ACEN) the entire generated output of the MGPP-2 for a period of 20 years from start of commercial operations on April 30, 2018.

On August 23, 2019, MGI and PHINMA (now ACEN) executed the Amendment to the Unit 1 ESA and Unit 2 ESA which, among others, extended the effectivity of both ESA-1 and ESA-2 until June 25, 2039.

Renewable Energy Payment Agreement (REPA)

Consequent to the issuance of FIT COC in its favor, PetroSolar entered into a REPA with the TransCo on April 6, 2016. Under the REPA, TransCo shall pay the FIT Rate of ₱8.69/kWh for all metered generation of PSC for a period of twenty (20) years from start of Commercial Operations.

Solar Energy Service Contract (SESC) No. 2017-01-360 – Puerto Princesa, Palawan

The Service Contract for the Puerto Princesa Solar Power Project (PPSPP) was signed by DOE Secretary Alfonso Cusi on February 27, 2017. The PPSPP aims to put up a 10-20 MW off-grid solar hybrid power facility in Puerto Princesa City, Palawan to meet the increasing electricity demand and address the fluctuating electricity situation in the city through solar power.

PetroGreen has secured all local government endorsements needed for eventual facility development. In January 2020, PGEC was among seven (7) pre-qualified bidders for the 20-MW Palawan Main Grid Competitive Selection Process (CSP) of the Palawan Electric Cooperative (PALECO).

On March 12, 2020, PALECO issued a bulletin which states that the submission and opening of bids was postponed until further notice.

On January 18, 2021, PALECO issued a bulletin resuming the Palawan Main Grid 20-MW CSP after a 10-month postponement, with minor revisions to the bid terms as approved by the DOE and the National Electrification Administration (NEA). However, PGEC decided to withdraw from the said bidding process, owing to PALECO's final Terms of Reference (TOR), which severely limit the economic feasibility of PGEC's planned investment.

PGEC is now exploring alternative offtake arrangements for PPSPP.

Wind Energy Service Contract (WESC) No. 2017-09-118 – San Vicente, Palawan

On November 11, 2019, the DOE officially awarded to PetroGreen the San Vicente, Palawan WESC. The WESC, effective October 9, 2019, vests PetroGreen with the rights and responsibilities to harness wind energy and develop and operate the corresponding renewable energy facility in the area. The proposed project is situated in the municipality of San Vicente, Palawan, approximately 130 km north of Puerto Princesa.

Activities for the meteorological mast installation program for the San Vicente Wind Hybrid Power Project (SVWHPP) have been put on-hold due to COVID-19-related travel restrictions. Nonetheless, PGEC has secured on May 07, 2020 a Certificate of Non-Coverage (CNC) from the Department of Environment and Natural Resources (DENR) for the mast installation. PGEC also secured a Special Land Use Permit (SLUP) from the DENR on March 09, 2021 for the mast installation in San Vicente.

In December 2020, PGEC's contractor has mobilized to San Vicente, Palawan to carry out the installation works for the 60-meter meteorological mast to be used for the wind measurement campaign of the SVWHPP. The said mast is expected to be commissioned and turned-over to PGEC in July, 2021. The said mast is currently gathering wind data for two (2) years to assess the long-term wind resource to support a potential wind-hybrid power project in San Vicente.

Offshore Wind Power Projects

In 2021, PGEC secured three (3) new Wind Energy Service Contracts (WESC) from the DOE covering three (3) offshore wind blocks, namely 1) Northern Luzon Offshore Wind Power Project (located offshore Ilocos Norte), 2) Northern Mindoro Offshore Wind Power Project (located offshore Occidental Mindoro), and 3) Easy Panay Offshore Wind Power Project (located offshore Iloilo). These projects will be developed by PGEC alongside a foreign partner.

On December 28, 2021, the DOE issued to PGEC its formal endorsements for NGCP's conduct of the System Impact Studies (SIS) for the three offshore wind blocks. The early issuance will help both DOE and NGCP to plan their grid improvements to accommodate large-scale capacities from these offshore wind projects. PGEC also secured DOE Endorsement to Local Government Units / National Government Agencies for the Northern Luzon project in January 2022.

34. **Other Matters**

On March 11, 2020, the World Health Organization (WHO) officially characterized the COVID-19 outbreak as a global pandemic. In response to this, the Philippine government issued a directive to impose stringent social distancing measures in the National Capital Region (NCR) on March 15, 2020, and subsequently issued Presidential Proclamation No. 929 on March 16, 2020, declaring a State of Calamity. This resulted in the imposition of a six-month community quarantine throughout the island of Luzon and other parts of the country. These community quarantines and restrictions, which lasted until 2021, caused disruptions to businesses and economic activities. Working arrangements, particularly of the Company's business support groups, were affected due to the state-imposed self-quarantine, lockdowns, and curfews.

To mitigate the impact of these disruptions, the management has activated the Crisis Management Team (CMT) to devise alternative working arrangements such as work- from-home and skeletal workforce scheme for its employees. Business support units were equipped with appropriate guidelines and tools to be able to support the operations and ensure business continuity.

The Company recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. In the face of this global crisis, the Company remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its stakeholders. The Company has taken measures to manage the risks and uncertainties brought about by the outbreak and will continue to monitor the situation. Considering the evolving nature of this outbreak, the Company is continuously assessing at this time the impact to its financial position, performance and cash flows in 2022.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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 consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group) as at and for the years ended December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated April 21, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein 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
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
October 22, 2019, valid until October 21, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853473, January 3, 2022, Makati City

April 21, 2022

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 21, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
October 22, 2019, valid until October 21, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853473, January 3, 2022, Makati City

April 21, 2022

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68

DECEMBER 31, 2021

Philippine Securities and Exchange Commission (SEC) issued the revised Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The Group is not required to disclose the financial assets in equity securities as the total financial assets at fair value through profit and loss securities amounting to ₱7.587 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2021.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

As of December 31, 2021, there are no amounts receivable from directors, officers, employees, related parties and principal stockholders that aggregates each to more than ₱100,000 or 1% of total assets whichever is less.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2021:

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Not Current	Balance at end of period
PetroGreen Energy Corporation	₱32,078	₱2,724,221	₱2,644,989	₱–	₱–	₱111,310
Maibarara Geothermal, Inc.	732,221	4,106,886	4,829,578	–	–	9,529
PetroSolar Corporation	66,798	3,596,299	3,653,568	–	–	9,529
	₱831,097	₱10,427,406	₱11,128,135	₱–	₱–	₱130,368

Please refer to Note 25 of the Consolidated Financial Statements.

Schedule D. Long-term Debt

Please refer to the Consolidated Audited Financial Statement, Note 17 for details of the loans.

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

The Group has no outstanding long-term indebtedness to related parties as of December 31, 2021.

Schedule F. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2021.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of Shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	700,000,000	568,711,842	–	165,468,725	5,855,751	397,387,366

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2021 and 2020

Financial Soundness Indicators
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2021 and 2020:

Financial ratios		**2021**	2020
Current ratio (under page 31, KPI)	Total current assets / Total current liabilities	**1.96:1**	1.83:1
Acid test ratio	Total current assets – inventories – other current assets / Total current liabilities	**1.35:1**	1.24:1
Solvency ratio	After tax net profit + depreciation / Long-term + short-term liabilities	**0.24:1**	0.21:1
Debt-to-Equity Ratio (under page 31, KPI)	Total liabilities / Total stockholder's equity	**0.59:1**	0.71:1
Asset-to-Equity Ratio (under page 31, KPI)	Total assets / Total stockholder's equity	**1.59:1**	1.71:1
Interest rate coverage ratios	Earnings before interest and taxes (EBIT) / Interest expense*	**3.16:1**	2.78:1
Return on equity	Net income / Average shareholder's equity	**8.24%**	8.56%
Return on assets	Net income / Average assets	**5.00%**	4.83%
Return on revenue	Net income / Total revenue	**27.47%**	27.70%
Earnings per share	Net income / Weighted average no. of shares	**₱0.5723**	₱0.5616
Price Earnings Ratio	Closing price / Earnings per share	₱7.08	₱6.66

(Forward)

Long term debt-to-equity ratio	Long term debt / Equity	**0.44:1**	0.55:1
EBITDA to total interest paid	EBITDA** / Total interest paid	**4.94**	4.23

**Interest expense is capitalized as part of the construction-in-progress account under PPE.*
***Earnings before interest, taxes, depreciation and amortization (EBITDA)*

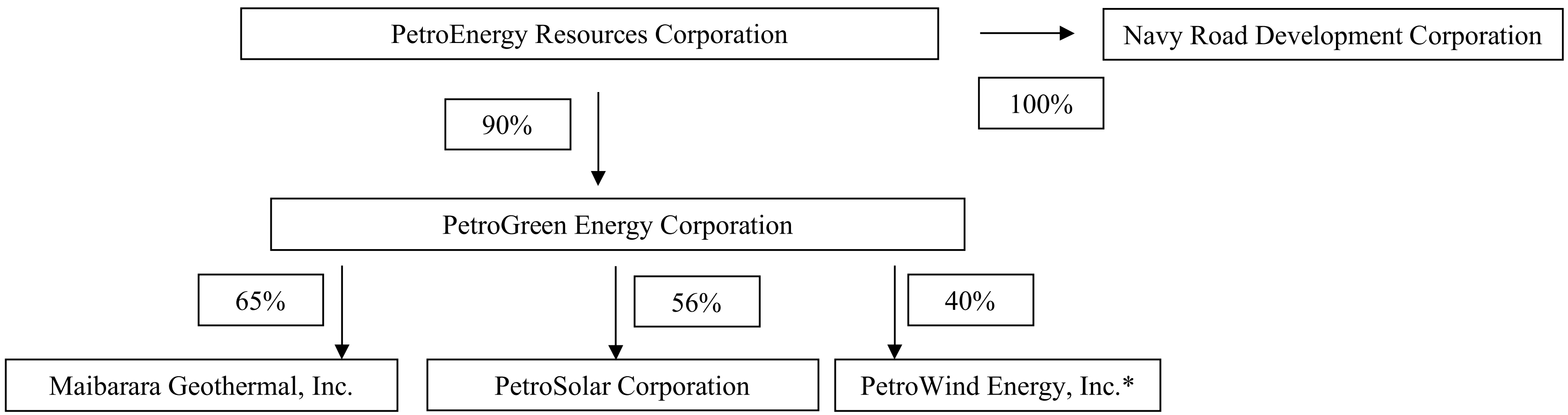
PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its subsidiaries as of December 31, 2021:

PETROENERGY RESOURCES CORPORATION

GROUP STRUCTURE



*Investment in a joint venture.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: May 16, 2022 2:46 PM
To: Shirley E. Belarmino <sebelarmino@petroenergy.com.ph>
Subject: Re: PetroEnergy Resources Corporation's 17-Q 1st Quarter 2022

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

COVER SHEET

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SEC Registration Number

P E T R O E N E R G Y   R E S O U R C E S   C O R P O R A T I O N

A N D   S U B S I D I A R I E S

(Company's Full Name)

7 T H   F L O O R   J M T   B U I L D I N G

A D B   A V E N U E   O R T I G A S   C E N T E R

P A S I G   C I T Y

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

Carlota R. Viray

(Contact Person)

637-2917

(Company Telephone Number)

1 2   3 1

Month *Day*

(Fiscal Year)

First Quarter

1 7 - Q

0 7   2 5

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,993

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(a)-1(b) (2) THEREUNDER

1. 31 March 2022
For the quarterly period ended

2. SEC Identification Number ASO94-08880 3. BIR Tax Identification No. 004-471-419-000

4. PetroEnergy Resources Corporation
Exact name of registrant as specified in its charter

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

6. (SEC Use Only)
Industry Classification Code:

7. 7th Floor JMT Condominium, ADB Avenue, Pasig City 1605
Address of principal office Postal Code

8. (632) 637-2917
Registrant's telephone number, including area code

9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common (par value of P1.00/share)	568,711,842

Amount of Debt Outstanding = ₱5,048,182,662

11. Are any or all of the securities listed on the Philippine Stock Exchange?
All issued and outstanding common shares are listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

Yes [/]

b. has been subject to such filing requirements for the past 90 days

Yes [/]

TABLE OF CONTENTS

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Peso)

	Unaudited	Unaudited	Audited
	31-Mar-22	31-Mar-21	31-Dec-21
ASSETS			
Current Assets			
Cash and cash equivalents	**₱1,213,396,921**	₱1,285,483,514	₱1,241,762,101
Financial assets at fair value through profit and loss (FVPL)	**8,036,775**	6,627,804	7,587,228
Receivables	**472,589,066**	335,223,095	392,663,453
Contract Asset - current portion	**1,030,789**	-	1,229,543
Crude oil inventory	**47,235,013**	7,614,273	12,616,676
Advances, prepaid expenses and other current assets	**1,011,544,236**	959,831,466	756,334,232
Total Current Assets	**2,753,832,800**	2,594,780,152	2,412,193,233
Noncurrent Assets			
Property and equipment-net	**7,891,320,079**	8,228,618,291	7,985,044,039
Deferred oil exploration cost	**216,717,350**	216,121,476	115,806,924
Contract assets	**240,335,477**	132,687,182	221,008,579
Investment in Associate	**1,784,948,164**	1,677,778,461	1,734,947,347
Right of use of asset	**357,327,370**	380,986,581	363,245,358
Deferred tax assets-net	**12,480,552**	5,682,417	12,460,267
Investment properties-net	**1,611,533**	1,611,533	1,611,533
Other non-current assets	**372,429,181**	448,591,060	368,875,996
Total Noncurrent Assets	**10,877,169,706**	11,092,077,001	10,803,000,043
TOTAL ASSETS	**₱13,631,002,506**	₱13,686,857,153	₱13,215,193,276
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**₱505,151,952**	₱454,510,511	375,051,290
Loans payable - current	**840,693,234**	855,448,571	827,882,504
Lease liability-current	**13,615,067**	25,978,725	6,813,561
Income tax payable	**37,882,335**	14,181,356	19,775,675
Total Current Liabilities	**1,397,342,588**	1,350,119,163	1,229,523,030
Noncurrent Liabilities			
Loans payable - non current	**3,226,486,980**	3,877,870,959	3,234,642,692
Lease liability- non current	**325,848,439**	320,057,378	326,015,305
Asset retirement obligation	**95,123,996**	110,590,137	92,810,843
Other non-current liability	**19,734,887**	26,950,427	18,386,746
Total Noncurrent Liabilities	**3,667,194,302**	4,335,468,901	3,671,855,586
Total Liabilities	**5,064,536,890**	5,685,588,064	4,901,378,616
Equity			
Attributable to equity holders of the Parent Company			
Capital stock	**568,711,842**	568,711,842	568,711,842
Additional paid- in capital	**2,156,679,049**	2,156,679,049	2,156,679,049
Retained earnings	**2,839,483,052**	2,443,360,911	2,662,525,652
Equity reserve	**80,049,238**	80,049,238	80,049,238
Remeasurement loss on define benefit obligation	**(4,570,913)**	(8,924,964)	(4,570,914)
Share in other comprehensive income of a Joint Venture	**(456,727)**	(263,445)	(617,375)
Cumulative translation adjustment	**114,499,681**	114,499,681	114,499,681
	5,754,395,222	5,354,112,312	5,577,277,173
Noncontrolling interest	**2,812,070,394**	2,647,156,777	2,736,537,487
Total Equity	**8,566,465,616**	8,001,269,089	8,313,814,660
TOTAL LIABILITIES AND EQUITY	**₱13,631,002,506**	₱13,686,857,153	₱13,215,193,276

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Philippine Peso)

	Unaudited For the 1st Quarter ending	
	31-Mar-22	31-Mar-21
Electricity sales	**₱425,026,400**	414,157,971
Oil revenues	**152,616,468**	119,416,710
Other revenues	**14,508,584**	12,648,821
REVENUES	**592,151,452**	546,223,502
Cost of sales - Electricity	**200,502,360**	197,045,941
Cost of sales - Oil Production	**86,942,657**	66,999,115
Change in crude oil inventory	**(34,618,337)**	27,476,052
COST OF SALES	**252,826,680**	291,521,108
GROSS INCOME	**339,324,772**	254,702,394
GENERAL AND ADMINISTRATIVE EXPENSES	**37,802,772**	35,328,527
OTHER INCOME (CHARGES)		
Interest expense	**(76,806,425)**	(85,881,312)
Share in net income of an Associate	**49,822,320**	42,565,018
Interest income	**2,770,494**	2,460,888
Net unrealized foreign exchange gain (loss)	**624,488**	298,361
Accretion expense	**(856,780)**	(856,449)
Net unrealized gain (loss) on fair value changes on financial assets at FVPL	**449,547**	(903,783)
Miscellaneous income (charges)	**2,645,642**	1,837,474
	(21,350,714)	(40,479,803)
INCOME BEFORE INCOME TAX	**280,171,286**	178,894,064
PROVISION FOR (BENEFIT FROM) INCOME TAX	**27,698,829**	8,542,690
NET INCOME	**₱252,472,457**	₱170,351,374
NET INCOME ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**176,957,400**	106,296,851
Noncontrolling interest	**75,515,057**	64,054,523
NET INCOME	**₱252,472,457**	₱170,351,374
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY- BASIC AND DILUTED	**0.3112**	0.1869

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Peso)

	Unaudited For the 1st Quarter ending	
	31-Mar-22	**31-Mar-21**
NET INCOME	**₱252,472,457**	**₱170,351,374**
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in subsequent periods		
Movements in cumulative translation adjustment - net of tax	-	-
Item not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains on net accrued retirement liability - net of ta:	-	-
Share in other comprehensive income of a joint venture	-	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	-	-
TOTAL COMPREHENSIVE INCOME	**252,472,457**	**170,351,374**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTATBLE TO:		
Equity Holders of the Parent Company	**176,957,400**	**106,296,851**
Noncontrolling interest	**75,515,057**	**64,054,523**
TOTAL COMPREHENSIVE INCOME	**252,472,457**	**170,351,374**

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Philippine Peso)

		Unaudited	Unaudited	Audited
		31-Mar-22	**31-Mar-21**	**31-Dec-21**
CAPITAL STOCK				
Authorized capital	700,000,000			
Issued and outstanding				
Balance beginning of year	568,711,842	568,711,842	568,711,842	568,711,842
Issuance during the period	-	-	-	-
Total issued and outstanding	568,711,842			
		568,711,842	**568,711,842**	**568,711,842**
ADDITIONAL PAID-IN CAPITAL				
Balance beginning of year		2,156,679,049	2,156,679,049	2,156,679,049
Additions during the period		-	-	-
		2,156,679,049	**2,156,679,049**	**2,156,679,049**
UNAPPROPRIATED RETAINED EARNINGS				
Balance at beginning of year		2,662,525,652	2,337,064,060	2,337,064,060
Net Income		176,957,400	106,296,851	325,461,592
		2,839,483,052	**2,443,360,911**	**2,662,525,652**
REMEASUREMENT OF NET ACCRUED RETIREMENT LIABILITY				
Balance at beginning of year		(8,924,964)	(8,924,964)	(8,924,964)
Remeasurement gain (loss) on accrued retirement liability		4,354,051	-	4,354,050
		(4,570,913)	**(8,924,964)**	**(4,570,914)**
SHARE IN OCI OF A JOINT VENTURE				
Balance at beginning of year		(263,445)	(263,445)	(263,445)
Share in other comprehensive income of a Joint Venture		(193,282)	-	(353,930)
		(456,727)	**(263,445)**	**(617,375)**
CUMULATIVE TRANSLATION ADJUSTMENT				
Balance at beginning of year		114,499,681	114,499,681	114,499,681
Movement of cumulative translation adjustment		-	-	-
		114,499,681	**114,499,681**	**114,499,681**
PARENT'S OTHER EQUITY RESERVES		**80,049,238**	**80,049,238**	**80,049,238**
TOTAL EQUITY ATTRIBUTED TO EQUITY HOLDERS OF PARENT		**5,754,395,222**	**5,354,112,312**	**5,577,277,173**
NONCONTROLLING INTEREST				
Balance at beginning of year		2,736,537,487	2,583,102,254	2,583,102,254
Net income		75,515,057	64,054,523	340,010,558
Remeasurement loss on defined benefit obligation		17,850	-	6,837,600
Share in other comprehensive income of a Joint Venture		-	-	(39,325)
Cash dividends		-	-	(201,673,600)
		2,812,070,394	**2,647,156,777**	**2,736,537,487**
TOTAL EQUITY		**8,566,465,616**	**8,001,269,089**	**8,313,814,660**

PETROENERGY RESOURCES CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASHFLOWS

(Amounts in Philippine Peso)

			Audited
	31-Mar-22	31-Mar-21	31-Dec-21
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**280,171,286**	178,894,064	719,952,782
Adjustments for:			
Interest expense	76,806,425	85,881,312	333,375,545
Depletion, depreciation and amortization	**137,593,760**	126,657,052	520,848,217
Impairment loss (reversal)			164,323,294
Share in net income (loss) of joint venture	**(49,822,320)**	(42,565,018)	(100,127,158)
Net unrealized foreign exchange loss (gain)	**(624,488)**	(298,361)	(291,553)
Provision for probable losses	-	-	5,004,048
Accretion expense	**856,780**	856,449	3,478,294
Dividend income	-	-	(38,134)
Gain on sale of property, plant and equipment	**(2,679)**	(229,755)	(530,125)
Gain on change in estimate of ARO			(4,354,636)
Net loss (gain) on fair value changes on financial assets at fair value through profit or loss	**(449,547)**	903,783	(55,641)
Interest income	**(2,770,494)**	(2,460,888)	(12,913,159)
Movement in accrued retirement liability	-	-	9,494,154
Operating income before working capital changes	**441,758,723**	347,638,638	1,638,165,928
Decrease (increase) in:			
Receivables	**(79,645,686)**	(61,648,891)	(116,826,655)
Contract Assets	-	-	(89,550,940)
Input VAT	**(2,501,612)**	42,848,400	(4,938,135)
Other current assets	**(289,988,989)**	(235,332,705)	(39,356,728)
Increase in Accounts payable and accrued expenses	**81,070,890**	33,337,478	39,323,783
Cash generated from (used in) operations	**150,693,326**	126,842,920	1,426,817,253
Interest received	**2,490,567**	2,458,579	12,506,262
Income taxes paid, including movement in CWT	**(9,592,169)**	(2,335,151)	(47,760,500)
Net cash provided by (used in) operating activities	**143,591,724**	126,966,348	1,391,563,015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	**(29,107,341)**	(35,105,805)	(203,768,133)
Acquisitions of intangibles	-	-	(1,416,833)
(Increase)/decrease in Other noncurrent assets	**(29,220,263)**	(48,837,730)	73,585,322
(Increase)/decrease in deferred oil exploration costs	**(100,910,426)**	(5,587,980)	(59,035,023)
(Increase)/decrease in deferred development costs	-	(5,096,571)	(15,482,026)
Proceeds from:			
disposals of property, plant and equipment	-	647,942	1,088,425
Dividends received	-	-	38,134
Net cash used in investing activities	**(159,238,030)**	(93,980,144)	(204,990,134)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans	-	-	268,500,000
Payments of:			
Loans	-	-	(954,174,350)
Interest	**(20,064,077)**	(20,625,042)	(287,786,290)
Dividends to Non-Controlling Interest	-	-	(201,673,600)
Lease liabilities	**(911,070)**	(911,070)	(37,300,137)
Increase in other noncurrent liabilities	**6,195,697**	5,859,599	-
Net cash provided by financing activities	**(14,779,450)**	(15,676,513)	(1,212,434,377)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,060,576**	841,779	291,553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(28,365,180)**	18,151,470	(25,569,943)
CASH AND CASH EQUIVALENTS, BEGINNING	**1,241,762,101**	1,267,332,044	1,267,332,044
CASH AND CASH EQUIVALENTS, END	**1,213,396,921**	1,285,483,514	1,241,762,101

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. Organization

PetroEnergy Resources Corporation ("PERC" or "PetroEnergy" or the "Parent Company") is a publicly-listed domestic corporation. Its registered office and principal place of business is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

PERC was organized on September 29, 1994 as Petrotech Consultants, Inc. to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines.

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 Philippine Stock Exchange (PSE) by way of introduction.

In 2009, following the enactment of Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008" (RE Law), 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.

On March 31, 2010, PERC incorporated PetroGreen Energy Corporation ("PetroGreen" or "PGEC"), its 90%-owned subsidiary, to act as its renewable energy arm and holding company. PGEC ventured into renewable energy development and power generation through its subsidiaries and affiliate: (a) Maibarara Geothermal, Inc. ("MGI", 65%-owned) - owner and Renewable Energy (RE) developer of the 20 MW Maibarara Geothermal Power Project (MGPP-1) in Santo Tomas, Batangas and its expansion, the 12 MW MGPP-2; (b) PetroSolar Corporation ("PetroSolar", 56%-owned) - owner and RE developer of the 50 MW_{DC} Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW_{DC} expansion (TSPP-2); and (c) PetroWind Energy, Inc. ("PetroWind", 40%-owned associate) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) in Nabas and Malay, Aklan.

MGI and PetroSolar are effectively indirect subsidiaries of PetroEnergy through PetroGreen. PetroGreen owns majority of the voting power of MGI and PetroSolar. PetroEnergy, PetroGreen, MGI and PetroSolar are collectively referred to as the "Group" and were incorporated in the Philippines.

b. Nature of Operations

The Group's two (2) main energy businesses are: (1) upstream oil exploration and development, and (2) power generation from renewable energy resources such as, (a) geothermal, (b) solar, and (c) wind, through the Group's affiliate, PetroWind.

Upstream Oil Exploration and Development
Petroleum production is on-going in the Etame (Gabon) concession, while the other petroleum concessions in the Philippines are still in the advanced exploration stages or pre-development stages.

Renewable Energy

Geothermal Energy
The geothermal projects are the 20 MW MGPP-1 in Sto. Tomas, Batangas that started commercial operations on February 8, 2014 and its expansion, the 12 MW MGPP-2 that started commercial operations on April 30, 2018.

Solar Energy
The Solar power projects are the 50 MWDC TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MWDC expansion (TSPP-2) which has been commissioned and tested on April 22, 2019 and is now awaiting the issuance of a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC).

The ERC issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to 1) public offering requirement and 2) terms under PSC's Point-to-Point application, once approved. The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM COD to January 25, 2022.

Wind Energy
The wind energy project is the 36-MW NWPP-1 in Nabas, Aklan, where PetroWind has a wind farm. It started its commercial operations on June 10, 2015.

c. Approval of Consolidated Financial Statements
The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD).

2. Basis of Preparation

Basis of Preparation
The accompanying consolidated 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 the Parent Company's functional currency. All amounts are rounded to the nearest PHP unless otherwise stated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to March 31, 2022.

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 1st Quarter 2022 on the Group'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**

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2022 and December 31, 2021. The financial statements of the subsidiaries are prepared in the same reporting year as the Group's, using consistent accounting policies.

Below are the Group's subsidiaries, which are all incorporated in the Philippines, with their respective percentage ownership as of March 31, 2022 and December 31, 2021:

PetroGreen	90%
Percentage share of PetroGreen in its subsidiaries:	
MGI	65%
PetroSolar	56%
Navy Road Development Corporation (NRDC) – dormant company	100%

Subsidiaries are entities controlled by PERC. PERC controls an investee if and only if PERC has:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee the amount of the investor's returns.

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

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

PERC 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. Consolidations of a subsidiary begins when PERC obtains control over the subsidiary and ceases when PERC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date PERC gains control until the date PERC ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments where necessary are made to ensure consistency with the policies adopted by the Group. All intra-group balances and transactions, intra-group profits and expenses and gains and losses are eliminated during consolidation.
A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of comprehensive income.
- reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to the consolidated statement of comprehensive income or retained earnings, as appropriate.

Non-controlling interests are presented separately from the Parent Company's equity. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity, and within equity in the consolidated statement of financial position.

<u>Cash and Cash Equivalents</u>
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.

<u>Financial Instruments</u>
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 Group's business model for managing them. The Group 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 Group'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 Group 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 Group. The Group 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 Group's financial assets at amortized cost include cash and cash equivalents, receivables, restricted cash and refundable deposits.

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 consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

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

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

Impairment of financial assets
The Group 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 Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial Liabilities - 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 Group's financial liabilities include accounts payable and accrued expenses, excluding statutory liabilities, loans payable and lease liabilities. The Group 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 statement of comprehensive income.

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 Group 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 Group 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 Group 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 Group'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 Group 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 consolidated 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.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

<u>Crude Oil Inventory</u>
Crude oil inventory is 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.

Other Current Assets
This account comprises restricted cash, supplies inventory, prepayments and advances to suppliers.

Restricted cash includes the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Omnibus Loan and Security Agreement (OLSA) of MGI and PetroSolar, respectively. Restricted cash that are expected to be used 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.

Supplies inventory refers to parts purchased for used in operations. Supplies inventory are stated at the lower of cost or NRV. Cost is determined using the specific identification method. NRV is the current replacement cost of supplies inventory.

Prepayments are expenses paid in advance and recorded as asset before these are utilized. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. 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.

Advances to suppliers are reclassified to the proper asset or expense account and deducted from the supplier’s billings as specified in the provisions of the contract.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depletion, depreciation and amortization and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. The initial cost of the property, plant 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 the consolidated statement of comprehensive income 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation of an item of property, plant 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 related to oil operations are depleted using the units-of-production method computed based on estimates of proved reserves. The depletion base includes the exploration and development cost of the producing oilfields.

Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. These include excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, and fences.

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

	Number of Years
Power plant, FCRS and production wells	25
Office condominium units	15
Land improvements	5
Transportation equipment	4
Office improvements	3
Office furniture and other equipment	2 to 3

The useful lives and depletion, depreciation and amortization methods 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, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the cost of construction to include materials, labor, professional fees, borrowing costs and other directly attributable costs. Construction in progress is not depreciated until such time the construction is completed.

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 depletion, depreciation and amortization and any accumulated impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Deferred Oil Exploration Costs
PERC 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 and gas 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 consolidated 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 consolidated statements of financial position upon substantial completion of the development stage.

Deferred Development Costs - Geothermal included in Other Noncurrent Assets
All costs incurred in the geological and geophysical activities such as costs of topographical, geological and geophysical studies, rights of access to properties to conduct those studies, salaries and other expenses of geologists, geophysical crews, or others conducting those studies are charged to profit or loss in the year such costs are incurred.

If the results of initial geological and geophysical activities reveal the presence of geothermal resource that will require further exploration and drilling, subsequent exploration and drilling costs are accumulated and deferred under the "Other noncurrent assets" account in the consolidated statement of financial position.

These costs include the following:

- costs associated with the construction of temporary facilities;
- costs of drilling exploratory and exploratory type stratigraphic test wells, pending determination of whether the wells can produce proved reserves; and
- costs of local administration, finance, general and security services, surface facilities and other local costs in preparing for and supporting the drill activities, etc. incurred during the drilling of exploratory wells.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells for recycling or waste disposal.

Once the project's technical feasibility and commercial viability to produce proved reserves are established, the exploration and evaluation assets shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

Deferred Development Costs - Solar and Wind Power Project included in Other Noncurrent Assets
These are costs incurred in the development of the solar plant expansion project. Costs are capitalized if the technological and economic feasibility is confirmed, usually when a project development has reached a defined milestone according to an established project management model. These costs include the following:
- costs incurred for the expansion of the solar plant project
- costs of administration, finance, general and security services and other costs attributed to the expansion of the project.

Deferred development costs of the Solar and Wind Power Project is recognized under "Other noncurrent assets" in the statement of financial position. Once the project's technical feasibility and commercial viability has been established, development costs shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

Investment in a Joint Venture (JV)
A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting.

Under the equity method, the investment in a JV is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the JV since the acquisition date.

The consolidated statement of comprehensive income reflects the Group's share of the financial performance of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the JV, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses from transactions between the Group and the JV are eliminated to the extent of the interest of the JV.

The aggregate of the Group's share in profit or loss of a JV is shown under "Other income (charges)" in the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV.

The financial statements of the JV are prepared in the same reporting period of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method for the investment in a JV, the Group determines whether it is necessary to recognize an impairment loss on its investment in a JV. At each reporting date, the Group determines whether there is objective evidence that the investment in JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, then recognizes the loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the JV, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Contract Assets

A contract asset is recognized for the earned consideration for goods or services transferred to a customer before the customer pays or before payment is due. Contract assets are measured at the present value of future collections to be received over a period of time. Contract assets that are expected to be received within 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Land rights	25
Production license	10
Software license	1.5 to 3

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

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 its purchase price and any directly attributable costs of bringing the asset to its working condition. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, are normally charged to expense in the year when 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 investment properties beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of investment properties.

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 the consolidated statement of comprehensive income 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.

Interest in Joint Operations

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

The Group recognized in relation to its interest in a joint operation its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of crude oil by the joint operations.

The Group's participating interest in the Etame block in Gabon, West Africa and participating interests in Philippine service contracts (SCs) are classified as joint operations.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset (e.g., property, plant and equipment, investment properties, deferred costs, intangible assets and right-of-use assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 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 Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization had no impairment loss been recognized for the asset in prior years.

Capital Stock and Additional Paid-in Capital
The Group 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 Group 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 Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group'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 the cumulative balance of consolidated net income, effects of changes in accounting policy and other capital adjustments, net of dividend declaration.

Cumulative Translation Adjustment
Cumulative translation adjustment represents the resulting exchange differences in the remeasurement of accounts due to change in functional currency.

Equity Reserve
Equity reserve is made up of equity transactions other than equity contributions such as gain or loss resulting from increase or decrease of ownership without loss of control.

Dividend Distribution
Cash dividends on capital stock are recognized as a liability and deducted from retained earnings when approved by the BOD.

Revenue Recognition

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

Electricity sales

Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

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 Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements*.

Interest income

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

Dividend income

Dividend income is recognized according to the terms of the contract, or when the right of the payment has been established.

Share in Net Income of a Joint Venture

Share in net income of a joint venture represents the Group's share in profit or loss of its joint venture, PWEI.

Miscellaneous Income

Miscellaneous income is recognized when the Group's right to receive the payment is established.

Costs and Expenses

Cost of electricity sales

Costs of electricity sales pertain to direct costs in generating electricity power which includes operating and maintenance costs (O&M) for power plant and fluid collection and reinjection system (FCRS), depreciation and other costs directly attributed to producing electricity.

Oil production

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

Change in crude oil inventory

Change in crude oil inventory pertains to the movement of beginning and ending crude oil inventory charged as part of cost of sales.

General and administrative expenses

General and administrative expenses constitute costs of administering the business.

Costs and expenses are recognized as incurred.

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 all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the deferred tax liabilities arise from the: a) initial recognition of goodwill; or b) the initial recognition of an asset or liability in a transaction which is not: i) a business combination; and ii) at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over RCIT and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the: a) initial recognition of an asset or liability in a transaction that is not a business combination; and b) at the time of transaction, affects neither the accounting income nor taxable profit or loss.

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. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

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 reporting 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.

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 consolidated 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 consolidated statement of financial position as part of “Other noncurrent assets” to the extent of the recoverable amount.

Leases

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Number of Years
Office space	2
Land	18 to 25

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 to the leases of low-value assets recognition exemption to leases 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.

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 cost
- 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 consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.
Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of 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 consolidated statement of comprehensive income 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 Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Asset Retirement Obligation (ARO)
The Group records present value of estimated costs of legal and constructive obligations required to restore the oilfields and plant sites upon termination of its operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the sites are disturbed. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the ARO assets (included under "Property, plant and equipment") and ARO liability.

Liability and capitalized costs included in oil properties is equal to the present value of the Group's proportionate share in the total decommissioning costs of the consortium on initial recognition.

Additional costs or changes in decommissioning costs are recognized as additions or charges to the corresponding assets and ARO when they occur.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income. If the decrease in liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

For the oil operation, the Group depreciates ARO assets based on units-of-production method.

For the renewable energy, the Group depreciates ARO assets on a straight-line basis over the estimated useful life of the related asset or the service contract term, whichever is shorter, or written off as a result of impairment of the related asset.

The Group regularly assesses the provision for ARO and adjusts the related liability and asset.

Foreign Currency-Denominated Transactions and Translation

The consolidated financial statements are presented in PHP, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at date of transaction. Monetary assets and liabilities denominated in foreign currencies are reinstated to the functional currency using the closing exchange rate at reporting date.

All exchange differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings Per Share

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.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, serves different markets subject to different risks and returns. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

Provisions and Contingencies

Provisions are recognized when the Group 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. 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 consolidated financial statements.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group 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 consolidated financial statements, as they become reasonably determinable.

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

Judgments

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

Determination of Functional Currency

The Parent Company determines its 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 and Deferred Development 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 March 31, 2022 and December 31, 2021, the carrying value of deferred oil explorations costs amounted to P216.72 million and ₱115.81 million, respectively, and the Group's deferred development costs amounted to P23.14 million and ₱19.34 million as of March 31, 2022 and December 31, 2021.

Classification of Joint Arrangements

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:

- the structure of the joint arrangement - whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

- the legal form of the separate vehicle
- the terms of the contractual arrangement
- other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting of the investment.

The Group's investment in PetroWind is structured in a separate incorporated entity. The Group and the parties to the agreement only have the right to the net assets of the joint venture through the terms of the contractual arrangement. Accordingly, the joint arrangement is classified as a joint venture. As of March 31, 2022 and December 31, 2021, the Group's investment in a joint venture amounted to P1.78 billion and ₱1.73 billion, respectively.

The Group and the parties to the agreement in investment in Gabon, West Africa and investments in petroleum concessions in the Philippines have joint control over its rights to the assets and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangements are classified as joint operations.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of Geothermal Field Reserves
The Group performed volumetric reserve estimation to determine the reserves of the Maibarara geothermal field. As a requirement for project financing, The Group engaged at its own cost the New Zealand firm Sinclair Knight Merz (SKM) in 2011 to undertake a comprehensive third-party technical review of the Maibarara geothermal field. This review included analysis of the resource assessment performed in-house by the Group as well as a separate SKM reserve estimation and numerical modeling of the Maibarara reserves.

The Group's simulation indicated a mean (P50) proven reserves of 27.8 MW for 25 years. In contrast, SKM calculated the P50 reserves at 44 MW. At 90% probability (P90), the reserves calculated are 28 MW and 12 MW by SKM and the Group, respectively. SKM concluded that the approach taken by the Group is conservative as it limits reservoir thickness to depths where a maximum thickness of 280°C will be encountered although the measured temperature reached as high as 324°C. There is reasonable confidence that the 20 MW (gross) plant development is feasible as the P90 level appears also conservative as with the Group's approach. In addition, SKM identified indicated reserves, translating to 10 MW-26 MW in the area south of and outside the current area of development.

Also, there is a likely geothermal potential south of the proven area where two old wells were drilled and encountered high fluid temperatures (T ~ 300°C). MGI identified the southern block as a probable reserve area. SKM in 2011 suggested that the southern block can be classified as Indicated Resource based on the Australian Code as high temperatures have been intersected by the two wells. SKM estimated that the stored heat in the Southern Block has a resource potential equivalent to 12 MW for a project life of 25 years.

An updated reserves estimation using the stored-heat calculation was made in 2015 by the Group as a result of reservoir and production performance and the 2014 drilling campaign. The 2014 drilling proved that the current resource area can produce around 33.1 MW, more than enough to meet the steam requirement of the existing 20 MW power plant plus the 12 MW expansion power plant. Using Monte Carlo simulation to estimate the reserves, the proven resource area has an 80% probability of delivering between 18.1 MW to 50.9 MW over a 25-year operating period. This Monte Carlo simulation also showed that the expected mean reserve for the proven resource area is 30.4 MW for 25 years.

The Group engaged a U.S. firm Geothermal Science, Inc. (GSI) in 2015 to perform a third-party technical appraisal of the resource for the planned 12 MW expansion. This third-party review was also made as a requirement for the project financing of MGPP-2 or M2. GSI adopted the technique from the US Geological Survey Circular 790 in making the probabilistic calculation of the geothermal reserves at Maibarara. Based on this approach, GSI estimates that Maibarara has a minimum or proven reserves of 40.2 MW, P90 for 25 years plant life and Most Likely Reserve of 61.6 MW, P50 for 25 years of plant life.

The Group commenced producing power commercially last February 8, 2014. To date, the current production wells of M1 and M2 are capable of producing 32.3 MW. These production wells including the complement reinjection wells are concentrated on the proven resource area.

As of March 31, 2022 and December 31, 2021, there has been no significant change in the estimated reserves that would affect the carrying value and useful life of the Group's property, plant and equipment.

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.

As of March 31, 2022 and December 31, 2021, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to P647.78 million and ₱658.72 million, respectively.

Estimation of Useful Lives of Property, Plant and Equipment
The Group reviews on an annual basis the estimated useful lives of property, plant and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depletion, depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment as of March 31, 2022 and December 31, 2021. As of March 31, 2022 and December 31, 2021, the Group's depreciable property, plant and equipment amounted to P7.07 billion and ₱7.01 billion, respectively.

Impairment of Nonfinancial Assets
The Group 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 Group 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.

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

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

The related balances of the Group's nonfinancial assets as of March 31 and December 31 follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Property, plant and equipment	**₱7,891,320,079**	₱7,870,583,131
Right-of-use assets	**357,327,370**	363,245,358
Deferred oil exploration costs	**216,717,350**	230,267,833
Intangible assets	**149,489,585**	152,727,719
Deferred development costs	**23,133,960**	19,337,621
Investment properties	**1,611,533**	1,611,533
	₱8,639,599,877	₱8,637,773,195

There are no indicators of impairment that would trigger impairment review in March 31, 2022 and December 31, 2021 other than those mentioned below.

<u>Gabon, West Africa</u>
The Parent Company believes that the fluctuation in 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 or if there is reversal of prior impairment loss.

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.

<u>SC 14-C2 - West Linapacan</u>
SC 14-C2 has not yet expired and was granted with a 15-year extension of the SC as approved by the DOE from December 18, 2010 to December 18, 2025. The SC 14-C2 consortium proceeded with a third-party technical evaluation to assess potential production opportunities.

SC 6A - Octon-Malajon Block
In March 31, 2021, Philodrill, the operator, gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract.

Impairment loss
In assessing whether impairment is required, the carrying value of the asset is 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 Group used the discounted cash flow model in estimating value in use, using a discount rate of 10.00% in 2021.

In 2021, the Parent Company recognized impairment loss (reversal of impairment loss) for the year ended December 31, 2021 (nil in March 31, 2022) on the investments of the following oil operations:

Gabon, West Africa	(₱139,377,350)
SC 14-C2 - West Linapacan	144,403,009
SC 6A - Octon-Malajon Block	159,297,634
Net impairment loss	₱164,323,293

The specific accounts where the net impairment loss was recognized follow:

	2021
Wells, platforms and other facilities – net	**₱22,489,016**
Deferred oil exploration costs – net	**141,834,278**
	₱164,323,294

Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR by reference to the PH BVAL rate, adjusted by the credit spread of the Group based on current loan agreements.

The Group’s lease liabilities amounted to P339.46 million and ₱332.83 million as of March 31, 2022 and December 31, 2021, respectively.

Estimation of Asset Retirement Obligations
The Group has various legal obligation to decommission or dismantle its assets related to the oil production, geothermal energy project and solar power project at the end of each respective service contract. In determining the amount of provisions for restoration costs, assumptions and estimates are required in relation to the expected costs to restore sites and infrastructure when such obligation exists. The Group recognizes the present value of the obligation to dismantle and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being

depreciated and amortized on a straight-line basis over the useful life of the related assets (for the renewable energy) and based on units-of-production method based on estimates of proved reserves (for the oil operations).

Cost estimates expressed at projected price levels until dismantling date are discounted using rates ranging from 4.59% to 5.05% in 2021 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.

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 Group 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 Group's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation as of March 31, 2022 and December 31, 2021 follows:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Oil production	**₱64,138,927**	**₱62,193,875**
Geothermal energy project	**8,418,326**	**8,315,413**
Solar power project	**22,566,743**	**22,301,555**
	₱95,123,996	**₱92,810,843**

Recoverability of input VAT
The Group maintains an allowance for input VAT based on an assessment of the recoverability of these assets using the historical success rate of VAT refunded from the Bureau of Internal Revenue (BIR). A review is made by the Group on a continuing basis annually to determine the adequacy of the allowance for losses. Allowance for probable losses as of March 31, 2022 and December 31, 2021 amounted to P11.26 million and ₱10.39 million, respectively. The carrying value of input VAT amounted to P136.42 million and ₱133.92 as of March 31, 2022 and December 31, 2021, respectively.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of March 31, 2022 and December 31, 2021, the Group did not recognize deferred tax assets on certain temporary differences, NOLCO and MCIT as the Group 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. As of March 31, 2022 and December 31, 2021 gross deferred tax assets recognized amounted to ₱21.11 million.

6. Cash and Cash Equivalents

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Cash on hand and in banks	**₱655,111,379**	₱684,886,621
Cash equivalents	**558,285,542**	556,875,480
	₱1,213,396,921	₱1,241,762,101

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates.

Interest income earned on cash and cash equivalents and restricted cash amounted to P2.77 million, P12.19 million, ₱18.03 million in March 31, 2022, 2021 and 2020, respectively.

7. Receivables

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Accounts receivable from:		
Electricity sales and other charges to ACEN (formerly PHINMA) [Note 25]	**₱146,001,386**	₱147,560,157
Feed-in-Tariff (FiT) revenue from National Transmission Corporation (TransCo)	**113,308,684**	112,813,280
Consortium operator	**94,197,562**	47,982,279
PHESCO, Incorporated (PHESCO)	**15,245,231**	15,245,231
Electricity sales to Wholesale Electricity Spot Market (WESM)	**94,346,357**	52,800,531
Affiliate (Note 25)	**4,570,100**	3,992,899
Others	**2,793,228**	2,122,487
(Forward)		
Interest receivables	**1,282,720**	₱1,002,791
Subscription receivable	**-**	8,300,000
Other receivables	**3,526,250**	3,526,250
	475,271,518	395,345,905
Less allowance for impairment losses	**2,682,452**	2,682,452
	₱472,589,066	₱392,663,453

Accounts receivables are generally on 30 days credit term.

Subscription receivable as of December 31, 2021 pertains to the receivable from EEI Power corporation in relation to equity cash call made by PGEC to be used for the funding of one of its renewable energy projects. EEI remitted the amount on January 3, 2022.

8. **Financial Assets at Fair Value Through Profit or Loss**

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Marketable equity securities	**₱7,266,775**	**₱6,817,228**
Investment in golf club shares	**770,000**	**770,000**
	₱8,036,775	**₱7,587,228**

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit or loss amounted to P0.45 million, ₱0.06 million, (₱0.71 million) in March 31, 2022, 2021 and 2020, respectively.

Dividend income received from equity securities amounted to nil, ₱0.04 million and ₱0.07 million in March 31, 2022, 2021 and 2020, respectively (see Note 24).

9. **Other Current Assets**

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Restricted cash	**₱780,197,555**	₱572,177,609
Supplies inventory	**132,610,336**	128,603,181
Prepaid expenses	**78,781,972**	26,108,789
Prepaid taxes	**5,735,015**	13,085,187
Advances to suppliers	**11,413,612**	12,037,440
Others	**2,805,746**	4,322,026
	₱1,011,544,236	₱756,334,232

Restricted Cash
Restricted cash includes the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Omnibus Loan and Security Agreement (OLSA) of MGI and PetroSolar, respectively. Restricted cash also includes the remaining unused portion of the Stock Rights Offering Proceeds held under an escrow account amounting to P154.59 million and ₱154.55 million as of March 31, 2022 and December 31, 2021, respectively.

The restricted cash balance 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 as of March 31, 2022 and December 31, 2021, respectively.

Supplies Inventory
Supplies inventory refers to purchased supplies and parts that are intended to be used for operations and maintenance.

Prepaid Expenses
Prepaid expenses include various prepaid insurances, services and rent. Prepaid expenses also include advance payment for Real Property Taxes (RPT), Stand-by Letter of Credit (SBLC) charges and operations and maintenance professional fees.

Prepaid Taxes
Prepaid taxes pertain to creditable withholding taxes and prior year's income tax credit.

Advances to Suppliers
Advances to suppliers pertain to down payments to various suppliers for the purchase of materials and services for the current operations.

10. Property, Plant and Equipment

	31-Mar-2022 (Unaudited) – to follow								
	Power plants	FCRS and production wells - geothermal	Wells, platforms and other facilities	Land and land improvements	Office condominium units and improvements	Transportation equipment	Office furniture and other equipment	Construction in progress	Total
Cost									
Balances at beginning of year	**7,266,699,681**	**1,617,441,653**	**2,222,351,170**	**380,583,987**	**41,590,986**	**55,638,192**	**164,394,339**	**169,850,551**	**11,918,550,559**
Additions	**4,220,708**	**1,306,123**	**10,516,794**	**3,429,201**	**568,319**	**5,846,000**	**884,326**	**2,335,870**	**29,107,341**
Disposal	–	–	–	–	–	–	–	–	–
Balances at end of year	**7,270,920,389**	**1,618,747,776**	**2,232,867,964**	**384,013,188**	**42,159,305**	**61,484,192**	**165,278,665**	**172,186,421**	**11,947,657,900**
Accumulated depletion and depreciation									
Balances at beginning of year	**1,713,893,490**	**399,670,764**	**1,382,485,759**	**37,091,904**	**40,719,915**	**42,357,120**	**136,141,426**	–	**3,752,360,378**
Depletion and depreciation	**77,155,680**	**17,821,037**	**21,454,776**	**1,104,162**	**53,400**	**1,467,811**	**3,777,114**	–	**122,833,980**
Disposals	–	–	–	–	–	–	**(2,679)**	–	**(2,679)**
Balances at end of year	**1,791,049,170**	**417,491,801**	**1,403,940,535**	**38,196,066**	**40,773,315**	**43,824,931**	**43,824,931**	–	**3,875,191,679**
Accumulated impairment losses	–	–	**181,146,142**	–	–	–	–	–	**181,146,142**
Net book values	**5,479,871,219**	**1,201,255,975**	**647,781,287**	**345,817,122**	**1,385,990**	**17,659,261**	**25,362,804**	**172,186,421**	**7,891,320,079**

	31-Dec-21 (Audited)								
	Power plants	FCRS and production wells - geothermal	Wells, platforms and other facilities	Land and land improvements	Office condominium units and improvements	Transportation equipment	Office furniture and other equipment	Construction in progress	Total
Cost									
Balances at beginning of year	₱7,238,918,109	₱1,568,607,925	₱2,228,718,206	₱296,650,208	₱41,574,869	₱50,038,846	₱160,162,006	₱163,574,766	₱11,748,244,935
Additions	15,951,602	6,601,448	1,086,049	82,483,779	348,568	7,348,203	6,227,439	79,576,567	199,623,655
Change in ARO estimate	7,878,243	(19,603,928)	(7,453,085)	–	–	–	–	–	(19,178,770)
Disposal	–	(5,560,627)	–	–	(332,451)	(1,748,857)	(1,995,106)	(502,220)	(10,139,261)
Reclassifications	3,951,727	67,396,835	–	1,450,000	-	-	-	(72,798,562)	–
Balances at end of year	7,266,699,681	1,617,441,653	2,222,351,170	380,583,987	41,590,986	55,638,192	164,394,339	169,850,551	11,918,550,559
Accumulated depletion and depreciation									
Balances at beginning of year	1,406,756,653	330,420,820	1,305,972,395	31,910,941	40,839,701	39,530,569	123,543,684	–	3,278,974,763
Depletion and depreciation	307,136,837	74,810,571	76,513,364	5,180,963	212,665	4,166,317	14,514,271	–	482,534,988
Disposals	-	(5,560,627)	-	-	(332,451)	(1,339,766)	(1,916,529)	–	(9,149,373)
Balances at end of year	1,713,893,490	399,670,764	1,382,485,759	37,091,904	40,719,915	42,357,120	136,141,426	–	3,752,360,378
Accumulated impairment losses									
Balances at beginning of year	–	–	158,657,126	–	–	–	–	–	158,657,126
Impairment loss-net	–	–	22,489,016	–	–	–	–	–	22,489,016
Balances at end of year	–	–	181,146,142	–	–	–	–	–	181,146,142
Net book values	₱5,552,806,191	₱1,217,770,889	₱658,719,269	₱343,492,083	₱871,071	₱13,281,072	₱28,252,913	₱169,850,551	₱7,985,044,039

Power plants represent MGI’s geothermal power plant and PetroSolar’s photovoltaic plant.

The Group’s construction in progress account as of December 31, 2021 includes civil structural, piping and mechanical works for M2, interconnection of MGPP to NGCP 69kV distribution line, design, facilities study and construction of 70/77 MVA MGI Substation related to MGPP-1&2 and Torishima engine driven pump to be installed in 2022.

Change in ARO estimate and transfers from advances to contractors, deferred oil exploration costs and development costs are considered as noncash investing activities.

Depletion of wells, platforms and other facilities is presented as a separate item under cost of sales in the consolidated statements of comprehensive income.

As of March 31, 2022 and December 31, 2021, the participating interest of PERC in various service contracts areas are as follows:

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

11. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Cost		
Balances at beginning of year	**₱418,786,296**	₱530,976,224
Additions	**100,910,426**	47,107,706
Transfers to wells and platforms	–	–
Write-off / relinquishment	–	(159,297,634)
Balances at end of year	**519,696,722**	418,786,296
Accumulated impairment losses		
Balances at beginning of year	**302,979,372**	320,442,728
Impairment reversal	–	(17,463,356)
Balances at end of year	**302,979,372**	302,979,372
	₱216,717,350	₱115,806,924

In 2021, the Parent Company recognized a impairment loss of ₱159.30 million and impairment reversal of ₱17.46 million or a net impairment loss of ₱ 141.83 million.

Details of deferred oil exploration costs as of March 31, 2022 and December 31, 2021 follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-2021
Cost		
Gabonese Oil Concessions	**₱460,383,726**	₱387,776,223
SC. No. 75 - Offshore Northwest Palawan	**56,350,015**	28,381,074
SC. No. 14 - C2 (West Linapacan) - Northwest Palawan	**2,962,981**	2,628,999
SC No. 6A - Octon-Malajon Block		–
	519,696,722	418,786,296

Accumulated impairment losses		
Gabonese Oil Concessions	**300,492,357**	300,492,357
SC. No. 14 - C2 (West Linapacan) - Northwest Palawan	**2,487,015**	2,487,015
	302,979,372	302,979,372
	₱216,717,350	₱115,806,924

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, 2021 and 2020, the participating interests of the Group in various Petroleum SC areas are as follows:

	2021	2020
SC 75 — Offshore Northwest Palawan	15.000%	15.000%
SC 6A - Octon-Malajon Block	–	16.667%

12. **Investment in a Joint Venture**

The investment in a joint venture represents PetroGreen's 40% interest in PetroWind, a company incorporated in the Philippines. The primary purpose of PetroWind is to carry on the general business of generating, transmitting and/or distributing power derived from renewable energy sources.

The movements in the carrying value as of March 31, 2022 and December 31, 2021 follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Balance at beginning of year	**₱1,734,947,347**	₱1,635,213,444
Share in net income of a joint venture	**49,822,320**	100,127,158
Share in other comprehensive income (loss)	**178,497**	(393,255)
Balance at end of year	**₱1,784,948,164**	₱1,734,947,347

The carrying value of the investment in PetroWind is equivalent to the Group's 40% share in PetroWind's equity, plus the fair value adjustment of ₱764.49 million recognized when the Group lost control over PetroWind in 2014.

13. **Leases**

The Group entered into lease contracts for office spaces and land used as geothermal field and photovoltaic (PV) solar power facility. The office space lease agreements are for a period of two (2) years and are renewable by mutual agreement of both parties.

The land lease agreement (LLA) with NPC and PSALM for the geothermal field in Sto. Tomas, Batangas has a lease term of twenty-five (25) years, extendable for another 25 years upon mutual agreement of both parties.

The two lease agreements with Luisita Industrial Park Corporation (LIPCO) for land used for the photovoltaic solar power facility in Tarlac is for a period of 25 years, renewable by mutual agreement of both parties, generally under the same terms and conditions, with escalation clause of 3% every 2 years.

The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for all other leases, including leases of vehicles and parking slots.

The rollforward analyses of right-of-use assets follow:

	31-Mar-22		
	Land	**Office Spaces**	**Total**
Cost			
Beginning balance	**420,180,224**	**9,736,694**	**429,916,918**
Additions	**–**	**–**	**–**
Retirement	**–**	**–**	**–**
Ending balance	**420,180,224**	**9,736,694**	**429,916,918**
Accumulated depreciation			
Beginning balance	**60,342,680**	**6,328,880**	**66,671,560**
Depreciation (Notes 21 and 23)	**5,285,660**	**632,328**	**5,917,988**
Retirement	**–**	**–**	**–**
Ending balance	**65,628,340**	**6,961,208**	**72,589,548**
Net Book Value	**354,551,884**	**2,775,486**	**357,327,370**

	31-Dec-21		
	Land	Office Spaces	Total
Cost			
Beginning balance	₱420,180,224	₱9,722,246	₱429,902,470
Additions	–	3,861,186	3,861,186
Retirement	–	(3,846,738)	(3,846,738)
Ending balance	420,180,224	9,736,694	429,916,918
Accumulated depreciation			
Beginning balance	40,197,914	6,672,431	46,870,345
Depreciation (Notes 21 and 23)	20,144,766	3,503,187	23,647,953
Retirement		(3,846,738)	(3,846,738)
Ending balance	60,342,680	6,328,880	66,671,560
Net Book Value	₱359,837,544	₱3,407,814	₱363,245,358

The depreciation of the right-of-use of the lands in Tarlac and Batangas are presented as part of "Cost of electricity sales" while the depreciation of the right-of-use of office spaces are presented as part of "General and administrative expenses" in the consolidated statement of comprehensive income.

14. Investment Properties

As of March 31, 2022 and December 31, 2021, 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 Group is between ₱1 million to ₱1.7 million as of March 31, 2022 and December 31, 2021. The Group determined the fair values of the Group'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 March 31, 2022 and December 31, 2021, 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 March 31, 2022, and 2021.

15. Other Noncurrent Assets

	Unaudited	Audited
	31-Mar-2022	**31-Dec-21**
Input VAT	**₱147,678,081**	₱144,308,592
Intangible assets	**149,489,585**	152,727,719
Restricted cash	**45,215,626**	44,183,568
Deferred development costs	**23,133,960**	19,337,621
Others	**18,170,650**	18,709,341
	383,687,902	379,266,841
Less allowance for probable losses	**11,258,721**	10,390,845
	₱372,429,181	₱368,875,996

Input VAT

Input VAT represents VAT passed on from purchases of goods and services that can be claimed against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services.

Input VAT also includes outstanding input VAT claims that were applied by MGI for refund with the BIR. As of March 31, 2022 and December 31, 2021, the outstanding input VAT claims which are still pending with the CTA and SC amounted to ₱126.96 million.

Intangible assets

Intangible assets pertain to land rights, which refers to grant of easement of right of way entered by PetroSolar to construct, operate, maintain, repair, replace and remove poles, wire, cables, apparatus, and equipment and such other apparatus and structures needed for the transmission line. This also includes software licenses of the Group.

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 P45.22 and ₱44.18 million (or $870,200) as of March 31, 2022 and December 31, 2021, respectively.

Deferred development costs
These pertains to costs incurred in the exploration, development, production and expansion of renewable energy projects.

Others
Other noncurrent assets pertain to noncurrent portion of prepaid insurance, security deposits, advances to contractors and lot owners and noncurrent receivable from ACEN.

16. Accounts Payable and Accrued Expenses

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Accounts payable	**₱182,250,507**	₱111,194,779
Accrued expenses		
Utilities	**173,056,584**	161,134,123
Interest (Note 17)	**98,205,427**	41,463,079
Sick/vacation leaves	**15,991,397**	19,915,630
Profit share	**10,020,088**	10,020,088
Professional fees	**4,073,815**	7,696,128
Due to related party (Note 25)	**401,625**	1,624,243
Others	**10,537,676**	12,908,125
Withholding taxes and other tax payables	**7,288,384**	6,517,987
Due to NRDC	**2,269,737**	2,269,737
Others	**1,056,712**	307,371
	₱505,151,952	₱375,051,290

Accounts payable mainly consists of payable to suppliers and contractors that are currently involved in the development, construction and operations of energy projects.

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

17. **Loans Payable**

The Group’s loans payable as of March 31, 2022 and December 31, 2021 follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Principal, balance at beginning of year	₱4,083,296,429	₱4,768,970,779
Add availments during the year	–	268,500,000
Less principal payments during the year	–	954,174,350
Principal, balance at end of year	**4,083,296,429**	4,083,296,429
Less unamortized deferred financing cost	**16,116,215**	20,771,233
	4,067,180,214	4,062,525,196
Less current portion - net of unamortized deferred financing cost	**840,693,234**	827,882,504
Noncurrent portion	**₱3,226,486,980**	₱3,234,642,692

PetroEnergy’s short-term loans payable
PetroEnergy 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, PetroEnergy entered into an OCLA with the DBP which provides a credit facility in the principal amount not exceeding ₱420.00 million. On January 19, 2021, the credit facility was decreased to ₱300.00 million. Loans payable to DBP are as follows:

As of March 31, 2022 and December 31, 2021:
- ₱70 million with interest rate of 5.25% and maturity on May 6, 2022.

Short-term Loan with Rizal Commercial Banking Corporation (RCBC)
On November 15, 2021, PetroEnergy obtained a ₱120.00 million loan from RCBC with interest of 4.5% and maturity on May 4, 2022.

Interest expense of PetroEnergy related to these loans amounted to ₱2.16 million and ₱11.98 million in March 31, 2022 and December 31, 2021, respectively. Accrued interest payable amounted to ₱1.20 and ₱1.21 as of March 31, 2022 and December 31, 2021, respectively.

PetroGreen’s long-term loans payable
Credit Line Facility with Chinabank
On November 17, 2015, PetroGreen entered into a 5-year credit line facility with Chinabank amounting to ₱500.00 million, subject to repricing on the third anniversary. On the same date, ₱400.00 million out of the total loan facility were drawn by PetroGreen. The loan has an annual interest rate of 5.24% and has no collateral.

The loan is payable every 17th of May and November beginning on May 2017. The agreement further specifies that 96.50% of the aggregate principal amount shall be paid on the due date of the loan.

On November 29, 2016, PetroGreen has drawn an additional ₱30.00 million out of the total loan facility. The additional loan from Chinabank has an annual interest rate of 5.33%.

On November 17, 2018, the ₱400.00 million and ₱30.00 million long-term loans payable with interest rate of 5.24% and 5.33%, respectively, were repriced to 8.28% and 8.47%.

In 2019, PetroGreen negotiated for the reduction in the interest rates of the aforementioned loans from 8.28% and 8.47% to 7.14% for both loans. The reduced interest rate was approved by the bank and made effective starting September 19, 2019. This amendment did not result to an extinguishment of the loan. The loan was paid in 2020.

Long-term loan with RCBC
On November 16, 2020, PetroGreen obtained a new long-term unsecured loan with RCBC amounting to ₱400.00 million. The proceeds from this loan was used to pay the outstanding ₱417.10 million loan from Chinabank. The new loan bears interest at a fixed rate of 4.74% payable semi-annually. The principal amount is payable in five equal annual installments starting November 11, 2021.

As of March 31, 2022 and December 31, 2021, the outstanding balance of the loan, net of unamortized deferred financing costs, amounted to ₱318.75 million and ₱318.61 million, respectively.

Interest expense of PetroGreen related to these loans amounted to P4.15 million and ₱20.40 million as of March 31, 2022 and December 31, 2021, respectively. Accrued interest payable amounted to P5.09 amillion and ₱1.70 million as of March 31, 2022 and December 31, 2021, respectively.

MGI's long-term loans payable
Project Loan Facility Agreements with RCBC
On May 19, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed the Project Loan Facility Agreement with RCBC for a ₱1,400.00 million project loan to finance the design, development and construction of MGPP-2 or M2.

On September 5, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed another Project Loan Facility Agreement with RCBC for a ₱2,100.00 million project loan to finance the design, development and construction of MGPP-1 or M1. This was done to consolidate the outstanding principal of the term loan under the 2011 OLSA with RCBC and BPI, incidental costs, general corporate expenditures and working capital requirement.

a. MGPP-1 or M1 new Loan
   The new MGPP-1 or M1 loan amounting to ₱2,100.00 million has a term of ten (10) years from the drawdown date of October 10, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the twenty (20) semi-annual principal payments started on April 12, 2017.

   Interest rate is fixed for the first five (5) years from drawdown date, based on the sum of the prevailing 5-year fixed benchmark rate on the pricing date and the margin of 1.75% (the "Initial Interest Rate"). On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of then prevailing 5-year fixed benchmark rate plus the margin of 1.75%, or (ii) the initial interest rate.

   As of March 31, 2022 and December 31, 2021, the outstanding balance of this loan amounted to P1,227.33 and ₱1,226.17 million, respectively. Interest expense recognized from the new M1 Loan amounted to P19.16 and ₱82.86 million, respectively.

b. MGPP-2 or M2 Expansion Loan

The MGPP-2 or M2 Expansion Loan amounting to ₱1,400.00 million has a term of twelve (12) years including thirty-six (36) months grace period from initial drawdown date of June 2, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the eighteen (18) semi-annual principal payments started on October 12, 2019.

Interest rate is fixed for the first seven (7) years from the initial drawdown date based on the sum of the prevailing 7-year fixed benchmark rate on the pricing date and the applicable margin of (1) 2.25% per annum prior to commercial operations date, or (2) 1.75% per annum from and after the Commercial Operations Date (the "Initial Interest Rate"). For subsequent drawdowns, interest rate will be the three (3) –day simple average interpolated rate based on the remaining tenor and computed using the straight-line method. On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of the then prevailing 5-Year fixed benchmark rate plus the applicable margin, or (ii) the weighted average interest rate during the first seven (7) years of the loan.

As of March 31, 2022 and December 31, 2021, the outstanding balance of this loan amounted to P1,099.12 and ₱1,097.14 million and ₱1,204.11 million respectively. Interest expense amounted to P19.60 and ₱83.46 million and ₱92.71 million in March 31, 2022, 2021, 2020, respectively.

Accrued interest payable of MGI's loans amounted to P67.27 million and ₱31.66 million as of March 31, 2022 and December 31, 2021, respectively.

The loan covenants covering the outstanding debt of MGI include, among others, the following conditions: maintenance at all times of Debt-to-Equity (DE) Ratio of not greater than 70:30, Default Debt Service Coverage Ratio (DSCR) of at least 1.10x both until full payment of the Loans, and Dividend DSCR of at least 1.20x. MGI is also required to transfer in the DSPA equivalent to one-sixth (1/6) of the amount sufficient to pay for the forthcoming debt service scheduled in April and October of every year until the loan is fully paid off. As of March 31, 2022 and December 31, 2021, MGI has been compliant with the above conditions.

PetroSolar's long-term loans payable

On November 12, 2015, the PetroSolar, together with PetroGreen and EEIPC, as third party mortgagors and pledgors, entered into a ₱2,600.00 million OLSA with PNB and DBP specifically to partially finance the design, development, procurement, construction, operation and maintenance of its TSPP.

PetroSolar shall fully pay the loan for the pro-rata account of each lender within twelve (12) years from and after the date of the initial drawdown. Interest and principal are payable semi-annually. Interest payment started on May 27, 2016, while the twenty-two (22) semi-annual principal payments started on November 27, 2016.

The rate of the interest applicable to the facility or the relevant part thereof for each interest period shall be fixed for the first seven periods (7) from the initial drawdown date (the Initial Interest Rate). Prior to the FIT entitlement and collection of FIT revenues of the borrower, the rate shall be the higher of: (i) the aggregate of the seven (7) year PDST-R2 and the initial credit spread of 2.25%, or (ii) the minimum interest rate of 5.75%. Upon FIT entitlement of at least 40MW and collection of FIT revenues by the borrower equivalent to an aggregate of at least ₱473.00 million within a period not exceeding twelve (12) consecutive months, the rate shall be the higher of (i) the weighted average interest rate in previous drawdowns less the step down credit spread of 0.25%, or (ii) minimum interest rate, and which interest rate shall be applied beginning the following month immediately succeeding the month wherein the aforesaid FIT entitlement and FIT revenue collection thresholds were satisfied. PetroSolar met the criteria for FIT entitlement and aggregate collection of at least ₱473 million within 12 months which resulted to a lower interest rate effective July 2017. The applicable interest rate for 2021 and 2020 is equal to 6.71%.

The loan covenants covering the outstanding debt of PetroSolar include, among others, maintenance of debt-to-equity ratio of 75:25 and establishment of DSPA required balance. As of March 31, 2022 and December 31, 2021, PetroSolar is in compliance with the said loan covenants.

As of March 31, 2022 and December 31, 2021, the outstanding balance of this loan amounted to ₱1,230 million and ₱1,228.64 million, respectively.

Interest expense of PetroSolar related to the loans amounted to ₱30.59, and ₱104.23 million in March 31, 2022, December 31, 2021, respectively. Accrued interest payable amounted to ₱24.65 and ₱6.90 million as of March 31, 2022 and December 31, 2021, respectively.

PetroSolar mortgaged all of its property and equipment related to TSPP-1 as collateral in connection with the loan.

Deferred financing costs
Deferred financing costs are incidental costs incurred in obtaining the loan which includes documentary stamp tax, transfer tax, chattel mortgage, real estate mortgage, professional fees, arranger's fee and other costs directly attributable in obtaining the loan. The balance of unamortized deferred financing costs is presented as a deduction from the loans payable account and is amortized over the term of the loan using the effective interest rate method.

18. Asset Retirement Obligation

The Group has recognized its share in the abandonment costs associated with the Etame, Avouma and Ebouri oilfields located in Gabon, West Africa, geothermal field located in Sto. Tomas Batangas, and photovoltaic (PV) solar power facility in Tarlac.

Movements in this account follow:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Balance at beginning of year	**₱92,810,843**	₱109,159,679
Change in estimates	−	(23,533,406)
Accretion expense	**856,780**	3,478,294
Foreign exchange adjustment	**1,456,373**	3,706,276
Balance at end of year	**₱95,123,996**	₱92,810,843

19. 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 March 31, 2022 and December 31, 2021, the total issued and subscribed capital stock of the Parent Company is 99.83% Filipino and 0.17% non-Filipino.

As of March 31, 2022 and December 31, 2021, 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 Group'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
Movement	–			(5)
December 31,2021	568,711,842			1993
Movement	–			(0)
March 31,2022	568,711,842			1993

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 on 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, general corporate requirements, and payments of loans and the related interest.

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'.

Equity Reserve
On June 9, 2015, PetroEnergy sold its 10% interest in PetroGreen to EEIPC, bringing its ownership in PetroGreen from 100% to 90%. The transaction was accounted as an equity transaction since there was no change in control.

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy is summarized as follows:

Consideration received from non-controlling interest	₱206,000,000
Carrying amount of non-controlling interest sold, net of related cost	(125,950,762)
Excess of consideration received recognized in equity	₱80,049,238

Capital Management
The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

As of March 31, 2022 and December 31, 2021, the Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity.

The Group's sources of capital as of March 31, 2022 and December 31, 2021 are as follows:

	Unaudited	Audited
	31-Mar-21	31-Dec-21
Loans payable	**₱4,067,180,214**	₱4,062,525,195
Capital stock	**568,711,842**	568,711,842
Additional paid-in capital	**2,156,679,049**	2,156,679,049
Retained earnings	**2,839,483,052**	2,662,525,652
Equity reserve	**80,049,238**	80,049,238
	₱9,712,103,395	₱9,530,490,976

The table below demonstrates the debt-to-equity ratio of the Group as of March 31, 2022 and December 31, 2021:

	Unaudited	Audited
	31-Mar-21	31-Dec-21
Total liabilities	**₱5,048,182,662**	₱4,901,378,616
Total equity	**8,566,465,616**	8,313,814,660
Debt-to-equity ratio	**0.59:1**	0.59:1

Based on the Group's assessment, the capital management objectives were met in March 31, 2022 and December 31, 2021.

20. **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 considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as 'Affiliates'). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

	Transactions for the Years		**Outstanding Balance Receivables (Payables)**		**Terms and**
Related Party/Nature	**31-Mar-22**	**31-Dec-21**	**31-Mar-22**	**31-Dec-21**	**Conditions**
Investor					
House of Investments, Inc					
Internal audit services	**₱218,400**	₱1,610,333	**(₱608,301)**	(₱1,624,243)	Note a
Joint Venture					
PetroWind					
Rental income	**214,286**	₱857,143	**₱–**	₱–	Note b
Timewriting fee	**2,354,704**	12,441,140	**2,590,174**	2,563,521	Note c
Management income	**500,000**	2,000,000	**–**	–	Note c
Advances	**2,752,527**	8,102,188	**1,763,159**	354,644	Note d
			4,353,333	2,918,165	
Affiliate					
AC Energy Corporation (ACEN)					
Electricity sales	**199,588,702**	1,013,536,108	**92,848,311**	102,769,904	Note e
Wheeling Charges	**14,508,584**	61,981,804	**53,153,075**	45,609,302	Note e
			146,001,386	148,379,206	
Affiliate					
EEI Power Corporation					
Other income	–	610,000	683,200	683,200	Note f
Affiliate					
LIPCO					
Land lease	**8,574,555**	34,298,221	–	–	Note g

Related Party/Nature	Transactions for the Years 31-Mar-22	31-Dec-21	Outstanding Balance Receivables (Payables) 31-Mar-22	31-Dec-21	Terms and Conditions
Affiliate					
Enrique T. Yuchengco, Inc.					
Rental income	**203,998**	617,853	**462,087**	391,534	Note j
			₱150,169,861	₱150,747,862	

a. PetroEnergy has an Internal Audit Engagement arrangement with House of Investments, Inc. (HI). These are non-interest bearing and are due and demandable.

b. PetroGreen charges rental fees to PetroWind amounting to ₱71,429 every month. These are non-interest bearing and payable when due and demandable.

c. Timewriting fees are charged by PetroGreen for accounting, legal management and other support services rendered to PetroWind. Management income refers to charges by PetroEnergy to PetroWind. These are non-interest bearing and are due and demandable.

d. Advances represent reimbursements of costs and expenses.

e. Electricity sales to ACEN (formerly PHINMA) is pursuant to the Electricity Supply Agreement. This is due and payable on the last business day of the month succeeding the billing period and non-interest bearing if paid within the due date.

f. In 2021, PetroGreen charged EEI Power Corporation (EEIPC) amounting to ₱610,000 representing charges for the equity valuation study.

g. The Group leased 77 hectares of land area from LIPCO. These are non-interest bearing and payable when due and demandable.

h. On November 12, 2015, PetroSolar entered into a ₱2.6 billion OLSA with PNB and DBP. PetroGreen and EEIPC signed as the third party mortgagors and pledgors.

i. PetroWind executed an OLSA with DBP for a loan facility amounting to ₱3.0 billion. PetroEnergy signed as guarantor and PetroGreen signed as guarantor, pledgor and third-party mortgagor.

j. On April 29, 2021, PGEC completed its first commercial and industrial (C&I) rooftop solar power project for the Enrique T. Yuchengco Bldg. in Binondo, Manila.

   The building owner E.T. Yuchengco Inc. (ETY) and project owner PGEC signed a 15-year Rent-to-Own Agreement for a 140.8-kWp solar rooftop facility last January 14, 2021. The rental period commenced upon the project's completion in April 2021. After said 15-year cooperation period, PGEC will turn-over the said rooftop solar facility to ETY free of charge.

21. Financial Instruments

The Group's principal financial instruments include cash and cash equivalents, financial assets at FVTPL, receivables, restricted cash, loans payable, accounts payable, accrued expenses and dividends payable. The main purpose of these financial instruments is to fund the Group's working capital requirements.

Categories and Fair Values of Financial Instruments
As of March 31, 2022 and December 31, 2021, the carrying amounts of the Group's financial assets and financial liabilities approximate their fair values except for loans payable and lease liabilities. The fair value of the loans payable as of December 31, 2021 amounted to ₱4.13 billion compared to their carrying value of ₱4.06 billion. As of March 31, 2022 and December 31, 2021, the fair value of lease liabilities amounted to ₱408.61 million compared to the carrying value of ₱332.83, respectively.

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

Financial instruments	**Considerations**
Cash and cash equivalents, restricted cash, receivables, accounts payable and accrued expenses, and short-term loans payable	Due to the short-term nature of the instruments, carrying amounts approximate fair values as at 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.
Long-term loans payable	Fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar type of instruments. The fair value is derived using the prevailing PH BVAL rate.
Lease liabilities	Estimated fair value is based on the discounted value of future cash flows using the prevailing PH BVAL rate.

The fair value is based on the source of valuation as outlined below:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As of March 31, 2022 and December 31, 2021, there were no transfers of financial instruments among all levels.

Financial Risk Management Objectives and Policies
The Group 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 risks on liquidity, market and credit.

Financial Risks
The main financial risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk.

Liquidity Risk
Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds as well as to obtain loan from financial institutions. As of March 31, 2022 and December 31, 2021, the Group has existing credit line facilities from which they can draw funds from.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 based on contractual payments:

	31-Mar-22 (Unaudited)			
	On demand	**1 year or less**	**More than 1 year**	**Total**
Financial Assets				
Financial assets at FVTPL	**₱8,036,775**	**₱–**	**₱–**	**₱8,036,775**
Financial assets at amortized cost:				
Cash and cash equivalents	**1,213,396,921**	**–**	**–**	**1,213,396,921**
Accounts receivable	**464,986,868**	**–**	**2,793,228**	**467,780,096**
Other receivables	**–**	**–**	**3,526,250**	**3,526,250**
Interest receivable	**1,282,720**	**–**	**–**	**1,282,720**
Refundable deposits	**–**	**349,721**	**5,264,565**	**5,614,286**
Restricted cash	**157,881,137**	**622,316,418**	**45,215,626**	**825,413,181**
	1,845,584,421	**622,666,139**	**56,799,669**	**2,525,050,229**
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable	–	**840,693,234**	**3,226,486,980**	**4,067,180,214**
Lease liabilities	–	**13,615,067**	**25,978,725**	**25,978,725**
Accounts payable and accrued expenses*	**505,151,952**	–	–	**505,151,952**
	505,151,952	**854,308,301**	**3,252,465,705**	**4,598,310,891**
Net financial assets (liabilities)	**₱2,350,736,373**	**₱1,476,974,440**	**₱3,309,265,374**	**₱7,123,361,120**

	31-Dec-21 (Audited)			
	On demand	1 year or less	More than 1 year	Total
Financial Assets				
Financial assets at FVTPL	₱7,587,228	₱–	₱–	₱7,587,228
Financial assets at amortized cost:				
Cash and cash equivalents	1,241,762,101	–	–	1,241,762,101
Accounts receivable	378,227,252	–	1,607,160	379,834,412
Subscription receivable	8,300,000	–	–	8,300,000
Other receivables	–	–	3,526,250	3,526,250
Interest receivable	1,002,791	–	–	1,002,791
Refundable deposits	–	349,721	7,817,412	8,167,133
Restricted cash	154,549,130	414,423,370	47,388,677	616,361,177
	1,791,428,502	414,773,091	60,339,499	2,266,541,092
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	–	1,159,482,944	3,182,263,490	4,341,746,434
Lease liabilities	37,198,620	688,492,341	725,690,961	1,451,381,922
Accounts payable and accrued expenses*	289,788,494	–	–	289,788,494
	326,987,114	1,847,975,285	3,907,954,451	6,082,916,850
Net financial assets (liabilities)	₱1,464,441,388	(₱1,433,202,194)	(₱3,847,614,952)	(₱3,816,375,758)

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 exchanges rates, interest rates and other market changes.

Foreign Exchange Risk

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

The Group's foreign currency-denominated financial instruments as March 31, 2022 and December 31, 2021 follow:

	31-Mar-22 (Unaudited)		31-Dec-21 (Audited)	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	**$498,691**	**$25,911,984**	$2,096,605	₱ 106,453,022
Receivables	**1,761,261**	**91,515,122**	892,186	45,299,852
Advances to suppliers	–	–	216,720	11,003,741
Restricted Cash	**933,326**	**48,495,619**	933,326	47,388,694
	3,193,278	**165,922,725**	4,138,837	210,145,309
Financial liabilities				
Accounts payable and accrued expenses	**1,065,113**	**55,343,271**	190,197	9,657,062
Net exposure	**$2,128,165**	**$110,579,454**	$3,948,640	₱ 200,488,247

As of March 31, 2022 and December 31, 2021, the exchange rates used for conversion are ₱51.960 and ₱50.774 per $1, respectively.

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

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable. Interest rate of loans payable is fixed for the first five (5) years or first seven (7) years and will be repriced thereafter.

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

c. *Credit Risk*

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVTPL, and restricted cash, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production and renewable energy businesses. The Group 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 Group's gross maximum credit risk exposure from its financial instruments and contract asset. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	31-Mar-2022	31-Dec-2021
Financial assets:		
Cash in banks and cash equivalents	**₱1,209,342,921**	₱1,237,738,101
Receivables	**472,589,066**	392,663,453
Financial assets at FVTPL	**8,036,775**	7,587,228
Refundable deposits	**5,264,565**	5,213,672
Restricted cash	**825,413,181**	616,361,177
Contract asset	**241,366,266**	222,238,121
	₱2,762,012,774	₱2,481,801,752

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.

The table below shows the aging by class of asset for the Group's financial assets and contract asset as of March 31, 2022 and December 31, 2021:

	31-Mar-22			
	Current	**More than 90 days**	**Credit impaired**	**Total**
Financial assets:				
Cash and cash equivalents*	**₱1,209,342,921**	**₱–**	**–**	**₱1,209,342,921**
Accounts receivable	**2,682,452**	**–**	**2,682,452**	**470,462,548**
Other receivables	**3,526,250**	**–**	**–**	**3,526,250**
Interest receivable	**1,282,720**	**–**	**–**	**1,282,720**
Financial assets at FVTPL	**8,036,775**	**–**	**–**	**8,036,775**
Refundable deposits	**5,614,286**	**–**	**–**	**5,614,286**
Restricted cash	**825,413,181**	**–**	**–**	**825,413,181**
Contract asset	**241,366,266**	**–**	**–**	**241,366,266**
	₱2,297,264,851	**₱–**	**₱2,682,452**	**₱2,765,044,947**

	31-Dec-21 (Audited)			
	Current	More than 90 days	Credit impaired	Total
Financial assets:				
Cash and cash equivalents*	₱1,237,738,101	₱–	₱–	₱1,237,738,101
Accounts receivable	379,834,412	–	2,682,452	382,516,864
Subscription receivable	8,300,000	–	–	8,300,000
Other receivables	3,526,250	–	–	3,526,250
Interest receivable	1,002,791	–	–	1,002,791
Financial assets at FVTPL	7,587,228	–	–	7,587,228
Refundable deposits	8,167,133	–	–	8,167,133
Restricted cash	616,361,177	–	–	616,361,177
Contract asset	248,862,335	–	–	248,862,335
	₱2,511,379,427	₱–	₱2,682,452	₱2,514,061,879

**excluding cash on hand*

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, credit risk exposure is minimal. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group's cash in banks, cash equivalents, accounts receivable, interest receivable and restricted cash have high grade credit quality.

22. Segment Information

For management purposes, the Group is organized into business units based on their products and has four reportable segments as follows:

- The oil production segment is engaged in the oil and mineral exploration, development and production.
- The geothermal energy segment develops and operates geothermal steamfields and power plants.
- The solar energy segment carries out solar energy operations of the Group.
- Other activities pertain to research and investment activities.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	31-Mar-2022 (Unaudited)					
	Oil Production	**Geothermal Energy**	**Solar Energy**	**Other Activities**	**Elimination**	**Consolidated**
Segment revenue						
Net income (loss)	**187,234,805**	**214,097,284**	**225,437,700**	–	–	**626,769,789**
Other comprehensive income (loss)	–	–	–	–	–	–
Other information:						
Segment assets except deferred tax assets	**3,549,603,330**	**5,883,075,031**	**4,321,041,684**	**2,748,665,844**	**(2,883,863,935)**	**13,618,521,954**
Deferred tax assets - net	**8,776,720**	**2,000,319**	**1,703,513**	–	–	**12,480,552**
Segment liabilities except deferred tax liabilities	**363,995,740**	**2,695,130,926**	**1,662,421,437**	**347,080,580**	**(4,091,793)**	**5,064,536,890**
Deferred tax liabilities - net	–	–	–	–	–	–
Provision for (benefit from) income tax	**20,046,240**	**2,497,327**	**5,076,125**	**79,137**	–	**27,698,829**
Capital expenditures	**17,008,112**	**6,809,372**	**1,688,782**	**3,601,076**	–	**29,107,341**
Deferred oil exploration costs	**216,717,350**	–	–	–	–	**216,717,350**
Depletion, depreciation and amortization	**₱28,659,187**	**₱63,160,052**	**₱44,842,579**	**₱1,005,089**	**(₱73,147)**	**₱137,593,760**

	31-Dec-2021 (Audited)					
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱461,246,131	₱1,075,517,911	₱886,190,108	₱–	₱–	₱2,422,954,150
Net income (loss)	29,010,846	281,723,739	435,683,914	321,013,201	(401,959,552)	665,472,148
Other comprehensive income (loss)	(₱4,038,649)	₱16,898,918	(₱21,687)	(₱2,040,185)	₱–	₱10,798,397
Other information:						
Segment assets except deferred tax assets	₱3,433,954,763	₱5,785,063,823	₱4,162,761,665	₱2,806,477,864	(₱2,985,525,106)	₱13,202,733,009
Deferred tax assets - net	₱8,776,720	₱2,000,319	₱1,683,228	₱–	₱–	₱12,460,267
Segment liabilities except deferred tax liabilities	₱309,304,397	₱2,623,164,309	₱1,625,737,275	₱349,078,108	(₱5,905,473)	₱4,901,378,616
Deferred tax liabilities - net	₱–	₱–	₱–	₱–	₱–	₱–
Cash flows from (used in):						
Operating activities	₱141,297,908	₱668,723,801	₱593,614,381	₱238,808,568	(₱250,881,643)	₱1,391,563,015
Investing activities	14,520,869	(102,389,460)	68,413,319	(108,494,106)	(77,040,756)	(204,990,134)
Financing activities	(50,440,323)	(579,341,111)	(715,412,499)	(195,162,844)	327,922,400	(1,212,434,377)
Provision for (benefit from) income tax	(₱4,871,122)	₱19,624,852	₱39,503,620	₱223,284	₱–	₱54,480,634
Capital expenditures	₱9,861,975	₱92,364,293	₱4,976,137	₱92,421,250	₱–	₱199,623,655
Deferred oil exploration costs	₱230,267,833	₱–	₱–	₱–	₱–	₱230,267,833
Depletion, depreciation and amortization	₱83,814,245	₱254,921,249	₱177,886,447	₱4,518,864	(₱292,588)	₱520,848,217

InterGroup investments, revenues and expenses are eliminated during consolidation.

23. **Basic/Diluted Earnings Per Share**

The computation of the Group's earnings per share follows:

	31-Mar-2022	31-Mar-2021	31-Dec-21
Net income attributable to equity holders of the Parent Company	**₱176,957,400**	₱106,296,851	₱325,461,592
Weighted average number of shares	**568,711,842**	568,711,842	568,711,842
Basic/diluted earnings per share	**₱0.3112**	₱0.1869	₱0.5723

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.

PERC does not have potentially dilutive common stock.

24. **Non-controlling Interests**

As of March 31, 2022 and December 31, 2021, non-controlling interests (NCI) pertain to the 10% shareholdings of EEIPC in PetroGreen, total shareholdings of ACEN (formerly PHINMA) [25%] and PNOC-RC (10%) in MGI and 44% shareholdings of EEIPC in PetroSolar.

As of March 31, 2022 and December 31, 2021, the accumulated balances of and net income attributable to non-controlling interests are as follows:

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Accumulated balances of non-controlling interests:		
PetroSolar	**₱ 1,170,542,455**	₱1,117,031,352
MGI	**1,116,480,549**	1,107,364,941
PetroGreen	**525,047,390**	512,141,194
	₱2,812,070,394	₱2,736,537,487

	Unaudited	Audited
	31-Mar-22	31-Dec-21
Net income attributable to non-controlling interests:		
PetroSolar	**₱53,511,103**	₱191,700,922
MGI	**9,115,607**	98,603,308
PetroGreen	**12,888,347**	49,706,326
	₱75,515,057	₱340,010,556

25. **Others**

a. The Interim Financial Report (March 31, 2022) is in compliance with generally accepted accounting principles.

b. The same policies and methods of computation were followed in the preparation of the interim financial report compared to the December 31, 2021 Consolidated Audited Financial Statements.

c. No unusual item or items affected the assets, liabilities, equity and cash flows of the March 31, 2022 Financial Statements.

d. Earnings per share is presented in the face of the unaudited statements of income for the period ended March 31, 2022 and December 31, 2021.

e. No significant events happened during the quarter that will affect the March 31, 2022 Unaudited Financial Statements.

f. There are no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.

g. There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Company, including any default of accelerated obligation.

h. There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with other entities or persons that were created during the period.

i. There are no changes in estimates of amounts reported in prior periods of the current financial year or changes in estimates of amounts reported in prior financial years that could have material effect in the current period.

j. Our Company has no contingent liabilities or assets during the period.

Item 2 - Management's Discussion and Analysis or Plan of Operation

1. Management's Discussion and Analysis (Amounts are in Philippine Peso (P))

1. Consolidated Financial Position (March 31, 2022 and December 31, 2021)

	31-Mar-22	31-Dec-21	% Change	% in Total Assets
ASSETS				
Cash and cash equivalents	P1,213,396,921	P1,241,762,101	-2.28%	8.90%
Receivables	472,589,066	392,663,453	20.35%	3.47%
Financial assets at fair value through profit and loss (FVTPL)	8,036,775	7,587,228	5.93%	0.06%
Crude oil inventory	47,235,013	12,616,676	274.39%	0.35%
Contract Assets - current portion	1,030,789	1,229,543	-16.16%	0.01%
Other current assets	1,011,544,236	756,334,232	33.74%	7.42%
Property and equipment-net	7,891,320,079	7,985,044,039	-1.17%	57.89%
Deferred oil exploration cost	216,717,350	115,806,924	87.14%	1.59%
Contract assets - net of current	240,335,477	221,008,579	8.74%	1.76%
Investment in a joint venture	1,784,948,164	1,734,947,347	2.88%	13.09%
Right of use of asset	357,327,370	363,245,358	-1.63%	2.62%
Deferred tax assets-net	12,480,552	12,460,267	0.16%	0.09%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	372,429,181	368,875,996	0.96%	2.73%
TOTAl ASSETS	**P13,631,002,506**	**P13,215,193,276**	3.15%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	505,151,952	375,051,290	34.69%	3.71%
Current portion of loans payable	840,693,234	827,882,504	1.55%	6.17%
Lease liabilities-current	13,615,067	6,813,561	99.82%	0.10%
Income tax payable	37,882,335	19,775,675	91.56%	0.28%
Loans payable - net of current portion	3,226,486,980	3,234,642,692	-0.25%	23.67%
Lease liabilities - net of current portion	325,848,439	326,015,305	-0.05%	2.39%
Asset retirement obligation	95,123,996	92,810,843	2.49%	0.70%
Other noncurrent liability	19,734,887	18,386,746	7.33%	0.14%
TOTAL LIABILITIES	**5,064,536,890**	**4,901,378,616**	3.33%	37.15%
EQUITY				
Attributable to equity holders of the Parent Company	5,754,395,222	5,577,277,173	3.18%	42.22%
Non-controlling interest	2,812,070,394	2,736,537,487	2.76%	20.63%
TOTAL EQUITY	**8,566,465,616**	**8,313,814,660**	3.04%	62.85%
TOTAL LIABILITIES AND EQUITY	**P13,631,002,506**	**P13,215,193,276**	3.15%	100.00%

Total assets amounted to P13.631 billion and P13.215 billion as of March 31, 2022 and December 31, 2021, respectively. Book value increased to P10.12/share from P9.81/share.

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 2.28% net decrease from P1.242 billion to P1.213 billion is mainly due to payments for working capital requirements net of collections from electricity sales and oil lifting proceeds.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue.

The 20.35% increase is mainly due to higher outstanding receivables from electricity sales and higher oil lifting during the period due to higher oil prices.

Financial assets at fair value through profit and loss (FVPL) increased by 5.93% mainly due to the increase in the market prices of the investment portfolio.

Crude oil inventory increased mainly due to higher crude oil prices of the remaining barrels left unsold.

Contract assets – current portion declined in line with the collections made during the period.

Other current assets consist of restricted cash, supplies inventory, prepaid expenses, and other current assets. The bulk of the 33.74% net increase is mainly due to additional funding of the debt service payment account, other prepayments and supplies inventory for the period.

Property, plant and equipment (PPE) amounted toP7.891 billion and P7.985 billion as of March 31, 2022 and December 31, 2021, respectively. The 1.17% net decrease is mainly due the continuous depreciation of the Renewable Energy Power Plants, other assets and depletion of oil assets.

Deferred oil exploration cost increased by 87.14% resulting from the continuous development of the Gabon oil field.

Contract assets – net of current portion pertains to PSC's receivable from TransCo, pertaining to FIT rate adjustment, which is currently recorded at net present value since this will be collected over five (5) years. Start of PSC's collection is scheduled on year 2022. The 8.74% increase mainly pertains to the additional set-up of the FIT arrears during the period.

Investment in a joint venture refers to the remaining 40.00% shareholdings in PWEI. The 2.88% net increase from P1.735 billion to P1.785 billion mainly pertains to the Group's share in net income generated by PWEI during the period.

Right of use of asset – this resulted from the first time adoption of the new PFRS 16 – leases in 2019. The 1.63% decline pertains to the amortization of the account during the period.

The Investment properties-net account remains the same as of March 31, 2022.

Deferred tax assets – net occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. The 0.16% minimal movement pertains to changes in the temporary deductible expenses and temporary taxable revenues during the period.

Other non-current assets slightly increased by 1.85% mainly due to additional expenses for the activities for the prospective renewable energy projects.

Accounts payable and accrued expenses increased by 34.69% mainly due to additional accruals made during the period, specifically interest expenses.

Current portion of loan payable and Loans payable – net of current portion, movements pertain to the amortization of the deferred financing costs during the period.

Lease liabilities – current portion and non-current movement is mainly due to the interest recognized during the period.

The increase in the **Income tax payable** account mainly pertains to additional set-up of provision during the period.

Asset retirement obligation amounted to P95.124 million and P92.811 million as of March 31, 2022 and December 31, 2021, respectively. The 2.49% minimal increase mainly pertains to accretion made during the period.

Other non-current liabilities pertain to the Group's accrued retirement liability account**,** net increase of 7.33% is mainly due to accretion made during the period.

Equity attributable to equity holders of the Parent Company amounted to P5.754 billion or P10.12 book value share and P5.577 billion or P9.81 book value per share as of March 31, 2022 and December 31, 2021. The 3.18% net increase is mainly due to continuous income generation from the Renewable Energy Operations and Oil operations.

Non-controlling interest (NCI) pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in MGI;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in PSC;

Non-controlling interest increased by 5.94% from P2.737 billion to P2.812 billion due to net income from RE projects.

2. Consolidated Financial Performance (as of March 31, 2022 and as of March 31, 2021)

	Unaudited		% Change	% to Total Revenues
	31-Mar-22	31-Mar-21		
REVENUES				
Electricity sales	425,175,117	414,156,971	2.66%	71.78%
Oil revenues	152,616,468	119,416,710	27.80%	25.77%
Other revenues	14,508,584	12,649,821	14.69%	2.45%
	592,300,169	546,223,502	8.44%	100.00%
COST OF SALES				
Cost of sales - Electricity	200,502,360	197,045,941	1.75%	33.85%
Oil production operating expenses	86,942,657	66,999,115	29.77%	14.68%
Change in crude oil inventory	(34,618,337)	27,476,052	-225.99%	-5.84%
	252,826,680	291,521,108	-13.27%	42.69%
GROSS INCOME	339,473,489	254,702,394	33.28%	57.31%
GENERAL AND ADMINISTRATIVE EXPENSES	37,802,772	35,328,527	7.00%	6.38%
OTHER INCOME (CHARGES)				
Interest income	2,770,494	2,460,888	12.58%	0.47%
Net unrealized foreign exchange gain (loss)	624,488	298,361	109.31%	0.11%
Net unrealized gain on fair value changes on financial assets at FVPL	449,547	(903,783)	-149.74%	0.08%
Interest expense	(76,806,425)	(85,881,312)	-10.57%	-12.97%
Accretion expense	(856,780)	(856,449)	0.04%	-0.14%
Share in net income of an Associate	49,822,320	42,565,018	17.05%	8.41%
Miscellaneous income (charges)	2,645,642	1,837,474	43.98%	0.45%
	(21,350,714)	(40,479,803)	-47.26%	-3.60%
INCOME BEFORE INCOME TAX	280,320,003	178,894,064	56.70%	47.33%
PROVISION FOR INCOME TAX	27,698,829	8,542,690	224.24%	4.68%
NET INCOME	252,621,174	170,351,374	48.29%	42.65%
NET INCOME ATTRIBUTATBLE TO:				
Equity Holders of the Parent Company	176,957,400	106,296,851	66.47%	29.88%
Noncontrolling interest	75,515,057	64,054,523	17.89%	12.75%

The Group's **consolidated net income** amounted to P252.621 million and P170.351 million for the 1st quarter ending March 31, 2022 and for the same period in 2021. While the **consolidated net income attributable to equity holders of the Parent Company** amounted to P176.957 million or P0.311 earnings per share for the 1st quarter 2022 as compared with P106.297 million or P0.187 earnings per share for the same period 2021.

The 48.29% and 66.47% increase in the consolidated net income and consolidated net income attributable to equity holders of the Parent company is mainly due to improvement of crude oil prices (from average $60.97/bbl to average $107.95/bbl); higher spot rates for the TSPP2; higher share in net income of an Associate (PWIE) and lower interest expenses resulting from payment of loans.

Revenues:

Electricity sales refer to the electricity power generation from MGPP and TSPP. The 2.66% net increase, despite MGI's scheduled major preventive maintenance in February 2022, is mainly due to TSPP's higher spot rates during the period.

Oil revenues increased by 27.80% from P119.417 million as of March 31, 2021 to P152.616 million mainly due to the improvement in the crude oil price from average $60.97/bbl to average of $107.95/bbl.

Other revenues pertain to passed on Meralco wheeling and ancillary charges. The increase is mainly due to higher accruals made during the period.

Costs and Expenses:

Costs of electricity sales pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of power plant and fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity. The 1.75% slight increase is mainly due to additional expenses incurred during the period.

Oil production operating expenses increased by 29.77% mainly due to variable expense incurred in line with the recovery of the crude oil prices.

Any oil produced but not delivered is recognized as crude oil inventory valued at its current crude oil price (net realizable value). The movement in crude oil inventory is presented as **Change in crude oil inventory**.

The negative P34.618 million as of March 31, 2022 pertains to the increase in the base inventory barrels recorking from December 31, 2021 of 147,922bbls to 340,584 bbls. While the P27.476 million as of March 31, 2021 pertains to the decline in inventory barrels recorking from December 31, 2020 of 637,600bbls to 105,270 bbls.

General and administrative expenses, Other Income (Charges) and Provision for (Benefit from) Income Tax:

General and administrative expenses (G&A) increased by 7% mainly due to higher expenses incurred during the period resulting from the easement of the travel restrictions brought about by the Covid 19 pandemic.

Other income (charges) amounted to (21.351 MM) and (P40.480MM) million as of March 31, 2022 and 2021, respectively. Below presents the itemized discussion of the changes in other income (charges) – net account.

- 12.58% increase in interest income due to higher average interest rates of 0.955% in the 1st quarter 2022, compared with average 0.804% interest rate in same quarter 2021;
- increase in forex gains mainly due to conversion of USD accounts to peso;
- recovery of the market prices of the investments in FVPL, from net unrealized loss of P0.904 million to unrealized gain of P0.450 million;
- 10.57% decline in interest expense from P85.881 million to P76.806 million mainly due to instalment payment of loans;
- 17.05% increase in share in Net income of an Associate from P42.565 million to P49.822 million mainly due to PWEI's recognition of the FIT rate adjustment.
- Increase in miscellaneous income is mainly due to PGEC's lower time writing charges to PWEI.

Provision for (benefit from) income tax:
Provision for income tax current pertains to PSC's tax payable - 5.00% provision for income tax under the PEZA incentives and for MGPP, 10% tax rate, after the income tax holiday (for the M1), which ended last February 8, 2021, as part of its BOI incentives under RE Law. The net increase in the provision is due to higher taxable income and full quarter 10% income tax rate for M1.

Non-controlling interest (NCI) as of March 31, 2022 and same period 2021 pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in Maibarara;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in to PetroSolar;

This amounted to P75.515 million and P64.054 million as of March 31, 2022 and same period 2021.

3. Consolidated Financial Position (March 31, 2022 and March 31, 2021)

	31-Mar-22	31-Mar-21	% Change	% in Total Assets
ASSETS				
Cash and cash equivalents	P1,213,396,921	P1,285,483,514	-5.61%	8.90%
Receivables	472,589,066	335,223,095	40.98%	3.47%
Financial assets at fair value through profit and loss (FVTPL)	8,036,775	6,627,804	21.26%	0.06%
Crude oil inventory	47,235,013	7,614,273	520.35%	0.35%
Contract Assets - current portion	1,030,789	-	100.00%	0.01%
Other current assets	1,011,544,236	959,831,466	5.39%	7.42%
Property and equipment-net	7,891,320,079	8,228,618,291	-4.10%	57.89%
Deferred oil exploration cost	216,717,350	216,121,476	0.28%	1.59%
Contract assets - net of current	240,335,477	132,687,182	81.13%	1.76%
Investment in a joint venture	1,784,948,164	1,677,778,461	6.39%	13.09%
Right of use of asset	357,327,370	380,986,581	-6.21%	2.62%
Deferred tax assets-net	12,480,552	5,682,417	119.63%	0.09%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	372,429,181	448,591,060	-16.98%	2.73%
TOTAl ASSETS	**P13,631,002,506**	**P13,686,857,153**	-0.41%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	505,151,952	454,510,511	11.14%	3.71%
Current portion of loans payable	840,693,234	855,448,571	-1.72%	6.17%
Lease liabilities-current	13,615,067	25,978,725	-47.59%	0.10%
Income tax payable	37,882,335	14,181,356	167.13%	0.28%
Loans payable - net of current portion	3,226,486,980	3,877,870,959	-16.80%	23.67%
Lease liabilities - net of current portion	325,848,439	320,057,378	1.81%	2.39%
Asset retirement obligation	95,123,996	110,590,137	-13.99%	0.70%
Other noncurrent liability	19,734,887	26,950,427	-26.77%	0.14%
TOTAL LIABILITIES	**5,064,536,890**	**5,685,588,064**	-10.92%	37.15%
EQUITY				
Attributable to equity holders of the Parent Company	5,754,395,222	5,354,112,312	7.48%	42.22%
Non-controlling interest	2,812,070,394	2,647,156,777	6.23%	20.63%
TOTAL EQUITY	**8,566,465,616**	**8,001,269,089**	7.06%	62.85%
TOTAL LIABILITIES AND EQUITY	**P13,631,002,506**	**P13,686,857,153**	-0.41%	100.00%

Total assets amounted to P13.631 billion and P13.687 billion as of March 31, 2022 and March 31, 2021, respectively. Book value increased to P10.12/share from P9.41/share.

Cash and cash equivalents consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 5.61% net decrease from P1.285 billion to P1.213 billion is mainly due to payments for instalment loan due and working capital requirements net of collections from electricity sales and oil lifting proceeds.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 40.98% increase is mainly due to higher outstanding receivables from electricity sales and higher oil lifting during the period due to higher crude oil prices.

Financial assets at fair value through profit and loss (FVPL) increased by 21.26% from P6.628 million to P8.037 million mainly due to the recovery in the market prices of the investment portfolio.

Crude oil inventory increased mainly due to higher crude oil prices of the remaining barrels left unsold.

Contract Assets – current increased mainly due to additional set-up of the FIT arrears during the period.

Other current assets consist of restricted cash, supplies inventory, prepaid expenses, and other current assets. The bulk of the 5.39% net increase is mainly due to additional funding of the debt service payment account, other prepayments and supplies inventory for the period.

Property, plant and equipment (PPE) amounted toP7.891 billion and P8.229 billion as of March 31, 2022 and March 31, 2021, respectively. The 4.10% net decrease is mainly due the continuous depreciation of the Renewable Energy Power Plants, other assets and depletion of oil assets.

Deferred oil exploration cost amounted to P216.717 million and P216.121 million as of March 31, 2022 and March 31, 2021, respectively. The 0.28% net increase is due to the continuous development of the Gabon oil field.

Contract assets net of current portion pertains to PSC's receivable from TransCo, pertaining to FIT rate adjustment, which is currently recorded at net present value since this will be collected over five (5) years. Start of PSC's collection is scheduled on year 2022. The 81.13% increase mainly pertains to the additional set-up of the FIT arrears during the period.

Investment in a joint venture refers to the remaining 40.00% shareholdings in PWEI. The 6.39% net increase from P1.678 billion to P1.785 billion mainly pertains to the Group's share in net income generated by PWEI during the period.

Right of use of asset – this resulted from the first time adoption of the new PFRS 16 – leases in 2019. The 6.21% decline pertains to the amortization of the account during the period.

The Investment properties-net account remains the same as of March 31, 2022.

Deferred tax assets – net occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. The movement pertains to changes in the temporary deductible expenses and temporary taxable revenues during the period.

Other non-current assets amounted to P375.709 million and P448.591 million as of March 31, 2022 and same period 2021. The 16.25% decline is due to amortization of accounts.

Accounts payable and accrued expenses increased by 11.14% mainly due to additional accruals made during the period.

Current portion of loan payable and Loans payable – net of current portion, net decline of 1.72% and 16.80% pertain to instalment payment of loans, net of amortization of the deferred financing costs during the period.

Lease liabilities – current portion declined mainly due to payments made during the period while, Lease liabilities – non-current portion increase of 1.81% is mainly due to the interest recognized during the period.

The increase in the **Income tax payable** account mainly pertains to higher set-up of provision during the period resulting from higher taxable income and full quarter 10% income tax rate for M1.

Asset retirement obligation amounted to P95.124 million and P110.590 million as of March 31, 2022 and 2021, respectively. The 13.99% decline pertains to changes in assumptions at year-end 2021.

Other non-current liabilities pertain to the Group's accrued retirement liability account, **net** decrease of 26.77% is mainly due to adjustments made during the period.

Equity attributable to equity holders of the Parent Company amounted to P5.754 billion or P10.12 book value share and P5.354 billion or P9.41 book value per share as of March 31, 2022 and March 31, 2021, respectively. The

7.48% net increase is mainly due to continuous income generation from the Renewable Energy Operations and Oil operations.

Non-controlling interest (NCI) pertains to the following:

- 10% share of EEI-PC in PetroGreen;
- 25% share of Trans-Asia, the 10% share of PNOC-RC, and 10% of the 65% share of EEI-PC (indirect) in MGI;
- 44% share of EEI-PC (direct) and 10% of 56% share (indirect) in PSC;

Non-controlling interest increased by 6.23% from P2.647 billion to P2.812 billion due to net income from RE projects.

Key performance indicators – refer to the Schedule of Financial Soundness Indicators

Material Commitments
Aside from the committed developments of the prospective projects, there are no other foreseen material commitments during the period.

Productivity Program
The development of the prospective renewable energy projects will increase the Group's capacity and power generation, while the prospective four-well drilling program in Gabon Etame, aimed to sustain field production to above 20,000 BOPD.

Receivable Management
The group's receivables are mainly due from sale of electricity to AC Energy and Transco and crude oil in Etame Gabon, through the consortium operator. These are being recorded once sale is made. Payment is received every 30-45 days following each sale.

For electricity sales form TSPP and NWPP, the payment for the Actual FIT Revenue is sourced from the FIT-All Fund, specifically the Actual FIT Differential (FD) and the Actual Cost Recovery Revenue (ACRR). The FD is the difference between the Actual FIT Revenue and the ACRR and is collected from on-grid consumers as a uniform charge and applied to all billed kilowatt-hours. For FIT-Eligible RE Plants connected to the Wholesale Electricity Spot Market ("WESM"), the ACRR refers to the WESM proceeds remitted to the FIT-All Fund by the Independent Electricity Market Operator of the Philippines, Inc. ("IEMOP"), which took over the Philippine Electricity Market Corporation ("PEMC") as operator of the electricity spot market. PWEI and PSC regularly receive the both the ACRR and FD components within45 days after billing date.

PWEI and PSC manage this risk through proper and meticulous allocation of funds, proper timing of expenditures, employment of cost-cutting measures, and sourcing short-term funding requirements from local banks and investment houses or from affiliated companies.

For the eighteen (18) years since oil production inception, there was no event that the buyer failed to remit the proceeds of the sale. However, the group is willing to look for another buyer should there be some problem that may happen in the future.

Liquidity Management
Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

The Group considers the above factors and pays special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to money

market placements to maximize interest earnings.
The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Group is not in default of any, note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

Inventory Management
The only inventory is the crude oil produced in Gabon. The buyer lifts certain volume and pays the same in 30 days. The operator sees to it that crude oil inventory does not reach 800,000 barrels at any one time to avoid overflow and to generate revenues to cover production costs.

Cost Reduction Efforts
In order to reduce costs, the Group employs a total of one hundred thirty seven (137) employees with multi-task assignments. The group also implements request for quotations to compare prices, quality of the products and services and negotiate the payment terms.

The Company's general and administrative expense is equivalent to 6.38% of the total revenue.

Rate of Return of Each Stockholder

The Company has no existing dividend policy. However, the Company intends to declare dividends in the future in accordance with the Corporation Code of the Philippines. Dividend declared for two (2) most recent years.

Date of Declaration	Dividends per Share		Record Date	Payment Date
	Cash	Stock		
April 26, 2012	10%		May 18, 2012	June 14, 2012
April 26, 2012	10%		September 21, 2012	October 17, 2012
July 04, 2013	5%		July 25, 2013	August 20, 2013
July 26, 2018	5%		August 24, 2018	September 20, 2018

Financial Disclosures in view of the current global financial condition:

Assess the financial risks exposures of the Company and its subsidiaries particularly on currency, interest credit, and market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the Company, provide a discussion in the report on quantitative impact or such risks and include a description of enhancement in the company's risk management policies to address the same:

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

Effect of the Covid 19 Pandemic:
The Group have secured long-term offtake rates (for MGPP1 & MGPP2) and secured FIT rates (for the TSPP1 and NWPP) for its Renewable Energy operations, thus, the revenue generation and eventual sale are not affected by the current pandemic.

Aside from the work-from-home arrangement at the home office, there are no other significant impact caused by the pandemic.

Financial Risk Management Objectives and Policies.
Please refer to Note 21.

Operations Review and Business Outlook

A. OIL EXPLORATION

Foreign Operations

Gabon, West Africa

The daily oil production of the four oil fields (Ebouri, Etame, North Tchibala and Avouma) as of March 31, 2022 ranged from zero to 15,610 barrels of oil per day (BOPD). The fluctuations in the daily production were due to the following: 1) FPSO gaslift compressor maintenance in January, and March, and 2) production curtailment in February due to tank overcapacity.

The total cargo lifted by the consortium in Q1 2022 amounted to 1.20 Million barrels of oil (MMBO). To date, the Etame Marin Field has produced ~126 MMBO since inception in 2002.

Philippine Operations

Service Contract 14C2 – West Linapacan, Northwest Palawan

For the quarter, the SC 14C2 consortium proceeded with a third-party technical evaluation of the West Linapacan B field, to assess potential production opportunities.

Service Contract 75 – Offshore Northwest Palawan

Operator PXP Energy officially engaged Shearwater Geoservices Ltd. last January 06 for the upcoming ~1,100 sq.km 3D seismic acquisition campaign over SC 75. Survey preparations and planning between PXP and the contractors are now on-going.

The survey proper is scheduled for April-May, 2022.

Summary of Petroleum Properties:

Contract No.	Contract Expiry	Participating Interest %	Location
Production Sharing Contract (PSC) 93 – Gabon	2028	2.525%	Gabon Offshore
Service Contracts (SC) – Philippines			
SC 6A – Octon-Malajon, Northwest Palawan	2024	16.667%	Northwest Palawan
SC 14C2 – West Linapacan, Northwest Palawan	2025	4.137%	Northwest Palawan
SC 75 – Offshore Northwest Palawan	2025	15.000%	Northwest Palawan

The Company derives its petroleum revenues from its Gabon Operations. All contractual obligations with the Gabonese Government are complied with. Some of the Company's petroleum Service Contracts in the Philippines are in exploration stage and some contracts are being farmed out to reduce risk inherent to the business.

B. RENEWABLE ENERGY PROJECTS

Maibarara Geothermal Power Project

The 20-MW Maibarara-1 (MGPP-1) and 12-MW Maibarara-2 (MGPP-2) Geothermal Power Plants are on continuous operations. From January 01 – March 31, 2022, the combined net exported output is 49,581 MWh (31,090 MWh from MGPP-1 and 18,491 MWh from MGPP-2).

MGPP-1 and MGPP-2 underwent their respective major preventive maintenance shutdowns (PMS) in February 2022; only the second major PMS for MGPP-1 since 2016, and the first for MGPP-2 since its commercial start in 2018.

Nabas Wind Power Project

The 36-MW Nabas-1 Wind Power Plant (NWPP-1) has been operating normally, and for the period of January 01 – March 31, 2022, the total net energy exported to the grid reached 30,804 MWh.

For the planned 14-MW Nabas-2 Wind Power Project (NWPP-2), PetroWind Energy Inc (PWEI) is carrying out the following on-going activities; namely 1) technical and commercial review of latest EPC proposals, and 2) final land lease agreement on turbine tower sites.

Tarlac Solar Power Project

The 50-MW_{DC} Tarlac-1 (TSPP-1) and 20-MW_{DC} Tarlac-2 (TSPP-2) Solar Power Plants are on continuous operations. From January 01 – March 31, 2022, the combined net exported output is 25,426 MWh (17,885 MWh from TSPP-1 and 7,542 MWh from TSPP-2).

The Energy Regulatory Commission (ERC) issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to ERC's public offering requirements on Gencos and the facility's Point-to-Point (P2P) conditions.

The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM Commercial Operations Date (COD) to January 25, 2022.

Puerto Princesa Solar Power Project

PGEC is still exploring alternative offtake arrangements for this project.

San Vicente Wind Hybrid Power Project

From January 01 – March 31, 2022, PGEC is continuing with the wind measurement campaign for the San Vicente Wind Hybrid Power Project (SVWHPP), to assess the long-term wind resource to support a potential wind-hybrid power project in San Vicente.

Plan of operations for the next 12 months:

Gabon, West Africa
Crude production will continue from the existing wells, as the Gabon Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes until at least 2028.

SC 14C2 - West Linapacan, Northwest Palawan
Operator Philodrill will conduct further G&G activities to validate the feasibility of extracting the remaining recoverable volumes in West Linapacan.

SC 75 - Offshore Northwest Palawan
Subject to government's safely and security clearance over the prospect area, the SC 75 Consortium will continue its preparations for the ~1,100 sq.km 3D seismic survey in SC 75, scheduled for Q2, 2022.

Maibarara Geothermal Power Project
Power generation from both Maibarara-1 and Maibarara-2 will continue.

Nabas Wind Power Project
The windfarm will be in continuous operation. For the project's 14-MW Phase 2, remaining tasks on EPC evaluation and land lease arrangements will continue.

Tarlac Solar Power Project
TSPP-1 and TSPP-2 will continue to supply electricity to the grid. Further, PSC aims to secure ERC conversion of TSPP-2's PAO into COC.

Puerto Princesa Solar Power Project
PGEC is exploring alternative offtake arrangements for this project.

San Vicente Wind Hybrid Power Project
PGEC will undertake the three-year pre-development stage, consisting of: 1) Two-year wind measurement campaign, 2) LGU and regulatory permitting works, and 3) technical and economic feasibility works for a potential wind-hybrid system in San Vicente.

PART II - Other Information

The Company has no other information that need to be disclosed other than disclosures made under SEC Form 17-C (if any).

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68

MARCH 31, 2022

Philippine Securities and Exchange Commission (SEC) issued the revised Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

<u>Schedule A. Financial Assets</u>
The Group is not required to disclose the financial assets in equity securities as the total financial assets at fair value through profit and loss securities amounting to ₱8.037 million do not constitute 5% or more of the total current assets of the Group as at March 31, 2022.

<u>Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)</u>
As of March 31, 2022, there are no amounts receivable from directors, officers, employees, related parties and principal stockholders that aggregates each to more than ₱100,000 or 1% of total assets which-ever is less.

<u>Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements</u>

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at March 31, 2022:

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Not Current	Balance at end of period
PetroGreen Energy Corporation	₱111,310	₱776,151	₱356,507	₱–	₱–	₱530,954
Maibarara Geothermal, Inc.	9,529	990,206	189,080	–	–	810,655
PetroSolar Corporation	9,529	998,279	606,875	–	–	400,933
	₱130,368	₱2,764,636	₱1,152,462	₱–	₱–	₱1,742,542

Please refer to Note 25 of the Consolidated Financial Statements.

<u>Schedule D. Long-term Debt</u>
Please refer to the Consolidated Audited Financial Statement, Note 17 for details of the loans.

<u>Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)</u>
The Group has no outstanding long-term indebtedness to related parties as of March 31, 2022.

<u>Schedule F. Guarantees of Securities of Other Issuers</u>
The Group does not have guarantees of securities of other issuers as of March 31, 2022.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of Shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	700,000,000	568,711,842	–	165,468,725	6,010,751	397,232,366

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF MARCH 31, 2022 AND DECEMBER 31, 2021

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the year ended March 31, 2022, March 31, 2021 and year ended December 31, 2021.

Financial ratios	**Formula**	**Unaudited 31-Mar-2022**	**Unaudited 31-Mar-2021**	**Audited 31-Dec-2021**
Current ratio (under page 31, KPI)	Total current assets / Total current liabilities	**1.97:1**	1.92:1	1.96:1
Solvency ratio	After tax net profit + depreciation / Long-term + short-term liabilities	**0.08:1**	0.05:1	0.24:1
Debt-to-Equity Ratio (under page 31, KPI)	Total liabilities / Total stockholder's equity	**0.59:1**	0.71:1	0.59:1
Asset-to-Equity Ratio (under page 31, KPI)	Total assets / Total stockholder's equity	**1.59:1**	1.71:1	1.69:1
Interest rate coverage ratios	Earnings before interest and taxes (EBIT) / Interest expense*	**4.65:1**	3.08:1	3.16:1
Return on revenue	Net income / Total revenue	**42.64%**	31.19%	27.47%
Earnings per share	Net income / Weighted average no. of shares	**₱0.3112**	₱0.1869	₱0.5723
Price Earnings Ratio	Closing price / Earnings per share	**₱15.43**	₱19.80	₱7.08
Long term debt-to-equity ratio	Long term debt / Equity	**0.43:1**	0.54:1	0.44:1
EBITDA to total interest paid	EBITDA** / Total interest paid	**24.65**	18.98	4.94

Interest expense is capitalized as part of the construction-in-progress account under PPE.

***Earnings before interest, taxes, depreciation and amortization (EBITDA)*

PETROENERGY RESOURCES CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2022

Unappropriated retained earnings, beginning	**₱53,226,723**
Prior year adjustments:	
Recognized gross deferred income tax assets, beginning	**16,280,154**
Unrealized marked-to-market gain on FVTPL	**(4,183,915)**
Unappropriated retained earnings, as adjusted, January 1, 2022	**65,322,962**
Net income based on the face of unaudited financial statements	**60,957,224**
Movement in gross deferred tax assets	–
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	**872,103**
Fair value adjustment - marked-to-market loss	**(449,547)**
Net loss actual/realized	**61,379,780**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION	**₱126,702,742**

PETROENERGY RESOURCES CORPORATION
REPORT ON SRO PROCEEDS
March 31, 2022

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 will be used for the development and expansion plans of the Group's renewable energy projects and general corporate requirements.

The table below shows the gross and net proceeds; each expenditure item where the proceeds were used:

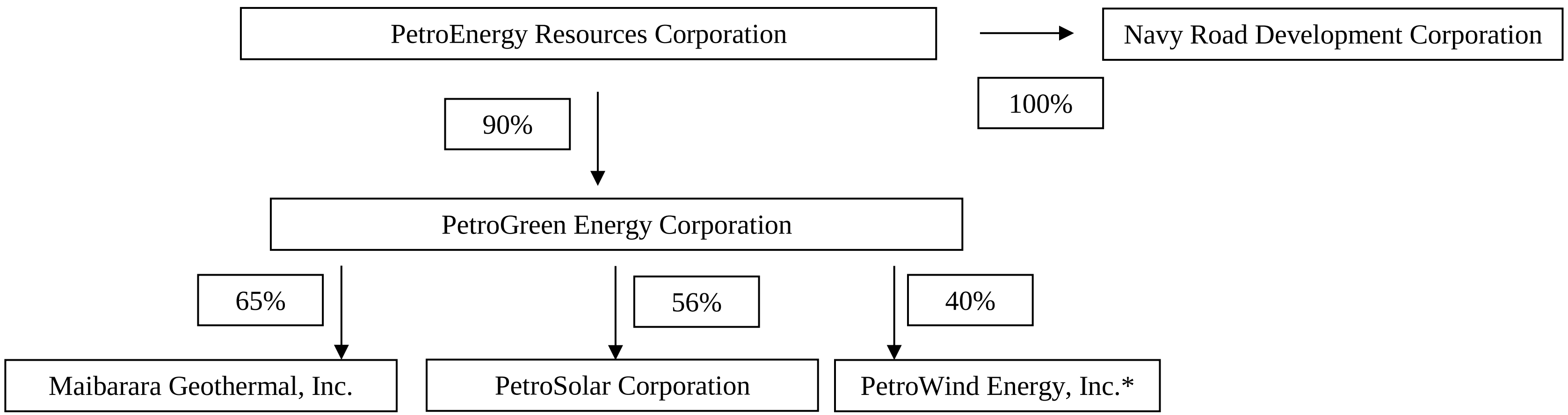
Proceeds from the Stock Rights Offering			
Gross Proceeds			PhP758,282,458
Less: Listing and Registration Fees			5,988,316
Net Proceeds			**PhP752,294,142**
	Inception to 31-Dec-21	**1st Quarter 31-Mar-22**	**Total**
Less: Expenditures			
A. Development and expansion of Renewable Energy Projects	370,129,536	-	370,129,536
B. General and Corporate requirements	36,774,276	-	36,774,276
C. Loans and Interest	177,720,542	-	177,720,542
Total Expenses Allocated to Proceeds	584,624,354	-	**584,624,354**
Remaining proceeds as of March 31, 2022			**PhP167,669,788**

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its subsidiaries as of March 31, 2022:

PETROENERGY RESOURCES CORPORATION

GROUP STRUCTURE



*Investment in a joint venture.

SIGNATURES

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

Registrant	:	**PETROENERGY RESOURCES CORPORATION**
Signature and Title	:	Milagros V. Reyes - President
Signature and Title	:	Carlota R. Viray – Asst. Vice President for Finance
Date	:	May 16, 2022